

NETCARE LTD

UN GLOBAL
COMPACT
ACTIVE COP

FEBRUARY 2020

CEO STATEMENT

I am pleased to confirm that Netcare supports the ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption. With this communication, we express our intent to advance those principles within our sphere of influence. We are committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Sustainable Development Goals.

The Social and Ethics Committee is responsible to ensure that the company complies and implements codes of best practice such as the; 10 principles set out in the UN Global Principles, 17 Sustainable Development Goals, OECD recommendations regarding corruption etc.



Netcare’s strategy is aligned to its values. We remain committed to the principles of the United Nations Global Compact, UN’s Universal Declaration of Human Rights, the International Labour Organisation Principles and Sustainable Development Goals. Netcare’s Social and Ethics Committee sets the tone for an ethical organisational culture and overseeing the Group’s commitment to social and economic development, fair labour practices, environmental responsibility, and good corporate citizenship.

Assurance on financial information and certain non-financial performance indicators has been obtained in line with our combined assurance model, with feedback provided to the Group’s Risk and Audit committees and the Executive Committee.

Non-financial information is assured by Internal Audit on a cyclical basis. The British Standards Institution (BSI) again awarded Netcare centralised ISO 9001:2015 certification in 2019, covering the Hospital division, Netcare Cancer Care (radiotherapy), Netcare 911, Medicross, National Renal Care and Netcare Education. In addition, Netcare will use the HIMSS² Analytics Electronic Medical Record Adoption Model to score our EMR capabilities.

Netcare completed and posted a Global Compact Active COP in February 2020, as a symbol of being committed to the ten principles, safeguarding the integrity of the UN Global Compact and the United Nations.

Richard Friedland
Group Chief Executive



NETCARE PROFILE

Netcare ranks as one of the world's largest healthcare groups, with 56 hospitals, 12 mental health hospitals and approximately 10 471 beds and 891 mental health beds under management, in an industry where scale is becoming increasingly important to improving affordability and quality of clinical services.

Through its comprehensive healthcare model, Netcare provides an extensive range of general and specialised medical care services mainly in Southern Africa. The Netcare Group employs 21 061 staff members through its ownership and management of 56 hospitals, 86 Primary healthcare facilities and 15 day clinics and 2 sub-acute facilities with 46 sub-acute beds.

Netcare ranks as one of the world's largest healthcare groups, with 56 hospitals and 12 mental health hospitals and approximately 11 446 beds under management, in an industry where scale is becoming increasingly important to improving affordability and quality of clinical services. Through its comprehensive healthcare model, Netcare provides an extensive range of general, mental health and specialised medical care services mainly in Southern Africa. The Netcare Group employs 21 061 staff members through its ownership and management of 56 hospitals, 12 mental health hospitals, 86 primary healthcare facilities and dental centres, 15 day clinics and 2 sub-acute facilities. The Netcare Group serves the needs of over 6.7 million patients a year. While Netcare's strategy is focused on its core hospital business, its vision of developing an integrated healthcare organisation has resulted in the establishment of complementary healthcare-related divisions. These include Netcare 911, the largest private emergency medical service in South Arica with a fleet of 202 emergency vehicles, and 83 emergency bases and 6 helicopter ambulances. National Renal Care (Pty) Ltd, with 67 units with 936 dialysis stations, and Netcare Travel Clinics.



Ten Principles of the UN Global Compact

HUMAN RIGHTS

ASSESSMENT, POLICY AND GOALS

Our operations and strategies align to the human rights principles encapsulated in SA's Constitution. This covers child, forced or compulsory labour and the right to freedom of association and collective bargaining. Our adherence to these principles is further strengthened through our human resources policies that emphasise our commitment to respect human rights. We are also a member of the United Nations Global Compact and support its 10 principles on human rights, labour, environment and anti-corruption.

CSI Governance

The Netcare Foundation subscribes to King IV which recognises the role of companies in social transformation in SA. The Netcare Foundation is managed by our CSI department which is staffed with dedicated employees who are committed to:

- ❖ Maintaining clear strategic guidelines;
- ❖ Seeking management support; and
- ❖ Ensuring staff and stakeholder buy in.

Additional information on the weblink.

https://www.netcare.co.za/InvestorReport/Netcare_annual-2019/documents/Netcare-AIR-2019.pdf

http://www.netcareinvestor.co.za/pdf/jse_sri/supporting_letter/udhr.pdf

IMPLEMENTATION

Netcare implemented an improved performance management system across the business. The improvements made included making the system more user-friendly, and the objectives are more closely aligned to functional activities and deliverables rather than generic HR competencies. The Netcare core values and caring the Netcare Way now account for a weighting of 50% of the total score; and the new system allows for greater variability in performance ratings moving from a 3-point scale to a 5-point scale.

CSI Spend

As a percentage of net profit after tax, Netcare's SA operations have consistently contributed above the targeted CSI spend of 91% on CSI initiatives. This is a clear indication of our commitment to healthcare needs in the country and is commensurate with best practice. In 2019, R31 million (2018: R35 million) was invested in healthcare-related CSI initiatives, 91% of Netcare's profit after tax.

