

2023



# Netcare Limited Shareholder report

for the year ended 30 September 2023

Providing YOU with the best and safest care.



**NETCARE**

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# Our reporting suite



## Integrated report

Primary report to stakeholders available in print and online

Provides material information on the Group's strategy to create a sustainable competitive advantage and deliberate social, economic and environmental value; in particular how Netcare creates and preserves enterprise value and mitigates its erosion over time, in relation to the six capitals. The integrated report contextualises and connects material information and data that is analysed in more detail in the supplementary reports. It complies with the JSE Limited (JSE) Listings Requirements and the South African Companies Act 71 of 2008, as amended (Companies Act).

### Reporting frameworks applied:

- International <IR> Framework (January 2021).
- King Report on Corporate Governance for South Africa (2016)<sup>1</sup> (King IV)<sup>1</sup>.

Strategic pillars covered:

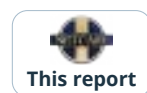


## Supplementary reports

Publications that cater to the specific information needs of our stakeholders and satisfy compliance reporting requirements, available online at [www.netcare.co.za/Netcare-Investor-Relations](http://www.netcare.co.za/Netcare-Investor-Relations).



## Shareholder report

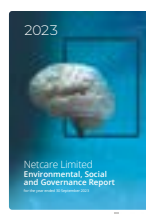


Provides detailed disclosure on the Group's approach to corporate governance, its full remuneration policy and implementation report, and the summarised Group annual financial statements; of particular interest to shareholders, investors, debt providers and regulators. The report complies with the JSE Listings Requirements and the Companies Act.

### Reporting framework applied:

- King IV.

Strategic pillars covered:



## Environmental, social and governance report

Sets out in detail the Group's economic, social and environmental impacts and the governance practices and approaches that ensure they are appropriately managed; of particular interest to shareholders, investors, analysts, regulators and broader society.

### Reporting frameworks applied:

- King IV.
- Global Reporting Initiative (GRI) Standards (core option).
- Task Force on Climate-related Financial Disclosures (TCFD).

Strategic pillars covered:



## Quality report

Sets out the Group's consistency of care strategy, and includes clinical outcomes data and measurement requirements; of particular interest to patients, doctors and funders.

Strategic pillars covered:



## Annual financial statements

Sets out the Group's audited annual financial statements and includes the report of the independent auditor. The report complies with the JSE Listings Requirements and the Companies Act.

### Reporting frameworks applied:

- King IV.
- International Financial Reporting Standards (IFRS).
- South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides.

Strategic pillars covered:



## Additional information

- GRI content index.
- TCFD content index.
- Notice of AGM and proxy form.
- Hospital listing.

## Feedback

We welcome your feedback to enhance the quality of our integrated report and supplementary information. Please email your feedback to [ir@netcareinvestor.co.za](mailto:ir@netcareinvestor.co.za).







<sup>1</sup> King IV copyright: copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.

# Board of directors

The Board approves strategy, sets policy, ensures capital prudence and oversees the Group's governance frameworks and control environment, ensuring that value is created and protected for stakeholders as Netcare transforms to a person centred organisation that is digitally enabled and data driven.

## Non-executive directors

- Audit Committee
- Nomination Committee
- Risk Committee
- Remuneration Committee
- Social and Ethics Committee
- Consistency of Care Committee
- C Chair

 <div style="background-color: #1a3d4d; color: white; padding: 5px; text-align: center; margin-bottom: 10px;"> <b>MR (Mark) Bower   68</b> </div> <div style="font-size: 0.8em;"> <p><b>Independent Board chair</b> BCom (Cum Laude), BCompt, BCompt (Hons), CA(SA) <b>Skills:</b> governance, general business management, global commerce, financial services, human resources, compensation. <b>Nationality:</b> South African <b>Appointed:</b> 23 November 2015 <b>Tenure:</b> 8 years <b>New appointments:</b> appointed chair of the Board and Nomination Committee, and a member of the Social and Ethics Committee, effective 1 January 2023. Also appointed chair of the Remuneration Committee effective 3 February 2023. <b>Board attendance:</b> 4/4</p> </div>	 <div style="background-color: #1a3d4d; color: white; padding: 5px; text-align: center; margin-bottom: 10px;"> <b>B (Bukelwa) Bulu   46</b> </div> <div style="font-size: 0.8em;"> <p><b>Independent non-executive director</b> BBusSci Hons, PGDA, CA(SA) <b>Skills:</b> governance, general business management, investment banking, financial services. <b>Nationality:</b> South African <b>Appointed:</b> 23 November 2015 <b>Tenure:</b> 8 years <b>New appointments:</b> appointed chair of the Audit Committee effective 1 March 2023. <b>Board attendance:</b> 4/4</p> </div>	 <div style="background-color: #1a3d4d; color: white; padding: 5px; text-align: center; margin-bottom: 10px;"> <b>L (Lezanne) Human   54</b> </div> <div style="font-size: 0.8em;"> <p><b>Independent non-executive director</b> BSc Hons Operations Research (Cum Laude), MSc Applied Mathematics (Cum Laude), MBA (Cum Laude) <b>Skills:</b> governance, digital/large scale technology implementation, general business management, global commerce, financial services. <b>Nationality:</b> South African <b>Appointed:</b> 13 May 2019 <b>Tenure:</b> 4 years <b>New appointments:</b> appointed chair of the Consistency of Care Committee and a member of the Remuneration Committee effective 1 January 2023. <b>Board attendance:</b> 4/4</p> </div>
 <div style="background-color: #1a3d4d; color: white; padding: 5px; text-align: center; margin-bottom: 10px;"> <b>I (Ian) Kirk   65</b> </div> <div style="font-size: 0.8em;"> <p><b>Independent non-executive director</b> CA(SA) <b>Skills:</b> governance, general business management, global commerce, financial services, strategy consulting, compensation. <b>Nationality:</b> South African <b>Appointed:</b> 1 January 2023 <b>Tenure:</b> 9 months <b>New appointments effective from 1 January 2024<sup>1</sup>:</b> appointed chair of the Risk Committee and a member of the Remuneration Committee. <b>Board attendance:</b> 3/3</p> </div>	 <div style="background-color: #1a3d4d; color: white; padding: 5px; text-align: center; margin-bottom: 10px;"> <b>A (Alex) Maditse   61</b> </div> <div style="font-size: 0.8em;"> <p><b>Independent non-executive director</b> BProc LLM <b>Skills:</b> governance, general business management, global commerce, investment banking (mergers and acquisitions), legal, compensation. <b>Nationality:</b> South African <b>Appointed:</b> 7 June 2023 <b>Tenure:</b> 4 months <b>New appointments:</b> member of the Social and Ethics and Consistency of Care Committees. Appointed as a member of the Nomination Committee from 1 January 2024<sup>1</sup>. <b>Board attendance:</b> 1/1</p> </div>	 <div style="background-color: #1a3d4d; color: white; padding: 5px; text-align: center; margin-bottom: 10px;"> <b>Dr R (Roze) Phillips   53</b> </div> <div style="font-size: 0.8em;"> <p><b>Independent non-executive director</b> MBChB, MBA, Dip Future Studies (USB) <b>Skills:</b> governance, digital/large scale technology implementation, general business management, strategy consulting, human capital (transformation). <b>Nationality:</b> South African <b>Appointed:</b> 1 January 2022 <b>Tenure:</b> 2 years <b>New appointments:</b> appointed chair of the Social and Ethics Committee and a member of the Nomination Committee effective 1 January 2023. <b>Board attendance:</b> 4/4</p> </div>

*Notes*

*T Brewer and T Leoka resigned 31 December 2022 and 8 March 2023, respectively.  
M Kuscus and K Moroka retired at the end of 2022, and D Kneale retired from 3 February 2023.  
1. As per SENS announcement issued on 20 November 2023.*

## Non-executive directors continued



**L (Louisa) Stephens | 47**

**Independent non-executive director**  
CA(SA) and chartered director

**Skills:** governance, general business management, global commerce, investment banking, financial services.

**Nationality:** South African

**Appointed:** 1 January 2023

**Tenure:** 9 months

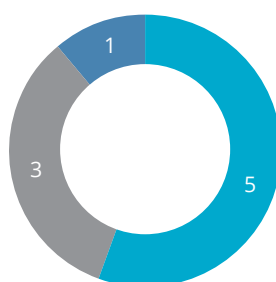
**New appointments:** member of the Audit and Remuneration Committees effective 1 January 2023. With effect from the conclusion of the AGM on 2 February 2024, Ms L Stephens will assume the role of chair of the Remuneration Committee<sup>1</sup>.

**Board attendance:** 3/3

## Board composition

At 30 September 2023

Age (number)



- 46 to 55 years of age
- 56 to 65 years of age
- Older than 65 years of age

**Average age: 56**

We seek to balance experience and institutional memory with youthful energy and fresh insight. The Board continuity programme addresses succession planning and ensures that skill sets are retained following the retirement of members and that the Board functions effectively over time.

Independence (number)



- Independent non-executive directors
- Executive directors

Independent non-executive directors are re-elected every three years. Board chair, Mr Mark Bower, is independent and free from any conflict of interest.

Diversity

**44%**

**Black South African**

FY 2023 target: 44%

FY 2022: 55%

FY 2021: 44%

**44%**

**Women**

FY 2023 target: 44%

FY 2022: 55%

FY 2021: 44%

**33%**

**Black women**

FY 2023 target: 33%

FY 2022: 45%

FY 2021: 33%

The Board appointment policy ensures a formal and transparent appointment process with a focus on race and gender and attributes of culture, age, field of knowledge, skills and experience, and broader diversity aspects.

*Note: our Board diversity targets are lower than those for FY 2022 as the Board composition has now normalised from being in a transition phase in FY 2022 with a number of retirements and new appointments.*

## Executive directors



**Dr RH (Richard) Friedland | 61**

**Chief executive officer**

BvSc, MBCh (Cum Laude), Dip Fin Man, MBA

**Skills:** governance, healthcare, digital/large scale technology implementation, general business management, global commerce, financial services, human resources, compensation, environmental and sustainability management.

**Nationality:** South African

**Appointed:** 15 May 1997

**Tenure:** 26 years

**Board attendance:** 4/4



**KN (Keith) Gibson | 53**

**Chief financial officer**

BAcc, CA(SA)

**Skills:** governance, healthcare, general business management, global commerce, investment banking, financial services, human resources, compensation.

**Nationality:** South African

**Appointed:** 10 November 2011

**Tenure:** 12 years

**Board attendance:** 4/4

# Governance report

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## Linking governance to purpose

Netcare's Board of directors (the Board) subscribes to the principles of King IV, the Companies Act, the JSE Listings Requirements and other relevant laws. The Board's integrated application of King IV's principles and recommended practices aims to achieve the intended governance outcomes of an ethical culture, good performance, effective control and legitimacy. These outcomes are pivotal to the delivery of the Group's purpose – to deliver the best and safest care. They support the Group's achievement of the international sector-specific objectives of the **Quadruple Aim** – to balance the value of our services with their cost to society while supporting meaningful work for healthcare providers – the ultimate expression of our commitment to good corporate citizenship. Hand in hand with our commitment to the **Quadruple Aim** is our strong focus on, and sector-leading approach to, environmental sustainability – a keen example of how we embrace our ESG<sup>1</sup> commitments as fundamental to our strategy.

The Board considers sound corporate governance pivotal to delivering on Netcare's purpose. It is committed to a transparent and effective governance process that provides stakeholders with a high degree of confidence that the Group is being managed ethically, within acceptable risk parameters and in compliance with all applicable laws and international best practices. To create and protect value for stakeholders as Netcare transforms into a patient centred organisation that is digitally enabled and data driven, the Board approves strategy, sets policy, ensures capital prudence and oversees the Group's governance frameworks and control environment.

The Board met four times during FY 2023 with additional ad-hoc meetings held to support and provide counsel to the executive team. Collectively, the diversity, skill and experience of the Board ensure robust deliberations at Board meetings guided by strategic considerations. The Board acts ethically, responsibly and effectively. When making decisions, Board members do so independently and with competence and diligence. All Board directors have an excellent attendance record.

1. Environmental, social and governance.

## King IV outcome: ethical culture

### Ethics

#### King IV principles 1 and 2

##### Key Board activities in FY 2023

###### Reviewed:

- The progress of the #WeCare projects to embed compassion into the Group's culture.
- The defalcation register as well as reported unethical medical practice incidents.
- The findings of Internal Audit's investigations of incidents of alleged fraud and the measures taken to address incidents that were found to be valid.
- POPIA<sup>1</sup> compliance and training.
- Board member and Executive Committee member declarations regarding their personal financial interests.
- Reviewed the effective functioning of independent panel of clinicians for clinical peer review.

###### Monitored:

- The doctor credentialing process.
- The implementation of clinical governance and patient safety frameworks.
- Patient perception of care, as well as clinician engagement and staff wellness.

###### Oversaw:

- Initiatives to raise awareness around compliance with competition law and the prevention of fraud, bribery and corruption.

##### Key outcomes for the Group in FY 2023

- 3 696 new employees received ethics and anti-corruption and -bribery training.
- 7 330 hours spent training 5 095 new employees on human rights.
- The FY 2023 employee ethics survey<sup>2</sup> indicated an entrenched ethics culture and a high level of awareness of ethics and related issues.
- 206 incidents of alleged fraud and irregularities were reported (FY 2022: 113). All incidents, barring four that are still under investigation, have been investigated and closed.
- The annual declaration of interest process was expanded beyond directors and prescribed officers to include the whole Executive Committee.
- Various policies and procedures were updated, including all HR policies to ensure that we are consistently adopting best practice across the Group in the way we manage our human capital.

##### Board opinion and focus for FY 2024

The Board is satisfied with the implementation of the King IV principles relating to ethical leadership and recommended practices as well as the various best practice risk mitigating approaches undertaken by management to ensure ethical business conduct. The Board will continue to oversee the Group's initiatives to enhance ethics compliance and awareness, which include a digital awareness campaign and expanding training to more employees across the Group.

#### Committees that assist the Board

Audit Committee | Risk Committee | Social and Ethics Committee | Consistency of Care Committee

#### Additional information



Integrated report

Our patients: PG 108



Online

Quality report

1. Protection of Personal Information Act.



Netcare's Code of Conduct guides the interaction between the Group and its stakeholders, including its partners and suppliers in the healthcare value chain.

The Board assumes ultimate responsibility for the Group's ethical performance. Its oversight of strategy rests on an ethical foundation and directors hold one another accountable for acting in the best interests of the Group. The Board ensures awareness around Netcare's commitment to doing business ethically, compliance with and consistent application of Netcare's Code of Conduct, and compliance with the Group's business ethics programme, including strict adherence to laws and regulations relating to the prevention of bribery, corruption, fraud and money laundering.

Management is responsible for embedding the Code of Conduct across the Group.

### Ethics governing framework

All employees are expected to fulfil this commitment to high moral, ethical and legal standards, and the code, principles and values of the HPCSA<sup>1</sup> when conducting Netcare's business. Our values, policies and Code of Conduct provide the governing framework for ethical leadership and behaviour, further supported by human rights and anti-corruption awareness which is included in our induction programme for new employees.

The Code of Conduct articulates Netcare's policy regarding conflict of interest, gifts, confidentiality, fair dealings and the protection and appropriate use of Netcare's tangible and intangible assets. Employees must disclose potential conflict of interest, gifts and invitations by a supplier or third party.

### Ethics training and awareness

Training interventions, fraud awareness campaigns and an annual employee compliance and ethics survey entrench the Code's principles and help us maintain a values-based culture

beyond compliance. The ethics survey assesses familiarity with ethics policies and structures, eliciting employees' views of the Netcare culture (leadership and engagement) and how core values are lived in management's daily decision-making.

### Guarding against unethical behaviour

We take a zero-tolerance approach to theft, fraud and corruption, discrimination and racism. Group Forensic Services investigate 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 body such as the HPCSA. Civil recoveries are pursued when this is financially appropriate.