Approach to Investing in Local Communities

The Netcare Foundation assists disadvantaged individuals to gain access to quality healthcare. Patient safety is key and governing policies cover all clinical pathways relevant to the Foundation and its applicants. Most medical specialists, who are required to comply with service level agreements, offer their services on a pro bono basis. The Foundation's person-centred programme allocates a co-ordinator to all beneficiaries, to navigate their journey from application and doctor assessment to examination, testing and hospitalisation as well as post discharge follow up and care.

Additional information on the weblink.

https://www.netcare.co.za/InvestorReport/Netcare_annual-2019/documents/Netcare-AIR-2019.pdf



MEASUREMENT OF OUTCOMES

doctor assessment to examination, testing and hospitalisation as well as post discharge follow up and care. Through the Hamilton Naki Clinical Scholarship we provide bursaries in all branches of academic medicine for South African specialists, enabling them to receive doctoral or post-doctoral training and research at leading local or overseas institutions for three or more years. Other aspects of our corporate social investment (CSI) programme include providing emergency services to indigent patients, human milk banks for the distribution of mother's milk to premature babies, scholarships for future doctors and donations to NGOs.

R31 million spent on CSI initiatives with 91% of beneficiaries being black people (2018: R35 million). Of our CSI spend, 83% qualified under the dti Codes (1.1% of SA NPAT). The Netcare Foundation and CSI self-assessments show a 100% compliance with key performance indicators (including demographic and income profile, not having medical insurance and alignment with our strategic priorities). No reported complications for any beneficiaries operated on or admitted to a Netcare facility.

Governance Surveys

Netcare voluntarily participated in a number of governance surveys for 2018 which include FTSE/JSE SRI, Dow Jones Sustainability Indices Assessment, Global Green Health Hospital 2020 Challenge and MSCI ESG Rating which assessed the human rights principle.

Additional information on the weblink.

https://www.netcare.co.za/InvestorReport/Netcare_annual-2019/documents/Netcare-AIR-2019.pdf

https://netcare.onlinereport.co.za/2019/netcare-annual-2019/documents/gri_report_including_b_bbee_scorecard.pdf

https://www.netcare.co.za/InvestorReport/Netcare_annual-2019/documents/Netcare-Full-Governance-2019.pdf

LABOUR

ASSESSMENT, POLICY AND GOALS

We review our human resources (HR) practices regularly as part of our continuous improvement programmes. We implemented improvements to our processes with further automation, which frees up additional capacity for the HR team to focus on Netcare's people. We also provided support to line managers to help them manage their teams more efficiently.

Human Capital Management Approach

We operate in a highly regulated, constantly changing and fast-paced environment. Through our engagement with employees, we aim to create a transparent and interactive platform that encourages our people to drive our systems leadership initiatives in line with our strategic priorities, as well as openly engage on issues that affect them in the workplace (including racism) and assist them to manage change.

Employee Relations

Netcare aims to provide a fair and productive environment and we are committed to effectively dealing with issues that impact the employer and employee relationship. Our internal disciplinary procedures are governed by the workplace relations policy, standard operating procedures and guidelines. Mechanisms are in place for employees to report any grievances, disputes and complaints. The Employment Relations department, together with executive and senior management, is the custodian of the policy in line with the compliance framework and applicable labour legislation.



Occupational Health and Safety

Our recognition agreements with trade unions cover occupational health and safety. This ensures that our health and safety measures in the workplace comply with the requirements of the Occupational Health and Safety Act. In line with these agreements, our onsite shop stewards act as union representatives in our health and safety committees. In addition, they report monthly to the Shop Steward Committee on health and safety issues in the workplace.

Additional information on the weblink.

https://netcare.onlinereport.co.za/2019/netcare-annual-2019/documents/gri_report_including_b_bbee_scorecard.pdf

IMPLEMENTATION

Training and Education

Employee growth and development is an integral part of our people strategy, and programmes such as Caring the Netcare Way and Leading the Netcare Way aim to enhance behaviours that support a culture of care. Caring the Netcare Way is targeted at all new employees as part of our induction programme, while Leading the Netcare Way supports the tangible growth in emotional intelligence, equipping our managers with the skills to effectively guide employees through change initiatives and drive quality and care.

Diversity Management

We are committed to promoting diversity and social cohesion within our workforce, and aspire to be a fully inclusive employer. We focus on: f Aligning our workforce with SA's national and regional economically active population demographics. f Gender parity. f Creating an environment that supports differently abled people. Diversity workshops and training, attended by management teams and employment equity committees, promote a culture of inclusiveness and facilitate dialogues on race, diversity and social cohesion. When required, training on disability awareness is also provided to our employees, including training that equips our employees with skills to communicate with people who have hearing impairments. We also encourage robust and transparent engagement on these issues through our transformation committees.

Employee Wellness

Through our Employee Wellbeing Programme, employees and their immediate family members have access to a range of support services. Telephonic and face-to-face counselling is available to employees on issues such as financial, legal, and family and relationship matters, as well as stress, trauma, health and work-related issues. The programme also offers managerial training workshops that assist our managers to effectively engage with their teams and deal with conflict

Human rights

Our operations and strategies align to the human rights principles encapsulated in SA's Constitution. This covers child, forced or compulsory labour and the right to freedom of association and collective bargaining. Our adherence to these principles is further strengthened through our human resources policies that emphasise our commitment to respect human rights. We are also a member of the United Nations Global Compact and support its 10 principles on human rights, labour, environment and anti-corruption.

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MEASUREMENT OF OUTCOMES

Employee wellbeing

Our employee wellbeing programme offers psychosocial support to employees and their immediate family members. Counselling is delivered telephonically or face to face and covers financial, legal, health, family, relationship and work related matters, as well as stress and trauma. The managerial support programme equips managers with the skills to improve team morale, effectively resolve conflicts and better support employees.

In partnership with ICAS2, launched ICAS-On-the-Go, a new wellness app that provides employees with access to free and confidential psychosocial support on their smartphones. Delivered preventative back care training in response to back pain being the second most common cause of absenteeism (after colds and flu). Delivered training sessions on coping strategies, managing stress and emotions, resilience and how to manage difficult conversations. Developed a standard operating procedure to assist employees impacted by the water crisis in the Cape region.

Workforce Diversity

We continued to align our **workforce** acquisition, development, promotion and retention strategy to both operational and transformation objectives resulting in sustained improvement in the racial, gender and dis/ability diversity of our workforce commensurate with the economically active population (EAP). Black people constitute 79% (2019: 78%) of our workforce (EAP: 90.9%). Netcare is a gender empowered organisation as women comprise 82% of our workforce and 75% of Netcare's management (CU to F band).

Training and Development

On people development, we invested 4.62% (R338 million) of total payroll on the training of black talent. The cost is inclusive of the direct and indirect costs of training. Training programmes offered are mainly aligned to the National Qualifications Framework (NQF) and are linked to designated careers in nursing, pharmacy, and various artisanal skills.

Approach to Transformation

We invested R35.7 million (1.3% of NPAT) on socio-economic development initiatives with specific focus on scholarships and a range of interventions that create access to quality healthcare for indigent patients. R26.2 million (1.06%) was recognised for B-BBEE purposes.

Preferential Procurement

Notwithstanding these efforts, our procurement spend on Qualifying Small Enterprises (QSE's), Emerging Micro Enterprises (EME's), 51% black owned, and designated groups remain behind the DTI target. Hence, we have proposed targets aimed at improving these specific areas of our preferential procurement scorecard at group and divisional level. We have proposed additional targets in certain areas of the business that remain behind group actuals on other criteria such as procurement spend on B-BBEE compliant suppliers and procurement spend on 30% black women enterprises.

Enterprise Development

Linked to our supply chain diversification strategy is the imperative of driving entrepreneurship growth through the inclusion of small, medium and micro enterprises in our supply chain. In 2018, we adopted a strategy of rechanneling procurement spend towards black owned and black women owned small businesses across all commodities with a group target of 10% (R1 billion) of measurable spend to be achieved by 2020 from a low base of 1.57% (R157 million) in 2018.



ENVIRONMENT

ASSESSMENT, POLICY AND GOALS

Environmental optimisation is an important contributor to Netcare's quality improvement efforts. Securing the supply of electricity and water required for our high-acuity operations is critical in delivering the best clinical outcomes and best patient experience. Actively managing our dependency on national utilities also provides cost savings, reduces our environmental impact and enables us to better manage our environmental risks.

Environmental performance is managed and monitored by the Environmental Sustainability Manager who is supported by an energy engineer. The Environmental Sustainability Manager reports directly to the Chief Executive Officer (CEO) and the Sustainability Committee. The committee is chaired by the CEO and reports into the Social and Ethics Committee, a subcommittee of the Netcare Board. Our material focus areas include:

- > Carbon emissions and energy supply and consumption.
- > Water supply and consumption.
- > Effluent and waste management.

Environmental optimisation is an important contributor to Netcare's quality improvement efforts. Securing the supply of electricity and water required for our high-acuity operations is critical in delivering the best clinical outcomes and best patient experience. The high acuity and specialised services result in higher than industry average energy intensities. Actively managing our dependency on national utilities not only reduce our risk exposure but also provides cost savings, reduces our environmental impact and enables us to better manage our environmental impact..

Additional information on the weblink.