### Mechanisms to report unethical behaviour

Mechanisms are in place for all Netcare employees and the public to report irregularities and unethical behaviour, including unethical medical behaviour. Forensic Services can be contacted via the Fraud and Ethics Hotline (available to whistle-blowers wanting to protect their anonymity), a dedicated email for fraud reporting or direct communication. Victimisation of whistle-blowers is not tolerated.

The anonymous toll-free SHOUT line allows employees to report alleged or perceived incidents of racism, sexism, discrimination, harassment, or any human rights violations. The service is delivered in partnership with ICAS<sup>2</sup>, which operates a confidential call centre that provides support to affected parties.

Every incident reported through the above-mentioned mechanisms is investigated. Reports of alleged theft, fraud or unethical behaviour are logged in the defalcation register and reported to management every second month. A summary of the defalcation register, fraud trends and material incidents are periodically provided to the Risk and Social and Ethics Committees.

Fraud and ethics reporting	2023	2022	2021
Incidents of alleged fraud and irregularities	203	113	182
Incidents of alleged unethical medical behaviour	3	-	-
<b>Total incidents of alleged misconduct</b>	<b>206</b>	113	182
Incidents investigated and closed <sup>1</sup>	201	105	161
<b>Mechanism used</b>			
Dedicated fraud email <sup>2</sup>	41	-	-
Fraud and ethics hotline <sup>3</sup>	14	13	21

1. Open cases are still under investigation.

2. Not previously reported.

3. The balance of incidents were reported through other mechanisms such as direct engagement or the incident management system.

1. Health Professions Council of South Africa.  
2. Independent Counselling and Advisory Services.

# Governance report continued

Most of the incidents reported in FY 2023 related to either theft or medical aid fraud with the majority being perpetrated by third parties. The majority of these incidents were reported directly to Forensic Services either by telephone or email.

The Fraud and Ethics Hotline facilitates anonymous reports of unethical behaviour.

[0860FRAUD1 \(0860 372 831\)](tel:0860FRAUD1)

If anonymity is not a concern, reports can be made to:  
[fraud@netcare.co.za](mailto:fraud@netcare.co.za)

Toll-free line to report incidents of discrimination:  
[0800 611 036](tel:0800611036)

## Conflict of interest

Directors are required to timeously inform the Board of actual or potential conflict of interests regarding particular items of business or other directorships. In addition, in line with various legislation, directors, prescribed officers and certain senior managers submit a declaration of their material interests at least once a year or more frequently should their circumstances change. The Audit Committee monitors and oversees significant related party transactions and relationships.

## Share dealings

The directors' dealing policy governs directors' dealings in Netcare shares and is supplemented with additional guidance on how to manage price-sensitive information and the appropriate cautionary conduct required during a closed period. All directors, prescribed officers, directors of major subsidiaries and company secretaries must receive written approval from the Board chair prior to buying or selling Netcare shares. Directors' share dealings are disclosed to the Issuer Regulation Division of the JSE and are communicated through its electronic news service.

The Group operates a closed-period policy in line with the JSE Listings Requirements. During closed periods, directors, officers and directors of major subsidiaries and associates (as defined by the JSE Listings Requirements) are prohibited from dealing in Netcare shares. Parties who may have access to confidential or price-sensitive information are cautioned against the possibility of insider trading during these periods.



## Responsible corporate citizenship

### King IV principle 3

#### Key Board activities in FY 2023

##### Monitored:

- The implementation of various initiatives to enhance the Group's social and environmental performance.
- The delivery of the consistency of care strategy.

##### Reviewed:

- The Group's B-BBEE<sup>1</sup> initiatives and workplace DEI plans considering the dtic Codes and prevailing industry standards.
- The Group's learning and development initiatives to ensure that they support the Group's skills need, individual career development, the creation of a diverse talent pipeline and the employability of young South Africans.
- The Group's community upliftment initiatives, including ESD<sup>2</sup> opportunities, disbursements to communities, clinical scholarships and the employment of persons with disabilities.
- The results of the ESG assessments by various global sustainability benchmarking institutions.

##### Noted:

- Guidance papers on anti-corruption, conflict of interest and linking ESG to remuneration.
- The proposals of the Companies Amendment Bill relating to social and ethics committees, including their composition and reporting at AGMs<sup>3</sup>.

#### Key outcomes for the Group in FY 2023

- Good ESG ratings were achieved from a number of external benchmarking agencies.
- We maintained our Level 3 B-BBEE rating with a score of 90.97 (FY 2022: 90.13).
- An energy wheeling agreement was signed, securing wind and solar renewable energy for six Eskom-supplied Netcare facilities by FY 2026.
- Our environmental sustainability programme and performance continued to garner local and international accolades.
- We rolled out a comprehensive medical surveillance programme.
- We hosted wellness days and wellbeing initiatives to support employees and continued our initiatives to support the wellbeing of our employees.
- The Netcare Foundation launched a male circumcision programme and took the first steps towards a new initiative to support deaf survivors of gender-based violence.

#### Board opinion and focus for FY 2024

The Board is satisfied with the Group's progress on its ESG priorities. In the coming year, the Board will pay particular attention to the further implementation of the Group's environmental sustainability programme, improving workforce diversity at senior management level and the Group's initiatives to support high-performing qualifying small enterprises and exempted micro enterprises.

#### Committees that assist the Board

Social and Ethics Committee | Consistency of Care Committee

#### Additional information



##### Integrated report

Board chair's review: PG 23

Chief executive officer's review: PG 29

Social and relationship capital: PG 107

Natural capital: PG 160



##### Online

ESG report

Quality report

1. Broad-based black economic empowerment.  
2. Enterprise and supplier development.  
3. Annual general meeting.

# Governance report continued

The Board supports Netcare's intention to be a powerful force for social good and is committed to creating and preserving value for current and future generations of South Africans. The Social and Ethics Committee monitors overall corporate citizenship performance and oversees the Group's commitment to social and economic development, fair labour practices and environmental responsibility, ensuring that the Group deliberately prioritises its socioeconomic and environmental outcomes. The committee's mandate includes oversight of human rights, safety, developing and retaining a skilled and diverse workforce, and responding to the changing regulatory environment. The Consistency of Care Committee oversees the Group's more strategic employee wellbeing projects.

The Sustainability and Operational Transformation Committees at management level are responsible for implementing the Group's environmental sustainability and transformation strategies, respectively.

Our efforts to be a force for social good include the transformation of our employee profile, diversifying our supply

chain, and contributing to the reforming of SA's healthcare system. They extend to finding ways to provide affordable access to healthcare for more South Africans and the medical procedures we support for indigent patients. To further our positive impact, we work openly and transparently with government, NGOs<sup>1</sup> and lobby groups. For example, we participate in the national 'Future of Nursing' Workforce Project, NHI<sup>2</sup> discussions and presentations to Parliament, and various initiatives coordinated by the Health and Welfare Sector Education Training Authority.

Our environmental sustainability strategy recognises not only that climate change and a deteriorating environment place the wellbeing of entire populations at risk, but also that we unavoidably contribute to the problem. Since the implementation of our environmental sustainability strategy in 2013, Netcare has set a target to halve measurable emissions (Scopes 1 and 2) by FY 2030. While our strategy was driven largely to secure the resources needed to provide optimal care, it has become the foundation to reach net zero carbon emissions by 2050.



Netcare joined the UN's<sup>3</sup> Race to Zero 2050 Challenge in 2021 – the first healthcare organisation in Africa to join. Our environmental sustainability strategy is designed to achieve zero Scope 2 emissions, zero waste to landfill and reduce water consumption by 20% by FY 2030.

As a responsible corporate citizen, we consider the UN Universal Declaration of Human Rights, the principles of the International Labour Organization and other voluntary codes, including the principles of the UN Global Compact, of which we are a member.

We do not make, and have not made, contributions to political parties, government affiliates or candidates, whether in cash or in kind.

## ESG reporting

Our ESG reporting aims to provide tangible, credible demonstrations of the Group's impact on the economy, society and the environment, and transparently report on the risks and opportunities we face and our performance. Our ESG performance is independently assessed and benchmarked annually by various global sustainability institutions.

1. Non-governmental organisations.  
2. National Health Insurance.  
3. United Nations.



# ESG ratings and accolades

**CDP<sup>1</sup>**

Global rating

Assesses climate change disclosure.

Last rating date:  
December 2022  
(valid to December 2023)





**Climate change**  
**Scored B**

Higher than the global and equal to the Africa average scores  
2021: B



**Water**  
**Scored B**

Equalling the global and Africa average scores  
2021: B

We are targeting an A rating across both measures over the next two years.

1. The CDP confirmed that 2023 scores will be released in early 2024.

**S&P Global Corporate Sustainability Assessment**

Global rating

An investment index of emerging markets sustainability leaders.

Last rating date:  
September 2023



Included in the Dow Jones Emerging Markets Index for the

**ninth**  
consecutive year

**Scored 93%**

2021/22: 81%<sup>2</sup>  
2020: 83%


2. The S&P Global Corporate Sustainability Assessment for 2021 was carried over by S&P to cover 2021 and 2022 assessments – the score reported for 2021/22 reflects this adjustment.

**MSCI ESG Research Inc.**

Global rating

Provides ESG data, reports and ratings based on published methodologies.

Last rating date:  
June 2023



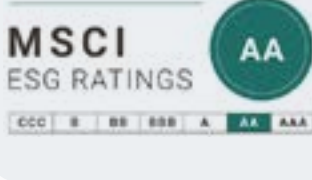
Achieved

**'AA' rating –**

the second highest awarded on a six-point scale

2022: AA  
2021: AA

Netcare has maintained AA rating for seven years.



*Note: during this year, Netcare's market capitalisation changed from mid- to small-cap. As a result, we were removed from the FTSE4Good Index Series.*

**Institutional Shareholder Services**

Global rating

Provides investors with in-depth insight to incorporate sustainability in their investment decisions.

Last rating date:  
March 2023



Achieved

**B- rating...**



...and a very high transparency level

2022: B-  
2021: B-



**36 local and international awards for environmental sustainability since 2013, solidifying our standing as an environmentally conscious healthcare institution**



**Global Green and Healthy Hospitals<sup>1</sup>**  
 Recognised as the Health Care Climate Champion in Africa – seen to be paving the way for climate-smart healthcare in our region.  
 Achieved Gold for Climate Leadership and Climate Resilience in the 2023 Health Care Climate Challenge Awards and Silver for Climate Mitigation.



**Southern African Energy Efficiency Confederation**  
 Awarded the 2023 Commercial Corporate Company of the Year Award in SA for our energy management programme.

**19 national awards for transformation and CSI initiatives since 2007**



**Netcare Foundation**  
 The Netcare Foundation was presented with a PMR Africa 2022 Diamond Arrow Award<sup>2</sup> for 'ESG programmes and initiatives', achieving the highest overall score. This is the Foundation's fourth Diamond Arrow Award.



**Diversity, equity and inclusion**  
 For the second consecutive year IRAS<sup>3</sup>, in partnership with the National Coalition for and of Persons with Disabilities, recognised Netcare for having the highest disabled persons rate in the health and social work sector, and one of the top five disabled persons rates of all JSE listed companies.

**My Walk Made with Soul**  
 My Walk Made with Soul, founded by Netcare and Adcock Ingram Critical Care, was the overall winner of the 2023 Nedbank Green Economy Competition for NPOs at the Triologue Business in Society Conference.  
 Integrated report PG 134.

**UN Sustainable Development Goals**



We believe that the Group, through its operations, strategy and partnerships is able to make a material and impactful contribution to ten of the 17 global challenges identified by the UN SDGs.

Our ESG report provides more detail.

1. Global Green and Healthy Hospitals is an international network that promotes healthcare without harm.  
 2. This award considers levels of managerial expertise, implementation of corporate governance, brand awareness and levels of innovation.  
 3. Integrated Reporting and Assurance Services.

## King IV outcome: good performance

### Strategy

#### King IV principle 4

##### Key Board activities in FY 2023

###### Kept abreast of:

- The progress made on Netcare's strategic projects.
- The Group's engagements with various stakeholders on the nursing skills shortage.
- Upcoming changes to health policy.
- Engagements with private medical funders.
- Operational and capital expenditure and cash flow management.
- The contribution of each division to the Group's performance, including NetcarePlus and Netcare Diagnostics.
- Management's progress on the environmental sustainability programme and B-BBEE performance.

###### Approved:

- Management's working capital forecast for FY 2024.
- The 20-year renewable energy agreement with NOA Group Trading (see page 9).
- Dividend payouts and share buyback transactions, while ensuring that the criteria for solvency and liquidity are met.

###### Reviewed:

- The marketing strategy for, and launch of, the Netcare App.
- The Group's initiatives to mitigate energy and water shortages and/or outage risks.

##### Key outcomes for the Group in FY 2023

- Twelve out of 15 of the Group's strategic projects were completed.
- NetcarePlus and Netcare Diagnostics, the Group's newer revenue streams, are starting to gain traction in their markets.
- The Group participated in various industry forums on matters relating to the NHI and the nursing shortage.
- The Group embarked on the first phase of its 100% renewable energy strategy by 2030.

##### Board opinion and focus for FY 2024

The Board is satisfied that the Group's business model and strategy continue to be relevant, and that the successful implementation of the strategy will transform the business model to realise a sustainable competitive advantage. Key areas of focus for FY 2024 will be to oversee the operationalisation of the strategic projects, particularly the digital EMR<sup>1</sup> once roll out is completed in April 2024. The Board will also oversee initiatives to increase divisional contributions to the Group's performance and continue to direct its attention to upcoming health policy changes and the Group's relationships with private medical funders.

#### Committees that assist the Board

Audit Committee | Risk Committee | Social and Ethics Committee | Consistency of Care Committee

#### Additional information

 Integrated report

*Our strategy: PG 16*

*Chief executive officer's review: PG 29*

*Overview of strategic progress: PG 79*

The Board delegates to management the detailed formulation and implementation of Netcare's strategy, which it approves and oversees. Strategic priorities are set, reviewed and revised as necessary in line with opportunities, attendant risks and uncertainties relating to cyclical and structural trends in the healthcare, digital and financial services sectors.

The Board assesses both the positive and negative outcomes of the Group's business model, and monitors performance against financial and non-financial measures. It critically assesses investments (acquisitions, potential mergers and expansionary projects) to ensure they are value accretive and meet the reasonable expectations of stakeholders over time.

<sup>1</sup> Electronic medical records.



## Reporting

### King IV principle 5

#### Key Board activities in FY 2023

##### Reviewed and approved:

- The Group's material matters, which form the basis for preparing the integrated and ESG reports.
- The 2023 integrated and ESG reports.

##### Oversaw:

- The Group's response to and management of matters considered material to its ability to create and protect stakeholder value (e.g. the availability of electricity supply and availability and quality of skills).
- The fair presentation of the Group's annual financial statements and other shareholder information.

##### Audit Committee

- Reviewed the integrated reporting process with consideration given to any factors and risks that may impact the integrity of the integrated report.
- Reviewed and recommended the annual financial statements to the Board for approval.
- Monitored the internal financial controls.

##### Social and Ethics Committee

- Reviewed the ESG report and recommended it for approval to the Board.

##### Consistency of Care Committee

- Reviewed the quality of care outcomes for public reporting.
- Monitored the development of focused Personalised Clinical Information reports for clinicians.

#### Key outcomes for the Group in FY 2023

- The 2023 integrated reporting suite (prepared according to applicable reporting frameworks) was published on Netcare's website in December 2023. The integrated report itself explains how Netcare creates sustainable, measurable value for the Group and its stakeholders over time, through its business model, governance and risk management processes, management systems and strategy. All reports within the integrated reporting suite provide a fair and balanced account of the Group's performance against its material matters, supporting better decision-making both internally and for stakeholders.
- The 2022 Integrated Report ranked fourth in the EY Excellence in Integrated Reporting Awards, and received a merit award (second place) for the Mid Cap category in the Chartered Governance Institute of Southern Africa Integrated Reporting Awards 2023.
- Assurance was obtained on financial information and certain non-financial performance indicators in line with the combined assurance model.