[https://netcare.onlinereport.co.za/2019/netcare-annual-](https://netcare.onlinereport.co.za/2019/netcare-annual-2019/documents/gri_report_including_b_bbee_scorecard.pdf)

[2019/documents/gri report including b bbee scorecard.pdf](https://netcare.onlinereport.co.za/2019/netcare-annual-2019/documents/gri_report_including_b_bbee_scorecard.pdf)

https://www.netcare.co.za/InvestorReport/Netcare_annual-2019/documents/Netcare-Full-Governance-2019.pdf

http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/JSE%20SRI/FTSE%20ESG%20-%20Climate%20Change/ECC_Environmental_Sustainability_Policy_Energy.pdf?ver=2017-05-15-152551-343

http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/JSE%20SRI/FTSE%20ESG%20-%20Climate%20Change/ECC_Environmental_Sustainability_Management_Policy.pdf?ver=2017-05-15-152551-327

http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/JSE%20SRI/FTSE%20ESG%20-%20Climate%20Change/Environmental_Sustainability_Policy_Base_Year_Recalculation_Policy.pdf?ver=2017-05-15-152551-280

http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/JSE%20SRI/FTSE%20ESG%20-%20Climate%20Change/ESC_Environmental_Sustainability_Green_Procurement_Policy.pdf?ver=2017-05-15-152550-923

http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/JSE%20SRI/FTSE%20ESG%20-%20Climate%20Change/ECC_Environmental_Sustainability_Policy_Water_Management.pdf?ver=2017-05-15-152550-563

http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/JSE%20SRI/FTSE%20ESG%20-%20Climate%20Change/ECC_Environmental_Sustainability_Policy_Green_Procurement.pdf?ver=2017-05-15-152550-233

IMPLEMENTATION

Remuneration and performance bonuses are linked to the environmental programme for employees who are accountable for environmental performance within these divisions. Netcare has the following environmental sustainability policies in place:



- > An overarching environmental sustainability policy.
- > Energy policy.
- > Water management policy.
- > Hazardous substances policy.
- > General waste policy.
- > Green procurement policy.
- > Emissions policy.
- > Base year and baseline recalculation policy.
- > Health care risk waste policy.

The consultant guideline for green construction was developed and published at the end of the 2019 calendar year. We have developed a science-based target for emissions reduction through the 'We Mean Business' initiative in FY2019 to support limiting mean global temperature increase to 2°C, however this target is scheduled for review in 2023. In addition of the current owned renewable energy programme to, expand to a grid based renewable energy programme that will support a 1,5°C limit target. Our owned renewable energy programme is already approaching 10MW(peak), however it is reaching its peak due to the availability of usable space.

Our Enterprise Sustainability Platform generates daily and monthly and live dashboards of utility usage and plant efficiency to limit environmental impact across our facilities. The data collected through the platform informs our reporting to sustainability indices and the Carbon Disclosure Project (CDP), and assists us in identifying initiatives that support our strategic objectives and targets.

Training

Environmental training and information sessions take place at all levels of the business, covering the actions to be taken should an adverse event occur and the behaviours required to mitigate long-term environmental risk.

Scope of Reporting

Our environmental data for SA covers all Netcare hospitals, Medicross family medical and dental centres and Prime Cure clinics, including laundry and hospital vehicle transport. For energy and water consumption, as well as waste generation, the following are included in the scope:

- > Lesotho and the Public Private Partnerships (PPP) in SA.
- > Joint venture facilities in SA, including National Renal Care.
- > Netcare 911 facilities located at Netcare hospitals.

Carbon Emissions and Energy

In 2013, we implemented a ten-year strategy to achieve a targeted 35% reduction in energy intensity over 10 years for the SA operation. Our initial focus on electricity purchased is due to it being the largest utility expense, which accounts for around 80% of our total energy consumption and is the largest contributor to our carbon emissions. Since 2013, the Sustainability Committee has approved energy efficient, renewable energy and water projects valued at over R550 million. Of this, R496 million has been invested in optimisation and efficiency projects.

Our target is to reduce our energy use to 183 GWh by 2023, based on zero growth in patient day activity or floor space (2019: 213 GWh). We registered actual usage of 234 GWh, inclusive of our tenants which places us on the linear reduction trajectory for the 2023 target.

Electricity meters are installed on an ongoing basis at Netcare hospitals and more recently at Medicross and Akeso facilities. Meters are critical for establishing accurate baselines against which to measure, verify and report energy reductions. Audits are undertaken nationally and together with our online monitoring of facilities, we are able to identify opportunities to reduce our electricity consumption and additional projects for implementation.

We measure energy consumption against our performance in 2013, which is set as our base year. The baseline was calculated using energy audits undertaken across our network and a baseline and targets were established for each facility. Our baselines and targets are reviewed annually and the baseline is used to declare the savings that reflect directly in the financial statements.



Our energy, carbon footprint and water usage have been independently assured by Global Carbon Exchange SA Proprietary Limited (GCX). The assurance is undertaken as part of our disclosure to the CDP and verification was undertaken at a limited level of assurance. Assurance in accordance with: The principles of the WBCSD/WRI Greenhouse Gas Protocol Corporate Accounting Standard, 2nd Edition, 2004.

The International Standard ISO 14064-3 (2006) 'Specification with guidance for the validation and verification of greenhouse gas (GHG) assertions'. We are busy preparing a new 10 year strategy and will present this to business during the course of 2020 for approval of new targets for 2030, which will also impact on the original 2023 targets. As mentioned previously, we plan to review science-based targets in 2023 to attack the greenhouse gas emission problem more aggressively.

Water

We completed installing water meters at our hospitals. Targets will be set for each facility with a list of interventions and associated implementation plans. Our aim is to implement a stakeholder inclusive water stewardship programme that is socially equitable and environmentally sustainable, but also delivers an economic benefit. Our objective is to reduce our impact by 20% on water use (per bed per day) by 2025. We are also busy with water audits in our facilities to establish the highest water use areas and how reduction initiatives in the high consumption functional areas will contribute to the 20% reduction planned.

Waste Management

A waste strategy is in place and our approach to optimise waste management is based on the most preferred option of avoidance or prevention through reducing, re-using, recycling and disposal (the last being the least preferred option). Our audits of waste service providers cover compliance with waste management regulation, training, competency of staff, waste information systems, control and security, transportation, monitoring, environmental impact, and health and safety.

Additional information on the weblink.

[https://netcare.onlinereport.co.za/2019/netcare-annual-](https://netcare.onlinereport.co.za/2019/netcare-annual-2019/documents/gri_report_including_b_bbee_scorecard.pdf)

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https://www.netcare.co.za/InvestorReport/Netcare_annual-2019/documents/Netcare-Full-Governance-2019.pdf

MEASUREMENT OF OUTCOMES

Environmental Indicators

Good progress has been made on the electricity reductions impacting Scope 2 emissions, however in 2019 a jump in Scope 2 emission was experienced predominantly driven through an approximately 10% increase in Eskom emissions associated with every kWh generated by them. The emissions associated with Scope 1, our direct emissions, are driven by external factors such as supply interruptions impacting generator fuel usage, patient needs driving medical gas use, and road and air ambulance usage. Despite the increase in load shedding and generator fuel use by 129% in 2019, Scope 1 emissions reduced to 34 192 tonnes from 40 212 in 2018, but are still below the 2016 value, the highest registered since 2013 of 46 034 tonnes. While Scope 2 emissions increased from 187 422 tonnes in 2018 to 211 026 tonnes. The combined impact is 227 634 tonnes in 2018 versus 245 218 tonnes in 2019, a 7.7% increase.

Direct energy intensity per registered bed in 2019 reduced marginally to 19 gigajoules (GJ). The direct and indirect energy consumption baseline established in 2013 recorded 1 038 540 GJ, at 112 GJ per registered bed. In 2019, our energy use was 983 418 GJ with an energy intensity of 86 GJ per registered bed, but now includes our Mental health beds. This equates to a 23% reduction in energy intensity compared to the 2013 baseline intensity ratio.

Our total Scope 1 and 2 emissions for the 2013 base year were 33.561 tonnes of CO₂e per registered bed. In 2019, we recorded 21.34 tonnes of CO₂e per registered bed, a 36% reduction in intensity from baseline. Electricity is our main source of energy use. The Hospital division used 196 gigawatt hours (GWh) in 2019 (2018: 195GWh, 2017: 215 GWh, 2016: 224 GWh). The electricity meter project which allowed us to accurately account for our tenants' usage for the first time contributed to the reduction since 2018. Total energy usage by the SA operations and Lesotho for



the year, inclusive of tenants was 234 GWh (2018: 230, 2017: 233 GWh, 2016: 247 GWh, 2015: 240 GWh, 2014: 245 GWh, 2013: 248 GWh)¹. Our target is to reduce the energy use to 183 GWh by 2023 based on zero activity or floor area growth.

Our electricity expense for 2019 was R343 million (2018: R306 million, 2017: R288 million, 2016: 279 million, 2015: R259 million, 2014: R239 million, 2013: R235 million). If the sustainability projects had not been implemented, costs for 2019 would have been R430 million, implying a cost avoidance of R87 million in 2019 (2018: R77 million, 2017: R60 million, 2016: R30 million, 2015: R23 million, 2014: R15 million)¹, representing cumulative cost avoidance of R293 million since 2013. During 2019 our solar PV installations generated 12 GWh of renewable energy, contributing more than R17 million to the savings for the year.

Additional information on the weblink

[https://netcare.onlinereport.co.za/2019/netcare-annual-](https://netcare.onlinereport.co.za/2019/netcare-annual-2019/documents/gri_report_including_b_bbee_scorecard.pdf)

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[%20Climate%20Change/Netcare%20-%20CDP_Climate%20Change_2018.pdf?ver=2019-04-01-115140-760](https://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/JSE%20SRI/FTSE%20ESG%20-%20Climate%20Change/Netcare%20-%20CDP_Climate%20Change_2018.pdf?ver=2019-04-01-115140-760)

ANTI-CORRUPTION ASSESSMENT, POLICY AND GOALS

Our integrated application of the King Report on Corporate Governance for South Africa's (King IV)¹ principles and recommended practices is aimed at ensuring the intended governance outcomes of an ethical culture, good performance, effective control and legitimacy, which in turn support our achievement of the sector-specific objectives of the Quadruple Aim. These objectives challenge us to balance the value of our services with their cost to society, recognising that the quality of relationships with our people and partners are fundamental to this balance. As such, they align to King IV's foundational concepts of ethical leadership, corporate citizenship, sustainable development, stakeholder inclusivity, integrated thinking and reporting, and protecting value.