#### Board opinion and focus for FY 2024

The Board is satisfied that:

- The annual financial statements for FY 2023 fairly present the Group's operational results and financial position; and
- The integrated and ESG reports provide a fair and balanced account of the Group's strategy, performance and prospects related to material matters.

The Board will continue to ensure the Group's external reporting is meaningful, material and transparent, that the integrated report includes sufficient forward-looking information, and that the necessary controls are in place to verify the integrity of the integrated report and other disclosures.

#### Committees that assist the Board

Audit Committee | Social and Ethics Committee | Consistency of Care Committee

#### Additional information



Integrated report

Our report: PG 2

Our material matters: PG 1



Online

ESG report

Quality report

Group annual financial statements

The Group's annual reporting suite is prepared according to the applicable reporting frameworks reported on page 1.

## King IV outcome: effective control

### Responsibilities of the board

#### King IV principle 6

The key activities of the Board are reported throughout this report. The Board adequately applied its mind and oversight to its key responsibilities, which include overseeing the implementation of Netcare's strategy and guiding the Group through the current macroeconomic environment, stakeholder inclusiveness, ethical business conduct, material matters and the integrity of reporting, Board and executive succession, attraction and retention of human capital, technology governance, risk and opportunity management, compliance, major capex and transactions, and remuneration.

The Board's Charter, which aligns with King IV's governance principles and recommended practices, is reviewed annually and updated when required to reflect prevailing good corporate governance. It outlines the policies and practices of the Board on matters such as directors' dealings in the securities of the company and declarations of conflict of interest.

The key activities of the Board are reported throughout this report.

### Board composition and performance evaluation

#### King IV principle 7 and 9

##### Key Board activities in FY 2023

- Assisted the new Board members to orientate themselves to the way in which the Board operates.

##### Reviewed:

- The composition of the Board committees and updated membership where required.
- The succession plans for the Board.

##### Assessed:

- The independence of the non-executive directors, as well as those directors who are due for re-election.

##### Key outcomes for the Group in FY 2023

- A Board with an appropriate balance of diversity, independence, professional and sector knowledge, skills and experience relevant to the nature, complexity and strategic demands of the Group. The diversity of the Board supports different perspectives in its strategic decision-making and ensures effective governance.
- The departure of a number of Board members provided the opportunity to refresh the Board in line with the skills and experience needed to deliver digitally enabled and data driven health and care. Three non-executive directors were appointed.
- There is high adherence to the principles of King IV across the Group.

##### Board opinion and focus for FY 2024

The Board is satisfied with its diversity and range of relevant skills, expertise and experience and the balance of experience, continuity and new perspectives. Board members are of the opinion that the Board functions well, with an appropriate level of attention given to the delivery of Netcare's strategy and a good understanding of the current operating context and long-term trends facing healthcare. Members are also satisfied that the Board sufficiently adheres to the principles of King IV.

The most recent Board effectiveness review was in FY 2022 with the next review, which will be a self-assessment, scheduled for the 2024 calendar year. Succession planning, identified as an area for improvement in the last review, has been progressed with the appointment of new Board members and the refresh of the Board's committees. Improving the diversity of the Board will continue to remain a focus area.

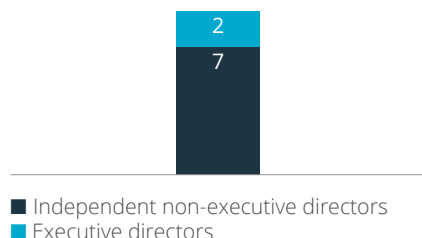
#### Committees that assist the Board

Nomination Committee

## Board composition at 30 September 2023

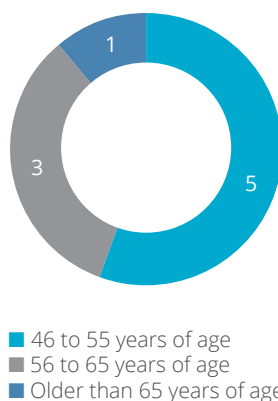
The Board applies a unitary structure. The Board is chaired by an independent non-executive director whose role is separate from that of the CEO.

### Independence (number)



Independent non-executive directors are re-elected every three years. Other than the CEO<sup>1</sup> and CFO<sup>2</sup>, all members are considered independent. Board chair, Mr Mark Bower, is independent and free from any conflict of interest.

### Age (number)



Average age: 56

We seek to balance experience and institutional memory with youthful energy and fresh insight. The Board continuity programme addresses succession planning and ensures that skill sets are retained following the retirement of members and that the Board functions effectively over time.

The programme covers director selection and appointment, director induction and training, and the evaluation of director performance.

### Diversity

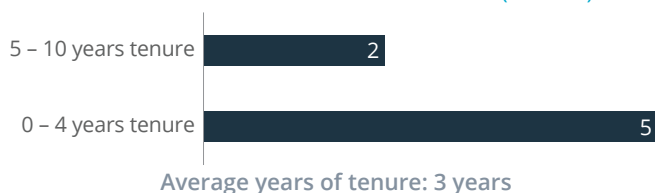
**44%**  
Black South African  
FY 2023 target: 44%  
FY 2022: 55%  
FY 2021: 44%

**44%**  
Women  
FY 2023 target: 44%  
FY 2022: 55%  
FY 2021: 44%

**33%**  
Black women  
FY 2023 target: 38%  
FY 2022: 45%  
FY 2021: 33%

*Note: our Board diversity targets are lower than those for FY 2022 as the Board composition has now normalised from being in a transition phase in FY 2022 with a number of retirements and new appointments.*

### Tenure of non-executive directors (number)



Average years of tenure: 3 years

The Nomination Committee objectively and subjectively evaluates the continued independence of non-executive directors who have served for nine years or longer, considering factors that may impair their independence. The review is aligned to King IV's recommended practices.

### Skill (% of directors with specified skill)



The Nomination Committee regularly reviews potential candidates to invigorate the capabilities of the Board with new experience and perspective, and ensures that valuable knowledge, skills and experience are retained to maintain continuity.

Where gaps in knowledge or skills are identified, directors are provided with development training and/or new appointments are made. The Board has access to subject matter experts for matters requiring specialised guidance.

1. Chief executive officer  
2. Chief financial officer.

## Board changes

The Nomination Committee manages director rotation and is guided by Netcare's Board appointment policy, which ensures a formal and transparent appointment process with a focus on gender and attributes of culture, age, field of knowledge, skills and experience, and broader diversity aspects. Careful succession planning ensures that the Board remains relevant to the growth opportunities the Group has chosen to pursue and responsive to the shifts in our operating environment (emerging risks, threats and uncertainties).

Mark Bower assumed the role of Board chair from 1 January 2023. Ian Kirk and Louisa Stephens joined the Board as independent non-executive directors from 1 January 2023, and Mr Alex Maditse joined as an independent non-executive member from 7 June 2023. Ian Kirk is a qualified chartered accountant with senior leadership and board-level experience in financial services and professional services. Louisa Stephens is both a chartered director and chartered accountant, with over 15 years' experience in debt and equity financing and investment management, and is also an independent financial trader, dealing across industries both locally and abroad. She has strong governance credentials. Alex Maditse is a lawyer by training and has general business management, global commerce, mergers and acquisition and compensation experience.

Thevendrie Brewer and Thabi Leoka resigned with effect from 31 December 2022 and 8 March 2023 respectively. Martin Kuscus and Adv Kgomoiso Moroka retired at the end of December 2022, and David Kneale retired with effect from 3 February 2023.

## Director induction

Our induction programme for new Board members familiarises them with the Group's operations, commercial risks, financial affairs and strategic position. The Board chair, the Group's company secretary, requisite reading material, and engagements with divisional and functional heads as well as the internal and external auditors, all assist in briefing new directors on their fiduciary duties and responsibilities. New directors also

receive information on the JSE Listings Requirements, King IV, the Companies Act and the obligations with which they are required to comply.

## Performance evaluation

The annual self-assessment of the Board's performance and effectiveness, as well as that of its committees and individual directors, is overseen by the Chair's Forum and Nomination Committee. The evaluation covers the governance of financial, economic, quality, social and environmental issues and includes a review of ethical outcomes.

## Access to information and professional advice

Board directors have unrestricted access to management, and all Group information, records, documents and property. Information is distributed in a timely manner prior to Board meetings to enable directors to adequately prepare and apply their minds. Directors are entitled, at the Group's expense, to seek professional advice regarding the affairs of the Group. This advice can be procured independently or coordinated through the company secretary.

## Company secretary

All directors have access to the advice and services of company secretary, Charles Vikisi, who acts as a conduit between the Netcare Board and the Group, is responsible for the flow of information to the Board and its committees, and ensures compliance with Board procedures. In addition to various statutory functions, and while maintaining an arms-length relationship with the Board, the company secretary also provides directors and the Board collectively with guidance on their duties, responsibilities and powers as set out in the Companies Act. He also advises on issues of law, governance and related matters, including the impact of legislative and regulatory developments.

The Board confirms that Mr Vikisi is suitably qualified, experienced, and fit and proper to perform the function of company secretary and provide independent advice to the Board, and has no affiliation or association to any single Board member nor holds any directorships.

## Delegation of authority and operating committees

### King IV principle 8 and 10

#### Key Board activities in FY 2023

##### Monitored:

- The adherence of the Board and its committees to their terms of reference.

##### Reviewed:

- The appropriateness of the information submitted to Board.
- The leadership development journey, which includes coaching interventions for the Executive Committee and high-potential individuals.
- The succession plans for the Executive Committee.
- The process to identify candidates for the position of CEO.
- The competence and suitability of the company secretary and CFO.

#### Key outcomes for the Group in FY 2023

- The Board and its committees fully complied with their terms of reference in FY 2023, confirmed by the Board chair and the company secretary.
- With the support of a reputable recruitment firm, a preferred candidate for the position of CEO was identified. The candidate will however not be free to join Netcare for an extended period. Consequently, Dr Richard Friedland has agreed to continue serving as CEO beyond September 2024, for a further six months.
- The Group has an appropriately skilled leadership with the experience, knowledge and capability to deliver against the business strategy.
- Key management functions are led by competent and appropriately authorised individuals, and functions are adequately resourced.

#### Board opinion and focus for FY 2024

The Board is satisfied that the delegation of authority framework supports the delivery of Netcare's strategy and compliance with relevant legislation and best practice governance, and balances the interests of stakeholders. The Board is satisfied that it is appropriately informed about the material matters facing the Group. It is also satisfied that adequate succession plans are in place for the Executive Committee and senior management, and that the Group's leadership development programmes are adept at creating a leadership pool for future succession. In FY 2024, the reviews of the Board's and committees' terms of reference will take into consideration anticipated regulatory changes.

#### Committees that assist the Board

Audit Committee | Nomination Committee

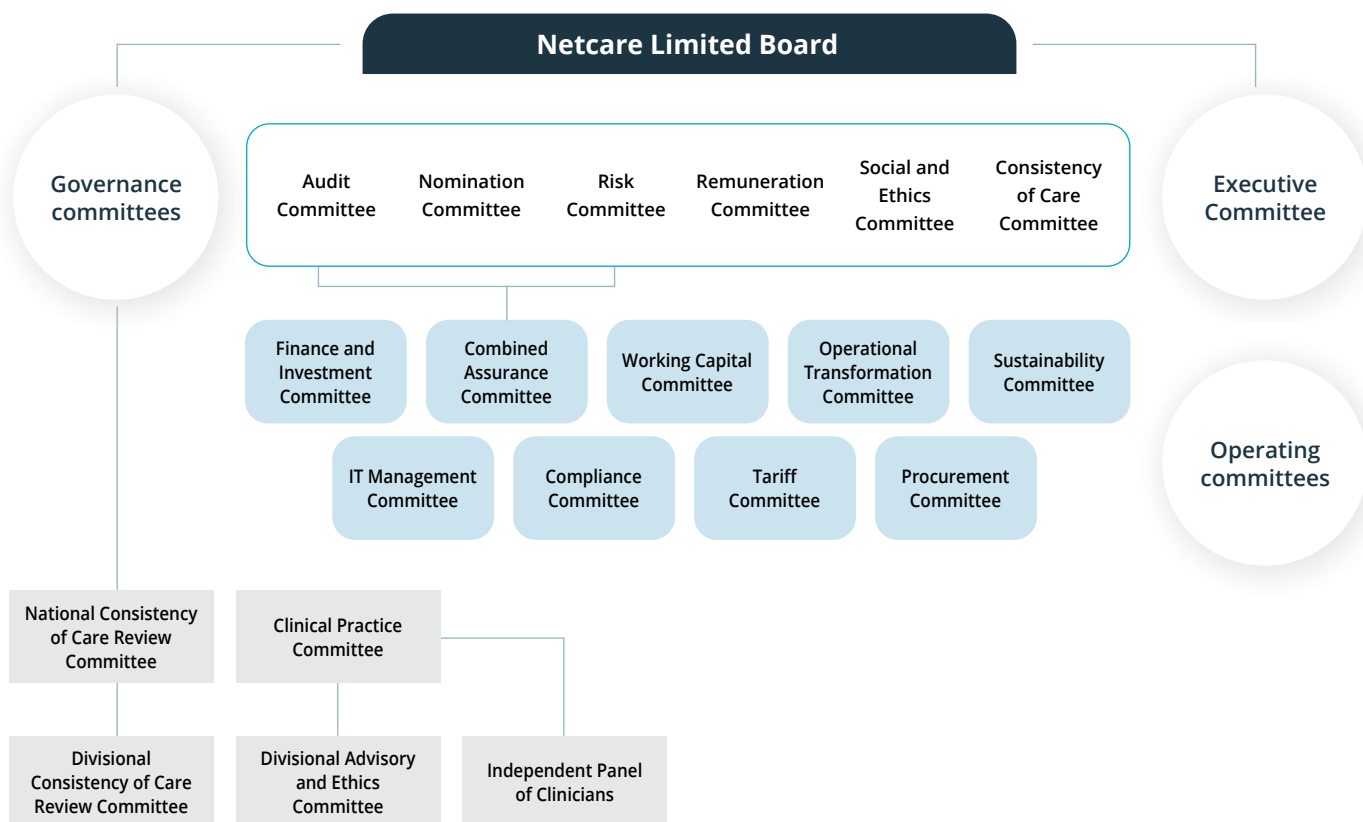
The Board is responsible for clearly defining roles and responsibilities within the Group. Our well-developed delegation of authority framework places the Board at the helm of the Group's governance structure and processes, which give effect to its strategic stewardship and oversight of all Group operations. The Board delegates duties to appropriate individuals, functions or its standing committees to assist it to discharge its responsibilities.

The framework includes the subsidiary companies' governance framework, ensuring that there is an appropriate flow of information between the Group and its subsidiaries.

# Governance report continued

The delegation of authority framework requires that the Board:

- Confirms and ensures that Netcare is appropriately resourced and that its delegation to management contributes to an effective arrangement through which authority and responsibilities are exercised.
- Ensures that its committees are appropriately constituted and have the appropriate skills and competencies to fulfil their mandates.
- Ensures that its arrangements for delegation within its committees promote independent judgement and assist with balance of power and the effective discharge of its duties.
- Ensures that the appointment of, and delegation to, management contributes to role clarity and the effective exercise of authority and responsibilities.
- Ensures that appropriate systems of internal controls are maintained.



## Board committees

The Board committees and membership recommended by King IV, the JSE Listings Requirements and the Companies Act are in place. Each Board committee deals with specific aspects of governance in greater depth.

Formal terms of reference, approved by the Board, specify the responsibilities of each Board committee.

Committee terms of reference are regularly reviewed to ensure they adhere to King IV's governance principles and recommended practices, applicable legislation and listings requirements, and where appropriate, international best practice.

The composition of Board committees and the distribution of authority between the chair and other directors is balanced to eliminate instances where an individual(s) dominate decision-making or undue dependency is created. Each Board committee is chaired by an independent non-executive director, with certain executives attending committee meetings by invitation. External and internal auditors attend Audit Committee meetings.

Board committees ensure that good governance processes and procedures are appropriately embedded in the Group's business model.