Our Board of directors (the Board) play a pivotal role in creating and protecting value by approving strategy, setting policy, and overseeing the Group's governance frameworks and control environment. The majority of the Board are independent nonexecutive directors who bring diversity to Board deliberations and the relevant expertise and experience to constructively challenge and hold executive management to account.

We operate a well-developed governance and delegation of authority framework to progress the achievement of our strategy, while ensuring we comply with legislation, practice good corporate behaviour and balance the interests of our stakeholders. The Board delegates duties to governance committees which provide an in-depth focus on specific areas, assisting it to discharge its responsibilities. The framework includes the subsidiary governance framework, ensuring that there is an appropriate flow of information between the subsidiaries and the Group.

Regulatory compliance

All Group divisions, business units, operational and administrative business areas and subsidiaries are required to comply with all applicable legislation and regulations. The Board is kept informed of regulatory changes, as well as changes to non-binding standards, codes and relevant sector developments that could potentially affect the Group and its operations. Adherence to non-binding rules is considered an integral part of doing business.

Compliance risk is monitored by the Risk Committee and managed through the compliance framework, which includes compliance reviews. Through the Compliance Committee, the compliance function monitors the legislative landscape on an ongoing basis and assesses the potential impact of new laws and regulatory amendments on the Group. Where changes are required, these responsibilities are assigned to implementation areas and business owners, and must be facilitated within defined timelines. We use a risk-based approach when reviewing the Group's policies



The framework governs the way decisions are made and how we behave, at Board, executive and management levels; it is not merely a function of reporting compliance. The governance, legal, ethics and compliance survey completed in 2019 across the Group confirmed that leadership is considered to act ethically, and a high level of awareness of ethics and related issues exists among our employees.

Ethics

We are committed to high moral, ethical and legal standards, and support the code, principles and values of the Health Professions Council of South Africa (HPCSA). All employees are expected to fulfil this commitment, including our policy of fair dealing and integrity when conducting Netcare's business. Our values, policies and Code of Ethics provide a governing framework for ethical leadership and behaviour, which is further supported by a human rights awareness programme that forms part of our induction programme.

Additional information on the weblink.

<http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/JSE%20SRI/FTSE%20ESG%20-%20Corporate%20Governance/Anti-Corruption-Policy.pdf?ver=2017-05-15-152523-260>

http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/JSE%20SRI/FTSE%20ESG%20-%20Corporate%20Governance/SSC_Supplier_Accreditation.pdf?ver=2017-05-15-152522-960

<http://www.netcare.co.za/Portals/0/Annual%20Reports/PDF/Netcare-annual-2018.pdf>

IMPLEMENTATION

Netcare's Code of Ethics guides the interaction between the Group and its stakeholders, including its partners and suppliers in the healthcare value chain. It articulates the Group's policy regarding conflicts of interest, gifts, confidentiality, fair dealings and the protection and appropriate use of Netcare's assets. Employees are required to disclose any potential conflicts of interest, as well as any gifts or invitations by a supplier or third party. A number of initiatives are used to entrench the code's principles and ensure that it is consistently applied within the Group, including training interventions, awareness campaigns and an annual survey.

Our well-developed governance and delegation of authority framework provides the roadmap for achieving our strategic priorities within compliance requirements and by balancing the interests of our stakeholders. The governance committees provide an in-depth focus on specific areas, assisting the Board to discharge its responsibilities. Each governance committee is chaired by an independent non-executive director. The governance committees and the Executive Committee are supported by a number of operating committees. The Board and its governance committees fully complied with their terms of reference.

Managing Unethical Behaviour

We take a zero-tolerance approach to theft, fraud and corruption, as well as discrimination and racism. Group Forensics investigates all reported incidents of theft, fraud and corruption and all confirmed cases are reported to the South African Police Services and, where appropriate, to the applicable registered bodies such as the HPCSA. Civil recoveries are pursued by prejudiced business units where financially appropriate.

Employees receive regular communication on recent fraud trends and the nature of matters investigated by Group Forensics. A number of mechanisms are in place for stakeholders to report irregularities such as alleged theft, or fraudulent, corrupt or unethical behaviour, including unethical medical behaviour. Group Forensics can be contacted by telephone, email or meeting request, and the Fraud and Ethics Hotline is available to stakeholders wanting to protect their anonymity.

These mechanisms are available to all Netcare employees and to the public, including suppliers and patients. An anonymous toll-free line (SHOUT) allows employees to report alleged or perceived discriminatory or racist action or behaviour. The service is delivered in partnership with Independent Counselling and Advisory Services (ICAS), which operates a confidential call centre.



Combined Assurance

Our five levels of assurance model, underpinned by the governance and delegation of authority framework and aligned to King IV, is designed to effectively address the organisation's key risks and material matters through a combination of the following assurance service providers and functions appropriate for the organisation:

- First line: assurance provided to the Board by the governance committees.
- Second line: executive management, which is responsible for acting timeously on significant escalated issues.
- Third line: specialist functions that facilitate and oversee risk management and compliance.
- Fourth line: internal auditors, internal forensic fraud examiners and statutory actuaries.
- Fifth line: independent external assurance service providers, including external auditors.