## Audit Committee

	Attendance	Notes
<b>Chair:</b> B Buló	<b>3/3</b>	<b>New appointment:</b> L Stephens effective 1 January 2023. <b>Retirement:</b> D Kneale effective 3 February 2023. <b>Resignation:</b> T Leoka effective 8 March 2023.
<b>Member:</b> M Bower	<b>3/3</b>	
<b>Member:</b> D Kneale	<b>1/1</b>	
<b>Member:</b> T Leoka	<b>1/1</b>	
<b>Member:</b> L Stephens	<b>2/2</b>	
<b>By invitation:</b> R Friedland, K Gibson, external and internal audit		

### Key responsibilities

- Oversees the management of risks that could affect the integrity of the Group's financial statements, accounting policies and external reporting.
- Provides independent and objective assurance to the Board on the effectiveness of internal control, governance and risk management systems.
- Oversees the internal audit function, financial risk management, governance, compliance and the IT control environment, as well as the scope of combined assurance.

## Nomination Committee

	Attendance	Notes
<b>Chair:</b> M Bower	<b>1/1</b>	<b>New appointment:</b> R Phillips with effect 1 January 2023. <b>Effective 1 January 2024:</b> A Maditse will join the committee. <b>Note:</b> several ad-hoc meetings were held regarding CEO succession.
<b>Member:</b> L Human	<b>1/1</b>	
<b>Member:</b> R Phillips	<b>1/1</b>	
<b>By invitation:</b> R Friedland		

### Key responsibilities

- Sets the primary roles and responsibilities of the Board.
- Determines and monitors the composition of the Board, succession planning, director appointment and director independence.
- Oversees succession planning for the Executive Committee.
- Reviews the competence and skills of the Executive Committee and senior management.

## Risk Committee

	Attendance	Notes
<b>Chair:</b> B Buló	<b>2/2</b>	<b>Retirement:</b> M Kuscus and D Kneale effective 31 December 2022 and 3 February 2023, respectively.
<b>Member:</b> M Bower	<b>2/2</b>	
<b>Member:</b> T Brewer	<b>1/1</b>	<b>Resignation:</b> T Brewer and T Leoka effective 31 December 2022 and 8 March 2023, respectively.
<b>Member:</b> L Human	<b>2/2</b>	
<b>Member:</b> D Kneale	<b>1/1</b>	<b>Effective 1 January 2024:</b> I Kirk will assume the role of committee chair.
<b>Member:</b> M Kuscus	<b>1/1</b>	
<b>Member:</b> T Leoka	<b>1/1</b>	
<b>Member:</b> R Friedland	<b>2/2</b>	
<b>Member:</b> K Gibson	<b>2/2</b>	

### Key responsibilities

- Assists the Board in discharging its risk management responsibilities.
- Sets the Group's risk management strategy, risk management policy and plan.
- Ensures adequate processes and systems are in place to identify and manage top business risks, including the implementation, monitoring and reporting of suitable risk mitigation plans.
- Ensures that risk management systems and processes support the Group's strategy and business model.
- Makes recommendations to the Board where action or improvement is required to mitigate risk.

# Governance report continued

## Remuneration Committee

	Attendance	Notes
<b>Chair:</b> M Bower	2/2	<b>New appointment:</b> L Stephens with effect 1 January 2023.
<b>Chair:</b> D Kneale	1/1	<b>Resignation:</b> T Brewer effective 31 December 2022.
<b>Member:</b> T Brewer	1/1	<b>Retirement:</b> D Kneale effective 3 February 2023.
<b>Member:</b> L Human	1/1	<b>Note:</b> MR Bower assumed the role of chair from D Kneale on 4 February 2023.
<b>Member:</b> L Stephens	1/1	<b>Effective 1 January 2024:</b> I Kirk will join the committee.
<b>By invitation:</b> R Friedland and N Ndzwayiba		<b>Effective 2 February 2024:</b> L Stephens will assume the role of committee chair at the conclusion of the AGM.

### Key responsibilities

- Oversees the development and implementation of the Group's remuneration policy.
- Determines the appropriate financial and non-financial strategic targets of the Group's balanced scorecard.
- Determines the remuneration of non-executive and executive directors, prescribed officers and senior management for approval at the AGM.
- Determines the average increases for all other employees.
- Recommends any material changes to employee remuneration and benefits to the Board for approval.
- Ensures that the Group's remuneration practices are responsible, internally equitable and externally competitive.

## Social and Ethics Committee

	Attendance	Notes
<b>Chair:</b> R Phillips	3/3	<b>New appointments:</b> MR Bower and A Maditse effective 1 January 2023 and 7 June 2023, respectively.
<b>Member:</b> M Bower	2/2	<b>Retirement:</b> K Moroka and M Kuscus effective 31 December 2022.
<b>Member:</b> T Brewer	1/1	<b>Resignations:</b> T Brewer and T Leoka effective 31 December 2022 and 8 March 2023, respectively.
<b>Member:</b> M Kuscus	1/1	
<b>Member:</b> T Leoka	1/1	
<b>Member:</b> A Maditse	1/1	
<b>Member:</b> K Moroka	1/1	
<b>Member:</b> R Friedland	3/3	

### Key responsibilities

- Oversees plans to embed an ethical culture and the appropriate management of organisational ethics.
- Oversees legislative compliance, social and economic development, environmental sustainability and good corporate citizenship.
- Reviews the governance of NPOs<sup>1</sup> affiliated to with Netcare, including the Netcare Foundation.

## Consistency of Care Committee

	Attendance	Notes
<b>Chair:</b> L Human	2/2	<b>New appointment:</b> A Maditse effective 7 June 2023.
<b>Member:</b> B Bulo	2/2	<b>Retirement:</b> M Kuscus effective 31 December 2022.
<b>Member:</b> M Kuscus	1/1	
<b>Member:</b> A Maditse	1/1	
<b>Member:</b> R Phillips	2/2	
<b>Member:</b> R Friedland	2/2	
<b>Member:</b> A Laubscher	2/2	

### Key responsibilities

- Oversees the implementation of the consistency of care strategy.
- Reviews quality management systems and monitors clinical governance and performance against quality measures that support safe, high-quality, person centred health and care.
- Identifies clinical risks that could impact quality and safety outcomes.
- Monitors patient experience, patient-reported outcomes and perception of care.

1. Non-profit organisation.



## Management Committees

The day-to-day management of Netcare is assigned to key executives and senior management. Discussions between the Board and the executive team on governance, risk and operations are appropriately and constructively challenging, and hold executive management to account for the interests and expectations of all Netcare's stakeholders.

The delegation of authority framework details the powers and matters reserved for the Board, and the responsibilities delegated to management via the CEO. Netcare's operating committees support the Board committees and the Executive Committee. Operating committees are convened to address specific business imperatives.

### Executive Committee

#### Responsibilities

Leads the implementation and execution of Netcare's strategy, policies and operational planning as well as the shaping of the Group's philosophies and practices.

#### Key activities in FY 2023

- Monitored the Group's new business development projects and delivery of key strategic projects.
- Monitored all EMR platform implementations across divisions.
- Reviewed divisional and operational performance.
- Reviewed the Group's digital and data strategies.
- Considered key business risks relating to electricity and water supply, availability and quality of scarce skills and related mitigation measures.

### Finance and Investment Committee

#### Responsibilities

Ensures that capital expenditure is managed within budgeted targets and allocated to achieve the most appropriate returns.

#### Key activities in FY 2023

- Ensured capital expenditure met defined hurdles and financial requirements.
- Reviewed adherence to the Group's transactions approval framework.
- Reviewed currency and interest rate risk.
- Approved various capital and investment projects.
- Monitored treasury protocols.
- Reviewed the Group's weighted average cost of capital.

### Combined Assurance Committee

#### Responsibilities

- Coordinates a framework of protocols and persons to provide assurance on top business risks.

#### Key activities in FY 2023

- Monitored the five levels of assurance matrix.
- Reported on matters of significance, including high-risk issues and whether the level of assurance provided is suitable.
- Approved the expanded application of the combined assurance approach.

### Working Capital Committee

#### Responsibilities

- Monitors and reviews working capital requirements.

#### Key activities in FY 2023

- Oversaw working capital targets for FY 2023.
- Monitored economic risks to ensure that the Group is not unduly exposed.
- Interacted with the Commissioner of Compensation for Occupational Injuries and Diseases to improve payment timeframes of approved claims.
- Implemented the revised billing approach to improve billing and debtor collection efficiencies.

### Operational Transformation Committee

#### Responsibilities

- Guides, monitors, reviews and evaluates the Group's progress on transformation, with specific reference to the seven primary pillars of the B-BBEE scorecard.

#### Key activities in FY 2023

- Considered and approved the Group's transformation objectives for FY 2023.
- Reviewed progress against the requirements of the Department of Trade, Industry and Competition Codes of Good Practice for B-BBEE.
- Reviewed the Group's progress against the five-year employment equity plan.
- Reviewed the Group's CSI initiatives.

### Sustainability Committee

#### Responsibilities

- Leads the environmental sustainability strategy and initiatives to meet the strategy's targets, and oversees key environmental initiatives such as those relating to energy, water and waste efficiency.

#### Key activities in FY 2023

- Monitored environmental sustainability programme performance.
- Reviewed energy, water and waste optimisation opportunities.
- Oversaw the roll out of the zero general waste to landfill initiative.
- Reviewed and approved the renewable energy trading agreement for six Netcare Eskom-connected sites.
- Engaged with key stakeholders on sustainability matters.

## IT Management Committee

### Responsibilities

Manages IT risk and provides IT-related strategic and governance direction across the business.

### Key activities in FY 2023

- Assessed the Group's control environment in relation to privacy and information security.
- Migrated to a new security operations centre.
- Monitored the delivery of CareOn and Summary of Care reports across several divisions.
- Empowered Netcare Diagnostics and NetcarePlus with comprehensive technological platforms.
- Oversaw the implementation of strategic and continuous business improvement projects.
- Monitored the successful implementation of GP and dental EMRs.

## Compliance Committee

### Responsibilities

Monitors the legislative landscape and assesses the potential impact of new laws and regulations on the Group.

### Key activities in FY 2023

- Reviewed policies and implemented various initiatives to ensure POPIA compliance.
- Rolled out the ethics survey across Netcare Akeso and Netcare Medicross.
- Reviewed and ensured compliance with the Disaster Management Act 57 of 2002.
- Considered the programme for the Financial Intelligence Centre thematic review of NetcarePlus

## Tariff Committee

### Responsibilities

Provides direction on negotiations with funders.

### Key activities in FY 2023

- Engaged funders on current and future alternative reimbursement models.
- Engaged in value-based contracting negotiations.
- Set annual tariff negotiation mandates.
- Reviewed restricted network tenders.

## Procurement Committee

### Responsibilities

Enhances procurement processes and reviews the supplier base, including ethics in the supply chain.

### Key activities in FY 2023

- Continued to negotiate preferential pricing aligned with bulk purchasing.
- Provided input into the ESD initiatives in support of the various Group entities.

## Governance of risk and opportunity

### King IV principle 11

#### Key Board activities in FY 2023

##### Approved:

- The Group's top business risks.
- The Group's insurance cover.

##### Reviewed:

- The Group's risk rating methodology.
- The process and results of the strategies to mitigate and manage risks with a particular focus on the supply of electricity and water and the availability and quality of skills. This included a review of the Group's plans in the event of a complete failure of the electricity grid.
- The results of control effectiveness reviews and the action plans to correct issues identified.
- The results of the assessments to ensure that Netcare's internal financial, risk and governance controls are adequate and effective.

##### Oversaw:

- The interventions to manage cybersecurity, information management and data security.
- The implementation of the systems and processes to identify, manage and monitor clinical risks that could impact quality and safety outcomes.

#### Key outcomes for the Group in FY 2023

- A risk-aware culture embedded at all levels of the Group, which enables relevant, informed and consistent decision-making relating to risk.
- An agile risk management process that enables the Group to quickly identify and put controls in place to manage multiple risks.
- The Group is adequately protected against short-term risks to our electricity and water supplies and appropriate initiatives are in place to ensure long-term environmental sustainability and self-sufficiency.
- A robust clinical governance framework that identifies, manages and minimises operational and clinical risks that may impact patient safety.
- Confirmed the effective functioning of independent panel of clinicians for clinical peer reviews.
- Reviewed the enhanced clinical data models to actively monitor and inform improvements.

#### Board opinion and focus for FY 2024

The Board is satisfied that the Group's risk management systems and processes are sound, effective and support its business model and strategy, and that the appetite for risk is appropriate and risks are managed accordingly. It is also satisfied that it is appropriately informed about the top business risks facing the Group, and that existing insurance cover is adequate and appropriate. Top business risks to which the Board will pay close attention to in FY 2024 include the supply of electricity and water, availability and quality of skills, the funder regime and sector regulations.

#### Committees that assist the Board

Audit Committee | Risk Committee | Social and Ethics Committee | Consistency of Care Committee

#### Additional information



Integrated report

Chief executive officer's review PG 29

Our risks and opportunities: PG 65



Online

Quality report

# Governance report continued

The Board has direct responsibility for the governance of risk and ensuring that risks and opportunities are considered when developing the Group's strategy. It approves the risk management policy that gives effect to our risk appetite. The policy affirms that the over-arching aim of effective risk management is to protect and grow sustainable value for all stakeholders by embedding risk management into strategic decision-making. The Board ensures that risk management systems and processes are implemented according to accepted risk management frameworks and guidelines. The Audit and Risk Committees oversee the implementation of clearly defined processes to identify and effectively manage risks. The Audit Committee plays an integral role, providing the Board with independent and objective assurance as to the effectiveness of the Group's internal control, governance and risk management systems.

Netcare's risk management framework – embedded in its business activities and decision-making processes at all levels of the Group – ensures that the actions taken to achieve strategic objectives fall within our risk appetite and tolerance. The framework defines how we identify, understand and mitigate risks, and realise their related opportunities.

## Identifying top business risks

Operational and executive management teams across Netcare's divisions identify the key risks affecting their operations; both business and operational risks. These risks are evaluated based on their impacts, likelihood and materiality as well as the Group's potential exposure (low, medium, high and significant) and the resultant impact on our ability to achieve our strategic priorities. The attention required from the Board and executive teams to manage a risk is also considered.

Working with the Group's leadership and Risk and Audit Committees, the risk management team identifies the top business risks for the Group, which are the risks that affect

Netcare's sustainability and/or adversely impact its most important intangible assets; being, the competence and commitment of our managers and employees, the competitive strength of our brands and the perceptions of our stakeholders, which collectively determine the health of our reputation. Business risks can be short, medium or long term in nature.

Operational risks are those risks arising from the execution of business functions, including loss due to inadequate or failed internal processes, people and systems. By their nature, operational risks can be mitigated by management's actions.

We ensure that our risk disclosure to stakeholders is comprehensive, timely, relevant, accurate and accessible, without compromising privileged or sensitive information.

## Managing risks

Netcare's systems and processes of managing risk consider the following:

- Changes in the external and internal operating context.
- Organisational resilience.
- Nature and potential impact of risks and the likelihood that they may materialise.
- Extent and categories of risks regarded as acceptable.
- Ability to reduce the incidence and impact on the business if risks materialise.
- Effectiveness of risk response plans.
- Cost of risk response plans and processes relative to the exposure and benefits obtained.
- Expectations and concerns of key stakeholders.

Top business risks are managed in accordance with our appetite for each risk and in tandem with our strategy, not only to mitigate impact but also to optimise competitive advantage. The Risk Committee reviews and approves the top business risks, which are also presented to the Audit Committee. These inter-related risks include matters over which Netcare exerts limited influence.

## Information and technology governance

### King IV principle 12

#### Key Board activities in FY 2023

##### Reviewed:

- The Group's cybersecurity initiatives and disaster recovery plans, including comprehensive cyber liability insurance, and interventions to manage information management and data security.
- The results of a cyber risk assessment and cybersecurity alerts.

##### Monitored:

- The implementation of key digital and data projects and ensured that cost and schedule overruns were avoided.

#### Key outcomes for the Group in FY 2023

- A business strategy that addresses changes and trends in global healthcare.
- A robust cybersecurity and data protection framework with effective disaster recovery plans.
- The digitisation of the Netcare ecosystem is well underway with a number of benefits starting to emerge – patient safety, clinical outcomes and patient engagement as well as fewer telephonic orders and prescribing errors.

#### Board opinion and focus for FY 2024

The Board is satisfied that the governance of information and technology is properly managed and aligned with business needs and strategy, and that the disaster recovery programme will support the continuity of critical business processes. The Board's key focus for FY 2024 will be to ensure that the Group operationalises its key digital and data projects.

#### Committees that assist the Board

Audit Committee | Risk Committee | Consistency of Care Committee

#### Additional information



Integrated report

Digital transformation and data enablement: PG 146

Information and technology are integral to Netcare's business and are fundamental to our sustainability and growth. It spans across all aspects, components and processes of our business and is therefore not only an operational enabler for Netcare, but an important strategic asset to create opportunities and gain competitive advantage.

The Board, together with the Audit and Risk Committees, oversee the governance of IT and are kept comprehensively updated on the progress of the EMR and data-related implementations. Several management committees provide oversight on information and technology governance, including the Executive Committee, the IT Management Committee (headed by the chief information officer), the Information Security Management Committee, the POPIA Steering Committee, Change Advisory Board and the Group Compliance Committee, among others. The IT Management Committee is integral to the IT governance framework, having overall responsibility for recommendations and decisions regarding IT priorities, funding and other IT and security requirements. It also reviews IT risk and opportunity management.

The Data Council guides the data governance programme, oversees data governance projects and initiatives, approves Group-wide data policies and standards, and provides ongoing support, understanding and awareness of data.

Group IT supports the principles and practices of fairness, transparency, responsibility and accountability in its dealings with stakeholders. Netcare's robust IT governance framework covers IT risk and IT compliance and carefully manages risk exposure to acceptable levels. The guidelines of the framework and the IT operating model are measurable, ensuring that the governance of IT processes and resources is effective and efficient, and that the integrity, continuity, confidentiality and availability of information are managed cost-effectively.

The protection of personal information in the Group's day-to-day business operations is fundamental. We maintain a sound approach to the implementation of privacy protection measures across all business operations, aligned to applicable privacy and data protection laws. The cybersecurity and privacy frameworks ensure that the Group is able to effectively monitor, govern and enforce best practice policies as well as appropriately respond to and recover from cyber-related incidents and prevent or minimise data loss.

## Compliance governance

### King IV principle 13

#### Key Board activities in FY 2023

##### Reviewed:

- Regulatory, policy and guideline updates and kept abreast of regulatory developments that may create regulatory risk exposure for the Group.
- Material litigation matters.
- The most recent proactive monitoring and thematic reports issued by the JSE to ensure compliance.

##### Oversaw:

- The Group's various partnerships and strategic initiatives to ensure they comply with applicable legislation.
- Updates to standards and operating procedures, where required, to ensure compliance.

##### Monitored:

- The Group's compliance to privacy related regulation, the implementation of our privacy framework and employee training.
- The implementation of the new clinical governance framework, operational in the Hospital Division since FY 2022, in additional divisions.

#### Key outcomes for the Group in FY 2023

- Effective governance and compliance frameworks with clear policies.
- No material penalties, sanctions or fines for contraventions of, or non-compliance with, regulatory obligations were incurred during FY 2023.
- Received excellent compliance certificates in respect of OHSC<sup>1</sup> inspections and retained ISO 9001:2015 certification.
- 92% of healthcare practitioners across five divisions were credentialled.

#### Board opinion and focus for FY 2024

The Board is satisfied that:

- There is no current or pending legal action that will materially affect the Group's operations.
- The Group complies with all applicable legislation.
- The patient safety framework remains adequate.

The Board will continue to monitor the effectiveness of the Group's governance, risk and compliance frameworks, going forward, as one of its key responsibilities.

#### Committees that assist the Board

Audit Committee | Risk Committee | Social and Ethics Committee | Consistency of Care Committee

The Board, with the assistance of various committees, ensures that the Group complies with applicable laws, regulations, codes and standards. Adherence to non-binding rules is considered an integral part of doing business. Compliance risk is monitored by the Risk Committee. All committees are regularly updated on the Group's underlying policies and processes to govern compliance.

The Compliance Committee and the compliance function monitor the legislative landscape on an ongoing basis and assess the potential impact of new laws as well as relevant sector developments on the Group. Through their activities, the Compliance Committee and the compliance function keep the

Board and its committees apprised of material developments. Changes required are delegated to management and must be achieved within defined timeframes. The implementation of changes is overseen by the Compliance Committee and the Compliance function.

We use a risk-based approach to review the Group's policies. All divisions, business units, operational and administrative business areas and subsidiaries are required to comply with all applicable legislation and regulations. Each area conducts an annual governance, compliance, legislative and contractual risk review, and evaluates the regulatory environment impacting the Group and the healthcare sector.

1. Office of Health Standards Compliance.

## Key legislation, regulations and standards applicable to the Group's strategic pillars

Strategic pillars	Key legislation
 <p><b>Consistency of care</b> Delivering consistently excellent clinical services and experiences, ensuring the best and safest person centred care.</p>	<ul style="list-style-type: none"> <li>• National Health Act.</li> <li>• Mental Health Act.</li> <li>• Occupational Health and Safety Act.</li> <li>• Waste Management Act.</li> </ul>
 <p><b>Disruptive innovation</b> Implementing medical technologies, digitisation and data solutions for the benefit of our patients and business.</p>	<ul style="list-style-type: none"> <li>• POPIA.</li> <li>• Electronic Communications and Transactions Act.</li> <li>• General Data Protection Regulation.</li> <li>• Cyber Crime Act.</li> </ul>
 <p><b>Transformation of our society</b> Continuing to invest in and develop our workforce and communities.</p>	<ul style="list-style-type: none"> <li>• B-BBEE.</li> <li>• Companies Act and Regulations.</li> <li>• Universal Declaration of Human Rights.</li> <li>• International Labour Organization.</li> <li>• UN Global Compact.</li> </ul>
 <p><b>Organic growth</b> Driving strategic engagements with doctors and funders, investing to maintain the quality of our facilities and developing new products and services to promote sustainability, inclusivity and access.</p>	<ul style="list-style-type: none"> <li>• Competition Act.</li> <li>• Long-term Insurance Act.</li> <li>• Short-term Insurance Act.</li> <li>• Financial Advisory and Intermediary Services Act.</li> </ul>
 <p><b>Integration</b> Creating strategic and synergistic partnerships between all divisions and functions.</p>	<ul style="list-style-type: none"> <li>• Competition Act.</li> </ul>
 <p><b>Investment</b> Creating economic value and optimising capacity utilisation.</p>	<ul style="list-style-type: none"> <li>• Competition Act.</li> <li>• ESG Indices.</li> <li>• Organization for Economic Co-operation and Development.</li> </ul>
 <p><b>Environmental sustainability</b> Ensuring minimal environmental impact by managing our resources responsibly, efficiently and to the benefit of the environment.</p>	<ul style="list-style-type: none"> <li>• National Environmental Management Act.</li> <li>• ESG Indices.</li> <li>• TCFD.</li> <li>• UN Global Compact.</li> </ul>

### Litigation and legal

The company secretary, who is also the general counsel, is responsible for overseeing the legal function. Although the outcomes of legal proceedings, claims and actions instituted against the Group cannot be predicted, the Group is suitably resourced to manage this process. Detailed legal reports are provided to the Risk Committee and the chair of the Risk Committee reports to the Board on any material legal matters.

The Group's insurance policy insures directors against liabilities they may incur in carrying out their duties.

## Remuneration governance

### King IV principle 14

#### Key Board activities in FY 2023

##### Approved:

- The outcome of the wage negotiations for FY 2023/24.
- Annual salary increase criteria and incentive payments in line with the rules of the Single Incentive Plan.
- The payment of professional registration fees for specialised nurses, certain emergency services employees, dental assistants and pharmacist assistants.
- The King IV-aligned remuneration report, which includes the Group's remuneration policy and disclosure on how this was implemented for FY 2023.
- The balanced scorecard for FY 2024.

##### Monitored:

- Compliance with the remuneration policy and associated practices.

##### Evaluated:

- The performance of executive directors, prescribed officers and senior managers against the Group and individual balanced scorecards.
- The results of the non-binding vote on the remuneration policy and the implementation report to ensure meaningful feedback to shareholders.
- Equal pay for work of equal value using the Group's reputable job grading system.

##### Reviewed:

- The potential regulatory changes to disclose the highest and lowest paid individuals in an organisation.

##### Considered:

- The independent benchmarking results of executive directors' total remuneration and used this to inform the salary adjustments for the CEO and CFO for FY 2023/24.
- The proposed adjustments to non-executive directors' remuneration for FY 2024.

#### Key outcomes for the Group in FY 2023

- A remuneration policy and implementation process that aligns with the Group's strategic imperatives and stakeholder interests.
- 85.1% (FY 2022: 84.4%) and 87.0% (FY 2022: 86.4%) of shareholders voted in favour of the remuneration policy and the implementation report respectively at the 2023 AGM.

#### Board opinion and focus for FY 2024

The Board believes that the remuneration policy strikes a fair balance between rewarding executives for achieving stretching, but motivational short-term objectives linked to long-term strategy, talent retention and the delivery of shareholder value. Both the remuneration policy and implementation report for FY 2023 will be presented for separate non-binding advisory votes from shareholders at the AGM on 2 February 2024.

#### Committees that assist the Board

Remuneration Committee

#### Additional information

Remuneration report: PG 38

The Board, assisted by the Remuneration Committee, ensures that executive directors, prescribed officers and employees are remunerated fairly, responsibly, transparently and in line with industry standards, to attract and retain the talent required to achieve the Group's strategy and create sustainable value. The Remuneration Committee engages proactively with shareholders on changes to the remuneration policy and the implementation report.



## Assurance

### King IV principle 15

#### Key Board activities in FY 2023

##### Approved:

- The Internal Audit Charter<sup>1</sup>.
- The risk-based audit plan and ratified revisions to the audit plan quarterly.
- The appointment of external auditors, confirming their independence.
- The audit and non-audit fees of the external auditors.
- The use of the going concern basis of accounting for FY 2023.

##### Reviewed:

- The valuation of goodwill, property, plant and equipment, loans and receivables and investments to identify potential impairments.
- The quality of earnings and recoverability of deferred taxation assets.
- Key judgment areas and material matters arising from the external audit.
- All aspects of financial reporting.
- The CEO and CFO disclosure statement attestation.
- A proposal to expand the combined assurance approach.

#### Key outcomes for the Group in FY 2023

- A professional, established and regarded internal audit function which acts as a trusted advisor to the business.
- The Group is in a sound financial position with access to sufficient borrowing facilities to meet its funding requirements for the foreseeable future.
- An adequate and effective control environment that supports the integrity of reporting for better decision-making both internally and for stakeholders.
- No key governance or control failures experienced in FY 2023.
- Assurance was obtained on financial information and certain non-financial performance indicators in line with the combined assurance model.
- Nothing has come to Internal Audit's attention to suggest that the organisation's system of internal financial controls does not form a sound basis for the preparation of reliable financial statements of Netcare; and nothing qualitatively or quantitatively material has come to Internal Audit's attention to suggest that Netcare's governance, risk management and control processes are not effective.

#### Board opinion

The Board is satisfied that the external auditor for FY 2023 is independent and that no non-audit services that may impair their independence were performed. For FY 2024, the Board will review all material areas of judgement in the financial statements and new ESG-related reporting standards.

#### Committees that assist the Board

Audit Committee

#### Additional information



Integrated report

Chief financial officer's review: PG 170



Online

- Accounting policies used to prepare the annual financial statements, directors' responsibility and approval and Audit Committee report in the full annual financial statements online.

1. The Internal Audit Charter is approved annually and aligns to the recommendations of King IV and the International Standards for the Professional Practice of Internal Auditing as determined by the Institute of Internal Auditors (IIA).

# Governance report continued

## Going concern

The annual financial statements are based on appropriate accounting policies and the external auditors independently examine them in accordance with International Standards on Auditing. The Group's annual financial statements have been prepared on a going concern basis.

## Independent quality review

In line with the requirements of the IIA Standards, Internal Audit undergoes an independent quality review at least once every five years. The last assessment, conducted by a globally recognised consulting firm, was in FY 2019. Internal Audit received a 'generally conforms' rating, the highest level of compliance to the IIA Standards, and achieved an 'established' maturity rating. The next independent quality review is planned for FY 2024.

## Internal control and internal audit

The Board is responsible for ensuring that an appropriate system of internal controls is maintained to provide reasonable assurance that:

- Netcare's assets are appropriately safeguarded and managed.
- Losses arising from fraud and/or other illegal acts are minimised.
- Accounting records, financial statements and operating information are accurate, complete and fairly presented.

The Board delegates these responsibilities to the Audit Committee and Internal Audit assists the committee by fulfilling an assurance and consulting function, and providing independent and objective assurance over Netcare's systems of internal controls. The Audit Committee chair meets regularly in separate sessions with management, external audit and Internal Audit.

Internal Audit conducts independent financial, IT and operational process and control effectiveness reviews using a systematic and disciplined approach, supported by a data analytics tool. In addition to highlighting process improvements, Internal Audit's activities provide assurance to Netcare's stakeholders that the Group operates responsibly.

To ensure that Internal Audit remains independent and sufficiently objective, and meets its responsibilities, the head of the department reports functionally to the Audit Committee's chair and administratively to the CFO. Internal Audit has unrestricted access to all company records and employees, including the CEO, the Board chair and the chair and members of the Audit Committee.

The Internal Audit team is appropriately qualified and experienced. Team members hold a Bachelor of Commerce, as a minimum qualification, and the majority have signed off SAICA articles. All team members sign an annual Code of Conduct declaration (based on the IIA Standards).

## Combined assurance

Our combined assurance model is underpinned by the delegation of authority framework, aligned to King IV, and designed to effectively address the Group's key risks and material matters through a combination of the following five levels of assurance.

## Level 1 assurance

Assurance provided to the Board by its governance committees.



## Level 2 assurance

### Non-independent internal assurance providers

Line management, including elements of strategy implementation, performance measurement and continuous monitoring mechanisms.

#### Management

- Accountable to the Board for identifying and assessing risks.
- Responsible for developing, implementing, maintaining and reporting on the internal policies and control procedures to mitigate identified risks, without compromising the Group's ability to achieve its strategic priorities.
- Submits quarterly statements of assurance to the Executive Committee.
- All major divisions, business units and operational and administrative business areas conduct at least three management self-assessments each year. The results are reported to the Audit Committee. The self-assessment process enhances overall risk management practices and supports a culture of ownership over internal control procedures.

## Level 3 assurance

### Non-independent internal assurance providers

Specialist functions independent from management, which facilitate and oversee risk management and compliance.

<b>Risk management function</b>	<ul style="list-style-type: none"> <li>• Acts as the custodian of the risk management policy and plan.</li> <li>• Coordinates risk management activities throughout the Group, including reporting to the Risk Committee.</li> <li>• Benchmarks the systems and processes of risk management against local and international standards and best practices.</li> </ul>
<b>Quality assurance reviews</b>	<ul style="list-style-type: none"> <li>• All Netcare facilities and services are reviewed against comprehensive clinical quality and risk management criteria. Facility, divisional and Group level reports highlight any high-risk areas.</li> <li>• Independent subject matter experts conduct verification reviews. A standardised tool is used, which incorporates the NDoH's<sup>1</sup> Core Standards, criteria from the OHSC Private Hospital Inspection Tools, Netcare's additional standards, and specific criteria based on trends and risks identified by quality data. Risk-based policies and standard operating procedures support quality assurance.</li> </ul>
<b>Data Council</b>	<ul style="list-style-type: none"> <li>• Prioritises data initiatives and implements Group-wide data definitions and standards of critical datasets to ensure data integrity and continuous data monitoring.</li> </ul>
<b>Clinical Data Council</b>	<ul style="list-style-type: none"> <li>• Coordinates the collection of clinical data across all divisions, ensures that clinical data collection, reports and analyses align, and ensures the accuracy and completeness of datasets.</li> </ul>

1. National Department of Health.

# Governance report continued

## Level 4 assurance

### Independent internal assurance

Independent internal assurance providers.