Additional information on the weblink.

<http://www.netcare.co.za/Portals/0/Investor%20Relations/Governance/Corporate%20governance%20report/Netcare IAR 2017 Full corporate governance report.pdf>

MEASUREMENT OF OUTCOMES

Ethics

Every incident reported through these mechanisms is investigated, logged in the defalcation register and reported to management every second month. A forensics report summarising the defalcation register, fraud trends and material incidents is included in the meeting packs distributed to the Audit, Risk, Quality Leadership and Social and Ethics committees.

Employees, management and external parties (the public, suppliers and patients) can contact Group Forensics to report irregularities such as alleged theft, or fraudulent, corrupt or unethical behaviour, including unethical medical behaviour. They can also use the Fraud and Ethics Hotline to protect their anonymity. The anonymous toll-free SHOUT line allows employees to report alleged or perceived discriminatory or racist action or behaviour.

Compliance

Our integrated application of King IV™'s principles and recommended practices is aimed at achieving the Code's intended outcomes of an ethical culture, good performance, effective control and legitimacy. The Board is pleased with the Group's progress towards the implementation of the King IV™ principles and recommended practices and is satisfied that the Group has complied with the amended JSE Listings Requirements. The internal audit function independently assured the implementation of King IV™ (excluding the requirements related to internal audit) and confirmed that the principles have been applied. The Board is satisfied that IT governance is properly managed and aligned with business needs and strategy.

Assurance and Verification

The Global Carbon Exchange SA Proprietary Limited independently assured selected environmental indicators. The verification, at a limited level of assurance, was performed in accordance with the principles of the WBCSD/WRI GHG Protocol Corporate Accounting Standard, 2nd Edition, 2004, and with ISO 14064-3 (2006).

FTSE Russell

The FTSE ESG indicator measures performance of companies on climate change, water use, biodiversity, pollution and resources, supply chain, health and safety, labour standards, human rights, tax transparency, anti-corruption, risk management and corporate responsibility and governance. Netcare was included in the FTSE/JSE Top 30 Responsible Investment Index.


Our B-BBEE scorecard was independently evaluated and verified by Empowerdex



CDP

Scored a B for both climate change and water in the 2018 CDP, the latest survey undertaken (2017 survey: B for both climate change and water).

FTSE/JSE Top 30 Responsible Investment Index

|  | Total score | 2019 score | 2018 score |
|---|-------------|------------|------------|
| Environmental | 5 | 3.5 | 5.0 |
| Social | 5 | 4.3 | 3.5 |
| Governance | 5 | 5.0 | 5.0 |
| Overall ESG rating | 5 | 4.3 | 4.4 |

Note: our environmental score declined due to the change in methodology used to assess water consumption.

Revised dti Code scorecard

Achieved a Level 4 B-BBEE rating (2018: Level 5).

Dow Jones Sustainability

Included in the Dow Jones Emerging Markets Index for the sixth consecutive year, achieving a score of 82% (2018: 81%).

MSCI ESG Research Inc.

(a research-based index and analytics provider that assesses ESG business practices)



Rated 'AA' on a six-point scale (AAA-CCC) (2018: AA).

Sustainalytics

| | |
|------------------------------|------------------|
| Overall score | 74% |
| – Relative position (leader) | 6/123 |
| – Percentile (leader) | 95 th |
| Environment (out-performer) | 82% |
| Social (out-performer) | 63% |
| Governance (out-performer) | 83% |

Institutional Shareholder Services

(a research-based index and analytics provider that assesses ESG business practices)



Rated B- on a ten-point scale (AAA-DDD).

| | Grade | Weight |
|-------------|-------|--------|
| - | | |
| Environment | C+ | 30% |
| Social | B- | 70% |
| Governance | B- | 70% |

Association of Energy Engineers



Netcare won the Sub-Saharan Africa Region Corporate Energy Management Award.

Additional information on the weblink.

https://www.netcare.co.za/InvestorReport/Netcare_annual-2019/documents/Netcare-Full-Governance-2019.pdf

https://netcare.onlinereport.co.za/2019/netcare-annual-2019/documents/gri_report_including_b_bbee_scorecard.pdf

SUSTAINABLE DEVELOPMENT GOALS



Netcare’s strategy is aligned to its values. We remain committed to the principles of the United Nations Global Compact, UN’s Universal Declaration of Human Rights, the International Labour Organisation Principles and Sustainable Development Goals. The key focus of the Social and Ethics Committee is to assist the Board in setting the tone for an ethical organisational culture and overseeing the Group’s commitment to social and economic development, fair labour practices, environmental responsibility, and good corporate citizenship.



The principles of good corporate governance recommended by King IV™. Our integrated application of King IV™’s principles and recommended practices is aimed at achieving the Code’s intended outcomes of an ethical culture, good performance, effective control and legitimacy.