#### Internal Audit

- Provides independent and objective assurance to the Audit and Consistency of Care Committees on the effectiveness of internal control and risk management systems, and recommends improvements.

## Level 5 assurance

### Independent external assurance

Independent external assurance providers.

#### British Standards Institution

- Conducts annual surveillance audits on sample facilities across all divisions to ensure Netcare remains compliant with the ISO 9001:2015 certification standards.

#### Office of Health Standards Compliance

- Audits our facilities on their compliance with the NDoH's Core Standards. Compliance certificates are valid for four years.

#### Deloitte & Touche

- Audits our annual financial statements.

*Note: not all assurance providers are covered in the table.*

During the year the Combined Assurance Committee expanded the application of the combined assurance model to establish an assurance universe which also incorporates key business activities, information and reporting. The expanded assurance universe will further enhance the value derived from appropriate and efficient assurance. In discharging its mandate, the committee assesses the skills and experience of the assurance providers as well as the nature and extent of the assurance work provided. The committee meets twice a year (or as required) and reports to the Audit Committee. The chair of the Audit Committee approves the Combined Assurance Committee's terms of reference.

### ESG-related assurance and verification

Verify CO2 independently assures selected environmental indicators. The verification, at a limited level of assurance, is performed in accordance with the principles of the WBCSD/WRI GHG Protocol Corporate Accounting Standard, 2nd Edition, 2004, and with ISO 14064-3 (2006).

Our [B-BBEE scorecard](#) is independently evaluated and verified by Empowerdex.

# King IV outcome: legitimacy

## Stakeholder inclusion

### King IV principle 16

#### Key Board activities in FY 2023

##### Reviewed:

- The principles, policies, and protocols relating to the Group's stakeholder engagement plan.
- The strategic initiatives relating to doctor engagement and patient feedback.
- The Group's initiatives to improve patient experience and drive person centred health and care.
- The action plans and progress against targets to address the areas for improvement highlighted in the 2022 Voice of OUR Employees engagement survey.

##### Noted:

- The IoDSA Guidance Paper relating to linking ESG and remuneration.
- The regulatory developments relating to remuneration disclosures.

##### Engaged:

- With shareholders on the Group's remuneration policy and implementation.

#### Key outcomes for the Group in FY 2023

- All categories of patient reported experience measures improved during the year with the average nurse compassion score for FY 2023 being 8.18 out of ten (FY 2022: 8.11).
- The Group participated in sector-wide engagement platforms relating to reforming SA's healthcare system and healthcare policy development.
- Action plans have been implemented to improve fairness, trust and integrity at work, workplace DEI<sup>1</sup>, leadership compassion and employees' sense of achievement – areas where we scored below 79% in the employee engagement survey.

#### Board opinion and focus for FY 2024

The Board is satisfied that the Group's stakeholder engagement strategy is appropriate and effective, and supports Netcare's strategy and ESG imperatives.

#### Committees that assist the Board

All committees

#### Additional information

 Integrated report  
Stakeholder engagement: PG 56

1. Diversity, equity and inclusion.

# Governance report continued

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Netcare's stakeholder engagement strategy drives a comprehensive and inclusive approach to our key stakeholder relationships, ensuring our engagement with them is effective, proactive and consistent. Engagement with the stakeholder groups who are most likely to have an impact on the Group's ability to deliver our business strategy is prioritised. The Group aims to understand their concerns and expectations, and how these link to Netcare's top business issues, risks and strategic priorities. Through this understanding, we are able to address stakeholder concerns and provide the relevant and appropriate information stakeholders need to make decisions about Netcare.

The Board monitors stakeholder management, and delegates responsibility for proactive and constructive stakeholder engagement to management. Issues of strategic concern are elevated through the Executive Committee to the Board.

Netcare applies a decentralised stakeholder engagement model. Relationship owners within the Group are held responsible for ensuring that their engagement with stakeholders is effective, proactive, sufficiently frequent and aligned to our strategic priorities. Methods of engagement are monitored to ensure they are appropriate and consider the

different needs of each stakeholder group. Frequency of engagement also varies and can take the form of a single event to engage on a specific issue, ongoing dialogue, or specific mechanisms such as our investor roadshows and presentations, complaint management processes, patient feedback surveys or employee engagement survey.

The Group's memberships in sector and business associations, relationships with trade unions and partnerships with NGOs are key underpins of its engagement with employees, government, regulators and broader communities, among others.

The digital transformation underway at Netcare is redefining how we engage with our patients, doctors, allied healthcare professionals and funders. Our EMR platforms across the Netcare ecosystem remove repetitive tasks, freeing up doctor and nurse time to better care for patients. As these systems start to integrate with one another, engagement with our patients, doctors, allied healthcare professionals and funders will be enhanced further and become more strategic based on the insights gained from data analytics.

**King IV principle 17 does not apply to the Netcare Group.**



# Remuneration report

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## Report by the Remuneration Committee chair

I am pleased to present the remuneration report of the Netcare Group for the financial year ended 30 September 2023 (FY 2023).

Notwithstanding the fluid macroeconomic environment, dominated by slow growth and numerous challenges facing corporate South Africa (SA), we maintained focus on advancing our strategy and strengthening our market position. This resulted in the Group delivering a strong performance with solid improvement in operational and financial outcomes. The operating environment continued to normalise from the impact of COVID-19, resulting in sustained improvement in demand for private healthcare and mental health services. We recorded the highest levels of acute hospital occupancies since the beginning of the pandemic. This, together with the strong underlying performance of our operating divisions, enabled the Group to deliver improved financial performance and excellent execution of our non-financial strategic priorities. These include our digitisation, consistency of care, environmental sustainability, people and societal transformation strategies.

Our people made these excellent results and outcomes possible. They are engaged, resilient and dedicated to delivering the best and safest person centred health and care, that is digitally enabled and data driven. In FY 2023, we continued to place the health and wellbeing of our employees at the epicentre of our people strategy. We are mindful of the global surge in mental health challenges post-pandemic and the huge pressure South Africans are experiencing under the prevailing difficult socioeconomic conditions. We advanced the roll out of our compassion-based Care4YOU training programme, which targets our permanent and fixed term employees, and the employees of contractors. Built into Care4YOU is the gratitude programme that enables patients, their families and managers to thank our employees for demonstrating compassion. Since inception, our employees have received a total of 53 797 gratitude cards, 36 555 of these in FY 2023. We also rolled out health and wellness information and free screening across all our facilities; and Independent Counselling and Advisory Services (ICAS) continued to provide psychosocial support to our employees and their immediate families at no cost to them. We also implemented a variety of solutions aimed at empowering our employees with the flexibility to structure their remuneration in a manner that suits their needs and lifestyle. We paid higher wage increases to employees at lower levels, allowed our employees to access their variable (overtime) earnings ahead of pay day, and drove multiple initiatives to enhance employee engagement and retention.

These efforts culminated in favourable outcomes for all stakeholders, specifically our shareholders, employees, suppliers and communities.

### Netcare's remuneration report:

- Aligns with the principles and recommended practices of King IV™ and applies the three-part structure required by Principle 14;
- Meets the JSE Listings Requirements;
- Meets, to the extent applicable, the requirements of the Companies Act;
- Requests a non-binding advisory vote from our shareholders on the remuneration policy and implementation report;
- Includes feedback from shareholder engagement on remuneration, as part of our inclusive stakeholder engagement approach; and
- Sets out our approach to fair and responsible remuneration, and how this was implemented with respect to the Group's FY 2023 performance.

# Remuneration report continued

## Overview of Group performance for FY 2023

The Group delivered a strong recovery in financial and operational performance in FY 2023. Most financial and non-financial strategic performance metrics were met and/or exceeded, noting the following highlights:

- Normalised EBITDA<sup>1</sup> margin: 17.4% (FY 2022: 16.2%).
- Adjusted headline earnings per share (HEPS): 105.7 cents (FY 2022: 83.2 cents).
- Return on invested capital (ROIC): 9.8% (FY 2022: 8.8%). ROIC was measured over two years and this result was negatively impacted by ROIC of 8.8% in FY 2022 when COVID-19 still had a material impact. ROIC for FY 2023 alone was 10.8%.
- Cash conversion ratio: 106.2% (FY 2022: 113.0%). Cash conversion was also measured over two years, and was 100.5% for FY 2023 alone.
- Progressed our CareOn digitisation project, rolling out electronic medical records (EMRs) to 17 hospitals covering 3 817 beds, with doctor adoption of 82.4% on e-scripts and 76.5% on clinical orders.
- Granted admitting privileges to 143 new specialists in the Hospital Division against a target of 80, with a net gain of 124 doctors in the Group.
- Advanced our environmental sustainability initiatives, exceeding our ten-year targets set in FY 2013, and made significant progress on water conservation, waste reduction and projects to increase our use of renewable energy.
- Curbed voluntary labour turnover from 14.8% to 11.5% and progressed diversity, equity, inclusion (DEI) and belonging initiatives. We achieved significant improvements in preferential procurement spend with  $\geq 51\%$  black-owned suppliers,  $\geq 30\%$  black women-owned suppliers and qualifying small enterprises (QSEs), while spend on exempted micro-enterprises (EMEs) was close to target.

## Overview of executive remuneration for FY 2023

In light of this strong performance, the Remuneration Committee determined the formulaic outcome under the Single Incentive Plan (SIP), in respect of the Group balanced scorecard (BSC), to be 117.5%. This compares to a possible maximum of 150.0%. There were no adjustments to the formulaic outcome, which was based on previously approved performance conditions.

The committee carefully considered overall Group performance as well as the performance of each executive, and approved incentives based on the aggregated score prescribed in the SIP. Each executive is required to achieve 60% of their divisional/individual BSC to qualify for an incentive. The SIP, inclusive of catch-up awards, intends to close the gap caused by the deferral and subsequent cancellation of Forfeitable Share Plan (FSP) 4 caused by the emergence of COVID-19. The SIP cost, inclusive of catch-up awards and the cost of the second year of deferred shares from FY 2022 performance amounted to 8.3% of EBIT. Excluding the catch-up awards, the SIP incentive amounted to 6.5% of EBIT. The incentive will be settled in cash (20%) and deferred shares (80%) in line with the SIP. The number of deferred shares awarded is below the 1% threshold of total issued shares.

Deferred shares vest over a five-year period for executives, with minimum shareholding requirements applicable (outlined on [page 51](#)). This is to ensure that executives are exposed to share price performance and are aligned to shareholder objectives, while offering them competitive remuneration.

## Structure of the report

This report comprises the following three sections:

- **Part 1:** provides an overview of the role and responsibilities of the Remuneration Committee, details the key decisions taken during the year on executive remuneration, and outlines our engagement with shareholders.
- **Part 2:** gives an overview of our SIP and outlines the financial and non-financial strategic performance targets.
- **Part 3:** details how we implemented our remuneration policy in FY 2023.

The committee believes that the remuneration policy strikes a fair balance between rewarding executives for achieving stretching, but motivational short-term objectives linked to long-term strategy, talent retention and the delivery of shareholder value.

The remuneration policy and implementation report will be tabled for approval at the annual general meeting (AGM) to be held on 2 February 2024.

## MR Bower

Remuneration Committee Chair

1. Earnings before interest, tax, depreciation and amortisation.  
2. Earnings before interest and tax.

## Part 1: Background

### Role of the Remuneration Committee

The Remuneration Committee oversees the development and implementation of the Group's remuneration policy. This includes determining appropriate financial and non-financial strategic targets to ensure that we reward superior performance linked to shareholder and stakeholder expectations, while also attracting, motivating and retaining senior executives with appropriate expertise to drive the long-term growth and success of Netcare.

The committee considers the remuneration of the Board chair and the Board of directors and proposes fee adjustments to shareholders for approval at the AGM. The committee also reviews and recommends any material changes to employee remuneration and benefit structures to the Board for approval, ensuring that the Group's remuneration practices are responsible, internally equitable and externally competitive.

The committee ensures that Netcare's remuneration reporting is straightforward, comprehensive and transparent, and recognises the need for continuous improvement in this regard. As such, we review and approve the remuneration disclosures in the integrated reporting suite, including the disclosures required by the Companies Act, the JSE Listings Requirements and King IV™. The committee also considers the results of the non-binding vote on the remuneration policy and the implementation report, and responds meaningfully to feedback from shareholders.

### Committee composition

The committee is duly constituted in accordance with the JSE Listings Requirements and King IV™. In the year under review, the committee comprised three independent non-executive directors:

- Mr M Bower (appointed to the committee on 1 October 2019 and as chair on 3 February 2023);
- Ms L Human (appointed to the committee on 1 January 2023);
- Ms L Stephens (appointed to the committee on 1 January 2023).

T Brewer resigned with effect from 31 December 2022 and D Kneale retired on 3 February 2023.

Mr M Bower was elected chair of the committee for FY 2023 as the new members had not served for 12 months or longer. Ms L Stephens will chair the committee from 5 February 2024.

Members of the Netcare Board are entitled to attend committee meetings as observers. Netcare's company secretary acts as the secretary of the committee while the chief executive officer (CEO), chief financial officer (CFO), director for human resources and transformation, and external advisors may be invited to attend committee meetings as and when appropriate. No member of the Executive Committee is allowed to attend meetings that relate to their own remuneration outcome.

# Remuneration report continued

## Key committee decisions in FY 2023

The committee met twice during the year to provide oversight, strategic guidance and approvals as detailed below.

Key decisions	
<b>2023 salary adjustments</b>  See page 53.	<p>Approved the award of higher salary increases to employees in non-managerial roles (salary adjustments above CPI<sup>1</sup>). Our nursing staff received higher salary adjustments than non-nursing employees as well as a skills allowance. Executives and senior managers received lower salary increases (salary adjustments below CPI). This forms part of our commitment to progressively narrow the income gap between highest and lowest income earners.</p>
<b>Wage negotiations</b>	<p>Approved the outcome of wage negotiations for FY 2023/24. Pleasingly, these were concluded successfully, with agreement reached on terms and conditions of employment with all three recognised trade unions. The fourth previously recognised trade union did not meet membership thresholds required for negotiation. The same wage increments and terms and conditions of employment concluded with the three recognised trade unions were extended to other employees in non-bargaining units in the interest of promoting fairness and enhancing pay parity.</p>
<b>FY 2021 wage dispute</b>	<p>Following the labour court ruling in Netcare's favour, we reached an amicable resolution to the FY 2021 wage dispute brought forward by one recognised trade union. In the best interests of our employees, we extended the same wage increase offered to other trade unions in FY 2021 to members of the said trade union as full and final settlement of the dispute.</p>
<b>Special allowances for critical skills</b>	<p>Paid the South African Nursing Council (SANC) annual professional registration fees for all practising nurses with clinical specialisation in our employ. The same benefit was extended to emergency services employees, dental assistants and pharmacist assistants.</p>
<b>Vertical income inequalities</b>	<p>Considered the draft amendments of the Companies Amendment Act, with vertical inequalities viewed as especially important. We noted the research and consultations conducted by Business Unity South Africa, the National Economic Development and Labour Council (NEDLAC), the King Remuneration Subcommittee and the Institute of Directors in South Africa (IoDSA) in this regard. We await the promulgation of the Companies Amendment Act and will disclose the applicable metrics at that time to allow comparison with peers. In the meantime, we continue to monitor these metrics internally, as well as gender pay disparity, which is reported on  page 52.</p>
<b>Executive directors' remuneration</b>  See page 58.	<p>Considered the results of an independent benchmarking exercise of executive directors' total remuneration. The findings informed the salary adjustments approved by the committee for the CEO and CFO for FY 2023/24.</p>
<b>Non-executive directors' remuneration</b>  See page 61.	<p>Considered proposed adjustments to non-executive directors' remuneration for FY 2024, to be presented for approval at the 2024 AGM.</p>
<b>Short-term incentives (STI) and long-term incentives (LTI)</b>  See pages 50 and 54.	<p>Reviewed and approved the Group BSC performance for FY 2023, and the BSC performance of each Executive Committee member. Based on achieved targets, the committee approved the award of incentives in line with the rules of the SIP.</p> <p>Considered and approved the BSC for FY 2024, taking into account feedback from shareholders ahead of and at the 2023 AGM on the remuneration policy and implementation report.</p>

1. Consumer price index.

## Shareholder engagement

The Remuneration Committee is committed to enhancing Netcare's remuneration practices and ensuring that our reporting is comprehensive, transparent and meets shareholder expectations. Accordingly, selected members of the Executive Committee met with shareholders in November 2022 on Netcare's new SIP. During these meetings, and in subsequent engagements following the 2023 AGM, shareholders provided valuable feedback on the remuneration policy and implementation report. The committee gave due consideration to this feedback. Below is a summary of salient feedback and our responses.

Feedback	Key decisions
<p>Shareholders raised concerns regarding ROIC targets set at less than the weighted average cost of capital (WACC).</p> <p>Shareholders suggested that we should consider using a single-year measurement for ROIC and cash conversion, rather than a trailing two-year metric.</p>	<p>ROIC, which was comfortably in excess of WACC prior to COVID-19, dropped significantly during the pandemic, as was the case with many listed peers. To incorporate a balance between short-term and medium-term performance, the committee determined that ROIC and cash conversion metrics should transition from a single-year metric in FY 2022 when the SIP was first introduced, to a two-year metric in FY 2023 and a three-year metric from FY 2024 onwards. Consequently, while ROIC targets for FY 2023 required a notable improvement year on year, they remained marginally below WACC. More significantly, the FY 2023 ROIC targets were weighed down by the lower performance achieved in FY 2022, which was severely impacted by the pandemic. Our engagements with shareholders revealed that the basis of measuring this metric over a two-year period was not well understood.</p> <p>Taking feedback and advice from shareholders into account, our targets for FY 2024 for both ROIC and cash conversion have been formulated on single-year performance. In addition, FY 2024 targets for ROIC are set to at least meet WACC for threshold performance, and to exceed WACC for on-target and outperformance. Refer to the financial targets on <a href="#">page 51</a> for further details on Netcare's WACC.</p>
Shareholders asked for disclosure of peer groups used for benchmarking remuneration.	No benchmarking was performed for non-executive director remuneration for FY 2023. Benchmarking was undertaken for the CEO and CFO and comparator groups are disclosed on <a href="#">page 46</a> .
Shareholders asked us to consider including a comment on when the committee sets targets each year.	Targets are set at the start of each financial year when the Board approves the annual budget.
Shareholders requested disclosure of the on-target percentages post the catch-up awards.	We disclose the normalised on-target percentages that will be effective from FY 2025 for eligible employees on <a href="#">page 48</a> .
Shareholders complimented our remuneration policy for including comprehensive ESG targets.	Our ESG targets are underpinned by long-term environmental sustainability, social transformation and governance plans that are reviewed regularly by the particular Board committees that oversee implementation. ESG targets will continue to form part of our BSC going forward.
Shareholders queried why benchmarking had not been undertaken for the CEO and the CFO.	CEO/CFO benchmarking was not undertaken in FY 2022 as the previous benchmark undertaken in FY 2021 showed that the CEO and CFO guaranteed packages aligned well with market trends. However, the CFO's guaranteed package was at the lower end of the market median. Additionally, the short-term incentives were also lower than industry benchmarks (especially the CFO's). This was to be corrected by the allocation of SIP in December 2022. The committee commissioned the benchmarking exercise at the beginning of the calendar year to be tabled for consideration at its February 2023 meeting. Accordingly, the committee referenced the findings when approving the salary adjustments for the CEO and CFO, as outlined on <a href="#">page 47</a> .
Netcare's non-executive directors are remunerated on a fixed fee basis. Certain shareholders suggested the basis should be on meeting attendance.	A fixed fee structure takes into account a number of other ad hoc and unscheduled meetings that directors are required to attend at short notice, and accordingly we consider the current remuneration structure to be appropriate. The retainer only policy is the most common for JSE companies as well as in several global markets. A pay per meeting policy can encourage an excessive number of meetings.
Benchmarking of Board members' remuneration was recommended.	Board members' remuneration is externally benchmarked every two years and the findings inform the recommended fee increases submitted for shareholder approval. Refer to <a href="#">page 61</a> for the proposed FY 2024 Board remuneration.

# Remuneration report continued

The committee is satisfied that it has comprehensively responded to shareholder feedback and expectations. We are pleased that 85.1% of shareholders voted in favour of our remuneration policy (2022: 84.4%) and 87.0% voted in favour of our implementation report (2022: 86.4%).

	2023			2022		
	Votes in favour	Votes against	Abstentions	Votes in favour	Votes against	Abstentions
Remuneration policy	<b>85.1%</b>	<b>14.9%</b>	<b>6.0%</b>	84.4%	15.6%	1.8%
Implementation report	<b>87.0%</b>	<b>13.0%</b>	<b>0.0%</b>	86.4%	13.6%	0.4%
Non-executive director remuneration	<b>97.2%</b>	<b>2.8%</b>	<b>0.0%</b>	94.6%	5.4%	0.2%

## Non-binding advisory votes

Both the remuneration policy and implementation report for FY 2023 will be presented for separate non-binding advisory votes from shareholders at the AGM on 2 February 2024. The related resolutions are set out in the 2024 AGM Notice.

Should the remuneration policy and/or implementation report be voted against by 25% or more of the voting rights exercised at the 2024 AGM, we undertake to engage with shareholders to fully understand the reasons for dissenting votes and to address legitimate and reasonable objections raised.

## Committee approval

The Remuneration Committee reviewed and approved the remuneration report on 10 November 2023.

## Part 2: Remuneration policy overview

### Subject to non-binding advisory vote at the AGM to be held on 2 February 2024

FY 2023 marked the second year of the SIP. The SIP creates flexibility in our compensation approach and ensures that our remuneration is responsive to market volatility, remains competitive and rewards high performance linked to the delivery of Netcare's long-term strategy and shareholder value.

The SIP responds to the difficulties of forecasting targets in a volatile market by ensuring that the Group sets stretching but realistic annual performance targets linked to Netcare's long-term strategy. The annual SIP targets are comprehensive and encompass both financial and non-financial objectives. They create alignment between our annual performance, executive incentives and shareholder and stakeholder expectations. The SIP offers a competitive value proposition for high-performing executives and senior managers by combining short-term incentives (STI) and long-term value, and providing a retention mechanism via the earned deferred shares. It also ensures alignment with the 'pay for performance' principle and exposes executive directors to share price performance over a longer period.

The SIP awards for FY 2022, FY 2023 and FY 2024 include catch-up awards to address the gap created by the deferral and subsequent cancellation of FSP4 caused by the emergence of COVID-19. The catch-up awards ensure that the intended, market-aligned level of long-term incentive (LTI) awards are made on average over time, subject to the applicable performance conditions.

The SIP is externally benchmarked to drive and reward a high-performance culture that supports Netcare's strategy of providing person centred health and care that is digitally enabled and data driven, underpinned by the strategic priorities set out below.



**Consistency of care**

Delivering consistently excellent clinical services and experiences, ensuring the best and safest person centred care.



**Disruptive innovation**

Implementing medical technologies, digitisation and data solutions for the benefit of our patients and business.



**Transformation of our society**

Continuing to invest in and develop our workforce and communities.



**Organic growth**

Driving strategic engagements with doctors and funders, investing to maintain the quality of our facilities and developing new products and services to promote sustainability, inclusivity and access.



**Integration**

Creating strategic and synergistic partnerships between all divisions and functions.



**Investment**

Creating economic value and optimising capacity utilisation.

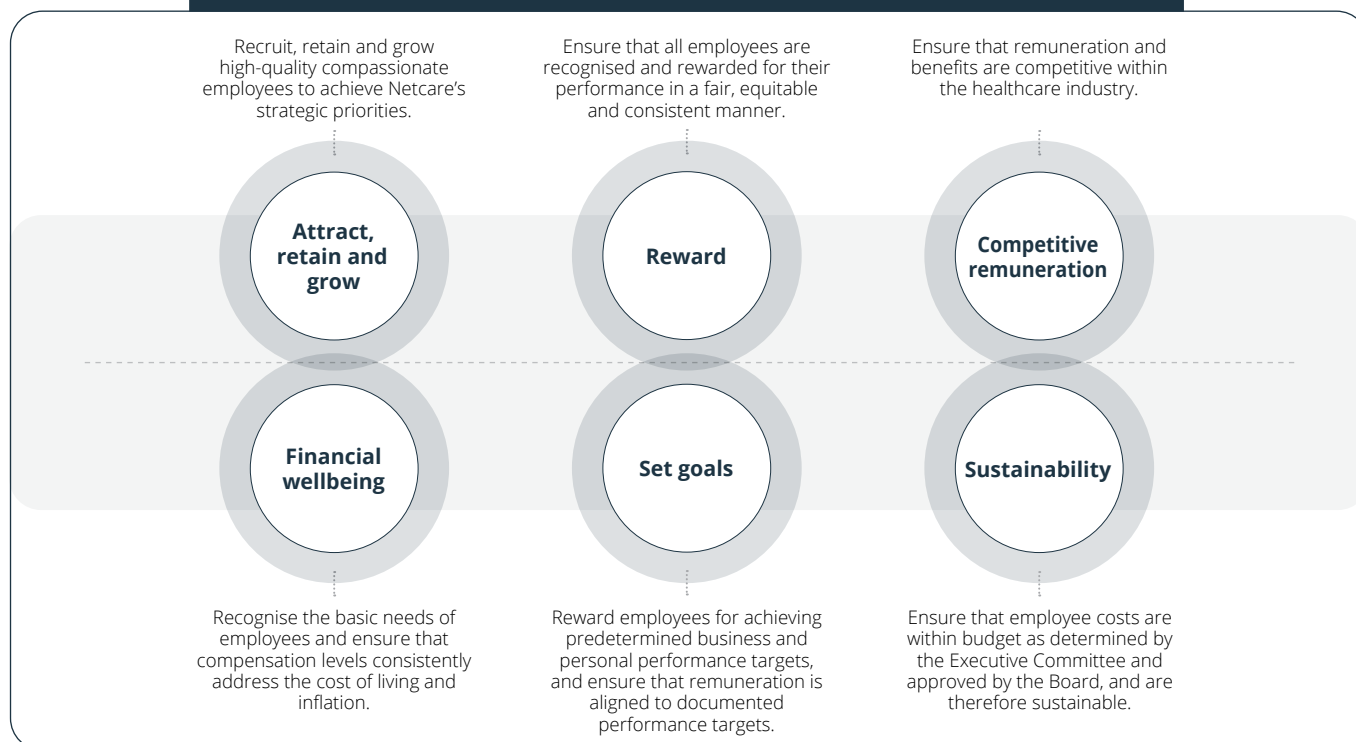


**Environmental sustainability**

Ensuring minimal environmental impact by managing our resources responsibly, efficiently and to the benefit of the environment.

The policy aims to achieve a fair balance between a competitive structured package (SP) and incentives. It also includes minimum shareholding requirements and malus and clawback provisions to mitigate the risk of adverse events that could materially harm the Group and/or its stakeholders.

**Remuneration policy objectives**



# Remuneration report continued

## Remuneration philosophy

Our remuneration philosophy is to ensure that our employees are fairly, reasonably, responsibly and competitively rewarded for their contribution to the Group's strategic, operating and financial performance. It guides our remuneration policy and supports our ability to attract and retain talent at every level of the organisation while complying with the applicable laws and codes of good practice.


Principle	Value creation
Secure crucial skills.	The provision of world class health and care.
Reward the achievement of strategic and operational priorities and exceptional performance.	Delivery of the Netcare strategy and an engaged and productive workforce.
Provide talented executives and managers with appropriate reward and retention mechanisms.	Continued alignment between management and stakeholder objectives for the long-term sustainability of the business.

## Benchmarking

Our remuneration policy and practices, including SP, STIs, LTIs and benefits, are periodically benchmarked against the broader market and industry to ensure that our remuneration is internally equitable and externally competitive, and take into account factors affecting the Group's financial position, the industry and SA.

### Benchmarking of non-executive director fees

The committee benchmarks the fees of non-executive directors every two years, with the last benchmarking exercise conducted by PwC in FY 2022. Therefore, no benchmarking was performed in FY 2023. The committee considered the outcome of the FY 2022 PwC benchmarking exercise together with the fact that since FY 2019, the committee has not awarded increases to non-executive directors, except for certain committees where fees benchmarked below the market median. The committee continued with this strategy in FY 2023 and recommended a 6.0% fee increase for selected committees whose fees remained below the benchmark tolerance band and market median, as approved at the 2023 AGM.

For FY 2024, the committee is proposing a CPI-linked 5.0% adjustment in non-executive director fees. No fee increases for Board members and members of the Social and Ethics Committee have been proposed, as these are currently above the market median. The proposed fee increases are outlined on  page 61.

### Benchmarking of executive directors' remuneration

In FY 2023, we engaged Bowmans to conduct the benchmarking of the CEO's and CFO's remuneration. Prior to this, the FY 2021 benchmarking had shown that the annual guaranteed package (AGP) of both executive directors compared well against the market. The CFO's AGP benchmarked within the 80% to 120% tolerance band, but was below the market median. Both the CEO's and the CFO's total rewards inclusive of STI and LTI were lower than market benchmarks, largely due to lower STIs (ex gratia) and the deferral of FSP4 allocations in FY 2020. Both directors subsequently received incentives under the SIP, paid in December 2022, to narrow the identified gap.



Bowmans selected a comparator group of South African listed companies in the private healthcare, pharmaceuticals, hospitality and property industries, considering market capitalisation, revenue, total assets and number of employees. These comparator groups are listed below.

Company	Industry
Life Healthcare	Healthcare
Mediclinic	Healthcare
Adcock Ingram	Pharmaceuticals
Aspen	Pharmaceuticals
Clicks	Pharmaceuticals and retail
Dis-Chem	Pharmaceuticals and retail
Sun International	Hospitality
Vukile Property Fund	Property

The findings of the benchmark showed that the CEO's 'on-target' total remuneration at the standard policy level, without catch-up awards, closely aligned to the market median at 99% of market and at 135% of the market inclusive of catch-up awards. The CFO's total 'on-target' remuneration on a normalised basis (excluding catch-up awards) fell below the tolerance band but aligned closer to the market median at 97% inclusive of catch-up awards. The committee therefore approved a higher salary adjustment for the CFO as disclosed on [page 58](#).

### Executive remuneration structure

The remuneration of Netcare executives comprises fixed remuneration (guaranteed package) and variable remuneration (STI and LTI). Hence, the remuneration packages for executive directors, prescribed officers and senior executives for the year ended 30 September 2023 comprised an AGP, and STI and LTI awarded in line with the SIP.

#### Structured package (fixed remuneration)

<b>Objective</b>	To reflect individual contribution and market value relative to role, and to recognise skill and experience.
<b>Basis for determination</b>	Guaranteed pay includes salary and employee benefits. It is determined based on the complexity of the role, market value and the ongoing review of the employee's personal performance and contribution to Netcare's overall performance and values. Guaranteed remuneration is reviewed annually and increases take effect in March. Annual increases consider factors such as prevailing economic conditions, inflation, Group performance and affordability, change in responsibilities, internal and external benchmarks and average salary increases.
<b>Delivery</b>	Monthly payment after deducting contributions to statutory taxes, retirement funding and medical scheme. The Group also makes contributions to group life assurance cover, funeral cover and disability insurance.