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We all know how important it is to be in good health. Our health affects everything from how much we enjoy life to what work we can perform. That's why there's a Goal to make sure everyone has health coverage and access to safe and effective medicines and vaccines. Netcare's strategy is to ensure the patient is at the centre of the health and care that Netcare provides.

Our values of treating every individual with dignity, respect and compassion are further enhanced by ensuring that they are provided with the knowledge, skills and confidence to make more informed decisions about their own health and healthcare. Various person centred health and care initiatives are being piloted at multiple hospital sites and are also being integrated into the training of staff and healthcare providers. Technology platforms, in combination with developing data analytics capabilities, will play an important role in supporting each individual in their health and care journey.



Education is one of the most important investments a country can make in its future and its people. It removes barriers in the economy by allowing for greater equality of opportunity, thereby opening up access to a better life for all. Netcare through Hamilton Naki Clinical Scholarship provides bursaries in all branches of academic medicine to assist South African specialists to undertake doctoral or post-doctoral training and research at leading local or overseas institutions for three or more years. Furthermore, professional development of our staff, the provision of learnerships and our education focused CSI investments.



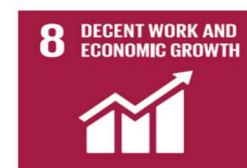
Netcare is committed in building an organization devoid of gender discrimination, guaranteeing equal access to employment opportunities and developing a culture through a diverse transformation initiatives and gender representation. The Nominations Committee ensures that Board comprises of gender diverse directors with the required skills, knowledge and experience. Netcare Board consists of 4 (40%) women which is above the 35% target as outlined in the Board Appointment and Gender Diversity Policy.



Netcare took various actions to understand and aim to develop proactively a reasonable response strategy to the potential crisis with water in South Africa. Netcare through its environmental sustainability initiatives, it's embarking on water quality initiatives to address challenges of the water concerns. The initiatives relate to the national roll-out of water check meters and water quality assurance to ensure safe water use for patients.



'We implemented sustainable initiatives to be more energy-efficient and invest in clean energy sources. The efficient use of affordable, reliable and sustainable energy is paramount to achieving these objectives. Netcare is committed to developing integrated, sustainable energy solutions that would yield energy and cost saving benefits.



An important part of economic growth is that people have jobs that pay enough to support themselves and their families. Our objective for the 2019 financial period was to progress our contributions towards the transformation of our own Netcare and the broader society with the aim of improving our B-BBEE rating from the current Level 5 to Level 4. Accordingly, we planned and executed a range of targeted initiatives across all five pillars of our transformation strategy. The Netcare Board of Directors approved the implementation of an employee equity ownership transaction.



Technological progress helps us address big global challenges such as creating jobs and becoming more energy efficient. Netcare is bridging the digital divide, promoting sustainable industries, and investing in scientific research and innovation are all important ways to facilitate sustainable development. Globally, the delivery of healthcare is increasingly being transformed by the digitisation of processes, clinical records and the intelligent application of data. Netcare's service offering is rapidly evolving to align with

these trends and the Group is firmly on track to achieve its strategic objectives of providing person centred health and care that is digitally enabled and data driven.



The policies that create opportunity for everyone must be adopted, regardless of who they are or where they come from. Income inequality is a global problem that requires global solutions. That means improving the regulation of financial markets and institutions, sending development aid where it is most needed and helping people migrate safely so they can pursue opportunities. Netcare is Promoting diversity in our workforce continues to be an area of focus within our transformation strategy. We have achieved positive improvements in the racial, gender and disability profile of our workforce at various levels of occupations.



We can manage our natural resources more efficiently and dispose of toxic waste better. Cut per capita food waste in half globally. Get businesses and consumers to reduce and recycle waste. My Walk is an initiative created by founding partners Netcare and Adcock Ingram Critical Care (AICC). The objectives of My Walk is to: increase the recycling of non-hazardous and uncontaminated PVC items used in the healthcare environment; use the recycled material to manufacture school shoes that are donated to children in need; and create employment and sustainable businesses within this value chain through enterprise and supply development activities.



Every country in the world is seeing the drastic effects of climate change, some more than others. It is still possible, with the political will and technological measures, to limit the increase in global mean temperature to two degrees Celsius above pre-industrial levels and thus avoid the worst effects of climate change. The Sustainable Development Goals lay out a way for countries to work together to meet this urgent challenge. Netcare as the signatory to the UN Global Compact has taken various environmental initiatives to address the science-based target challenge to align with both the South African government's expectation as well as a commitment to agree and approve a science-based target aligned to COP 21.



The Sustainable Development Goals aim to reduce all forms of violence and propose that governments and communities find lasting solutions to conflict and insecurity. Netcare has 37 Sexual Assault Centres in operation throughout the country. Dedicated to providing professional healthcare and compassion to survivors of rape, these specialist units have treated over 8 600 patients since their inception, 86% of whom were female and 5% men.



There's a growing consensus about the need to work together to stop climate change. And the Sustainable Development Goals are no small matter either. Netcare partners with various organization to create employment and sustainable businesses. We have invested R18.5 million (0.85% of NPAT) towards the support of black owned and black owned SMME's against the DTI target of 1%.