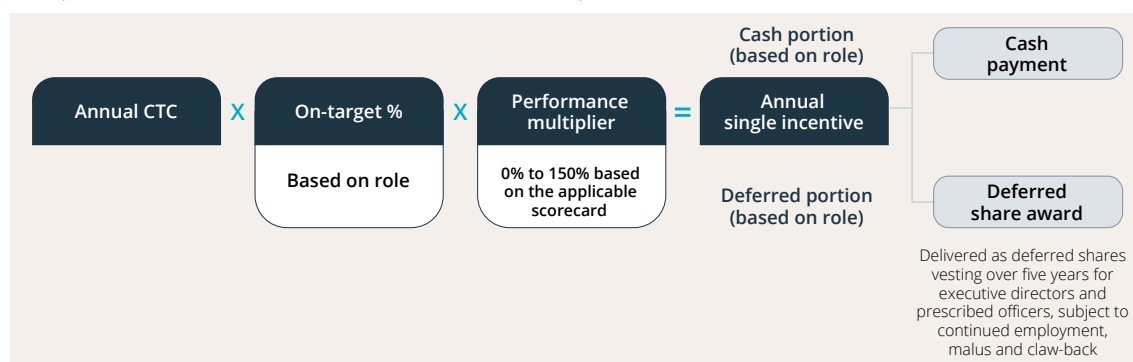
# Remuneration report continued

## Single Incentive Policy (variable pay)

<b>Objectives</b>	<ul style="list-style-type: none"> <li>Reward, in cash and deferred shares, Group performance and individual contribution in the short-term and long-term.</li> <li>Align with shareholder interests and other important stakeholder objectives.</li> <li>Provide a competitive value proposition for loyal high-performing employees and build wealth for them over the longer term.</li> <li>Achieve simplification and consistency across the organisation to enhance understanding and administration.</li> <li>Develop performance criteria, which are flexible and customised, to drive the required business outcomes and performance on an annually reviewed basis, balanced across financial and non-financial performance.</li> </ul>
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**Eligibility** Executive directors, prescribed officers, senior executives and managers.

**Basis of determination** The SIP is calculated by multiplying the individual's annual cost to company (CTC) by an on-target percentage (this being the total incentive for which the individual qualifies when meeting objectives) and the performance multiplier based on BSC achievement for the measured period, as illustrated below:



The on-target percentage for the catch-up period, FY 2022, FY 2023 and FY 2024 for the various eligible participants is illustrated below.

Executive leadership	On-target	Cash
CEO	200%	20% of the total
CFO and managing director of the Hospital Division	165%	20% of the total
Executive Committee	125%	20% of the total

From FY 2025 onwards, on-target percentages for all eligible participants will normalise as illustrated below.

Executive leadership	On-target	Cash
CEO	120%	33% of the total
CFO and managing director of the Hospital Division	100%	33% of the total
Executive Committee	75%	33% of the total

The performance multiplier ranges from zero, if none of the threshold levels are achieved, to 100% for on-target performance, and up to 150% for outperformance:

- Below threshold – 0%
- Threshold – 50%
- On target – 100%
- Outperform – 150%.

Linear interpolation is applied for performance between threshold and target, and target and outperform.

The annual value of the performance multiplier is determined based on Group and functional scorecards. This ensures that the scorecards for different roles drive the performance of the relevant entity/division/function while retaining a minimum level of exposure to Group outcomes for all participants to avoid 'silo' behaviour.

<b>CEO</b>	Group BSC 100%
<b>CFO</b>	Group BSC 80% and divisional BSC 20%
<b>Executives (F Band)</b>	Group BSC 60% and divisional BSC 40%

A score of 60% is required on the BSC at divisional and/or personal and business unit levels to qualify for an incentive.

## Single Incentive Policy (variable pay) continued

<b>Delivery</b>	<p>The SIP is settled in cash and deferred shares for executive directors and prescribed officers. The cash portion is settled in December each year. The balance, in deferred share awards, vest at 20% per annum over five years for the members of the Executive Committee and prescribed officers.</p> <p>While this formulaic determination provides the quantum of eligibility each year, the Remuneration Committee has discretion to determine the final award. The deferred share awards are governed by a set of plan rules in line with the salient features described below, and are issued in December each year.</p>
<b>Salient features of the deferred shares</b>	<ul style="list-style-type: none"> <li>• The deferred shares are forfeitable shares that are procured as soon as possible after the award date and held in escrow for the benefit of the participants.</li> <li>• The shares qualify for ordinary dividends and voting rights, but special dividends must be used to acquire further shares that are subject to the same terms as the underlying awards.</li> <li>• In the case of fault termination of employment, including resignation, retirement before normal retirement date and dismissal for disciplinary reasons, all unvested awards will be forfeited or cancelled. If the committee decides that the circumstances surrounding the termination warrant the retention of deferred shares in terms of the Deferred Share Plan (DSP), then the committee may indicate in writing to such participant that they may retain their award, in full or in part, notwithstanding that they are no longer employed.</li> <li>• In the case of no-fault terminations of employment, including death, disability, retirement at normal retirement age and termination of employment due to operational reasons, the awards will vest on the original vesting dates, without acceleration, except in the case of death, where the awards will vest as soon as practically possible.</li> <li>• In the case of change of control, a portion of the awards will vest, on a time pro-rated basis to reflect the portion of the applicable vesting period served, with the balance continuing in force on the original terms or replaced by awards of similar value if this is not possible.</li> <li>• In the event of a change of capital structure, the committee may make changes to the awards so that they have materially the same value before and after the transaction.</li> <li>• The aggregate costs of the SIP were benchmarked against the costs of continuing the LTI (FSP) and STI scheme. The costs for on-target performance under the proposed SIP are broadly similar over a five-year period.</li> </ul>
<b>Other deferred share awards</b>	<p>The SIP permits the granting of awards of deferred shares that are not part of the annual SIP, including:</p> <ul style="list-style-type: none"> <li>• Sign-on awards included in the employment agreement for new employees, generally to compensate them for awards from a previous employer that are forfeited on resignation; and</li> <li>• Specific retention or counter-offer awards, which are not generally made to executive directors and prescribed officers.</li> </ul> <p>Such awards are motivated by the CEO and approved by the Remuneration Committee.</p>
<b>Discretion and safeguards</b>	<p>The annual single incentive is subject to the discretion of the Remuneration Committee, which is applied to reduce the overall quantum of the single incentive, unless there are exceptional circumstances:</p> <ul style="list-style-type: none"> <li>• If the aggregate value of the SIP for the year (including the cash and deferred portion, but excluding the additional transition/catch-up awards) is more than 8.0% of EBIT; and</li> <li>• If the total number of deferred share awards for the year is more than 1.0% of shares in issue.</li> </ul>
<b>Procurement of deferred shares</b>	<p>The shares required to settle deferred share awards are purchased in the market as soon as possible after their award or treasury shares are allocated, but no new shares are used for this purpose.</p>

# Remuneration report continued

## Group balanced scorecard FY 2024

	Measure	Weighting	Threshold	On-target	Outperform
Financial results 60%	EBITDA margin – growth on FY 2023	15.0%	17.4%+0.5%	17.4%+1.0%	17.4%+1.5%
	Adjusted HEPS – growth on FY 2023	15.0%	105.7 cents +CPI+GDP <sup>1</sup> +5%	105.7 cents +CPI+GDP+7%	105.7 cents +CPI+GDP+9%
	ROIC (measured over single year)	15.0%	WACC+0.0%	WACC+0.5%	WACC+1.0%
	Cash conversion (measured over single year)	15.0%	90.0%	100.0%	110.0%
Consistency of care 10%	<b>Patient experience:</b> continued improvement in the nurse compassion score of the PFS <sup>2</sup> for the Hospital Division	5.0%	8.21	8.25	8.36
	<b>Specialists:</b> gross number of new specialists granted admitting privileges in the Hospital Division	2.5%	97	102	120
	<b>Summary of Care reports:</b> implementation across all applicable divisions	2.5%	Pilot phase completed across all divisions by end April 2024	Full rollout across all divisions by end May 2024	Summary of Care reports available on Netcare App by end June 2024 for all divisions
Digitisation 10%	<b>CareOn EMRs:</b> additional number of beds in the Hospital Division linked to CareOn by April 2024	2.5%	678	849	943
	<b>CareOn adoption by doctors:</b> adoption of e-scripts	2.5%	80.0%	82.5%	84.0%
	<b>CareOn adoption by doctors:</b> adoption of clinical orders	5.0%	77.0%	79.5%	81.5%
Environmental sustainability 10%	<b>Energy efficiency:</b> additional year-on-year tCO <sub>2</sub> e avoidance as a result of energy efficiency projects implemented	3.0%	1 800	2 000	2 300
	<b>Renewable energy:</b> additional year-on-year tCO <sub>2</sub> e avoided as a result of renewable energy generation projects	3.0%	1 700	1 900	2 275
	<b>Water savings:</b> reduction in overall water consumption per bed in use in the Hospital Division	2.0%	2.0%	2.3%	3.0%
	<b>General waste:</b> reduction in waste to landfill as % of Hospital Division general waste	1.0%	65.5%	68.5%	80.0%
	<b>HCRW<sup>3</sup>:</b> reduction in HCRW to landfill as % of Hospital Division HCRW	1.0%	12.1%	12.8%	13.6%
Human capital and transformation 10%	<b>Preferential procurement:</b> support small and medium enterprises through improved procurement spend on EMEs and QSEs with overall improvement on procurement rating as % of points available for procurement on B-BBEE <sup>4</sup> scorecard	2.5%	91.0%	92.0%	93.0%
	<b>Employee wellbeing:</b> % of employees accessing/participating in mental, physical, financial and emotional wellbeing programmes measured against the total workforce	5.0%	60.0%	70.0%	80.0%
	<b>DEI and belonging:</b> increased inclusion of black managers at middle management as a % of all middle managers	2.5%	58.5%	59.5%	60.5%
		100.0%			

1. Gross domestic product.

2. Patient feedback survey.

3. Healthcare risk waste.

4. Broad-based black economic empowerment.

## Financial targets

Our FY 2024 financial targets reflect further improvement in underlying operational performance, notwithstanding the numerous challenges in the local economic environment. Targets set for EBITDA margin require continuing improvement and include residual costs of R132 million associated with the implementation of key strategic projects, most notably the CareOn digitisation project. The adjusted HEPS target reflects continued double-digit growth, while the ROIC metric moves ahead of WACC (which has increased from 10.7% in FY 2022 to 11.9% in FY 2023 and 12.3% for FY 2024 due to rising interest rates which are currently at a 14-year high), as returns continue to normalise from the impacts of COVID-19. The business is expected to continue generating strong cash flows and maintain a cash conversion ratio of 100%.

## Non-financial targets

We selected the four broad categories of non-financial targets below as they are critical to the delivery of our financial metrics.

**Consistency of care** – our FY 2024 targets are heavily weighted towards harnessing the clinical data from our advanced and comprehensive digital strategy, aimed at informing clinical care at the bedside and leading to better quality and efficiency of care. We aim to have Summary of Care reports (digital discharge summaries) fully implemented across our ecosystem in FY 2024. Made available to all our patients, these are a critical enabler of our participatory and person centred approach. We also seek to invest further in enhancing digital engagement with our patients by making Summary of Care reports available on the Netcare App. We will continue to invest in compassion-based training programmes to ensure that compassion is engrained in our culture and actions.

**Digitisation** – in FY 2024, we will conclude the roll out of the CareOn EMR project in the Hospital Division and will transition to operationalising and harnessing the full potential of CareOn to realise the associated financial and non-financial benefits. Our targets reflect our commitment to driving higher CareOn adoption by our doctors and all healthcare practitioners to ensure the system is fully embedded, as this remains a key risk to benefit realisation.

**Environmental sustainability** – for FY 2024, we have retained the existing metrics linked to our 2030 environmental sustainability targets. This programme aims to achieve further year-on-year reductions in energy, water and waste, with a renewed focus on achieving both greater operational efficiencies in our day-to-day operations, as well as the continued roll out of our sustainability projects.

**Human capital and transformation** – our labour turnover rate has normalised and we are focused on driving initiatives aimed at improving lower-scoring aspects of employee engagement based on feedback from the survey conducted in FY 2022. For FY 2024, we intend to continue our focus on employee wellbeing. We also intend to advance DEI and belonging with a sharp focus on middle management, as this level provides a pipeline of talent for senior leadership levels. We will also continue to support inclusive economic growth, entrepreneurship and employment creation by promoting greater inclusion of small, medium and micro enterprises (SMMEs) in our supply chain. Targets will drive increased procurement spend with EMEs and QSEs as a percentage of our total procurement spend.

## Minimum shareholding requirements

Netcare executives are required to hold shares in the company and retain vested shares awarded under the SIP to ensure alignment between the interests of executives and shareholders. These minimum shareholding requirements (MSR) have been benchmarked against our peers.

The Remuneration Committee approved the MSR policy for the SIP, with the following minimum shareholding targets:

Executive leadership	Minimum shareholding requirement
CEO	200% of CTC
CFO	150% of CTC
Other members of the Executive Committee	100% of CTC

The policy requires the MSR to be reached in year five from the date of approval of the SIP, or within five years from the date that the committee designates executives to be eligible for the SIP.

Measurement may be reset to a further five years from the prevailing measurement date at the committee's discretion.

Executives must build up to the target MSR, following which a new measurement date is set, on a rolling basis, against which the target minimum shareholding will be measured.

Executives may use personal investment shares or committed shares to satisfy the target minimum shareholding. Once the target minimum shareholding has been achieved, we expect executives to maintain their level of shareholding until termination of employment.

# Remuneration report continued

## Malus and clawback

The Remuneration Committee confirms that the malus and clawback clauses of Netcare's remuneration policy, approved in FY 2019/20, are as set out below.

### Malus (pre-vesting)

All LTI awards and the deferred shares issued under the SIP to executive directors, prescribed officers and senior executives made after 1 January 2020 are subject to malus provisions. The vesting levels of these awards may be reduced, including to nil, in the following instances (but not limited to these) :

- Deliberately misleading the Group, the market and/or shareholders in relation to the Group's financial performance; and
- Misconduct, incompetence or gross negligence with regard to financial reporting or performance of the Group.

### Clawback (post-vesting)

Clawback clauses apply to any variable remuneration awarded from 1 January 2020. In the case of the SIP, the Remuneration Committee may apply clawback at any time during the three-year period from the date on which variable remuneration vests, if there is reasonable evidence of material misconduct in line with the malus provisions above.

## Fair and responsible employee remuneration

Netcare is committed to ensuring that our remuneration policy and practices are externally competitive, fair, responsible and free of any unfair discrimination and prejudice. To give effect to this commitment, we use a reputable job grading system to ensure equal pay for work of equal value. We benchmark salaries against other healthcare companies and non-healthcare companies of similar size to the Group to ensure our remuneration is competitive.

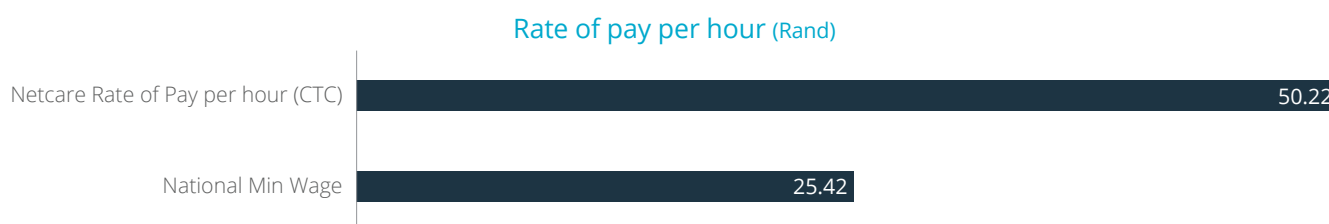
We also conduct an income differential analysis annually to ensure that there are no unfair pay differentials based on gender, race or any other social demographics. Our analysis shows that we do not have unfair race and gender pay gaps for work of equal value. Where differentials exist, we investigate the underlying reasons. Typically, these relate to educational levels, work experience and length of service in the role.

The 17<sup>th</sup> World Economic Forum's Global Gender Gap Report (2022) confirmed that women in SA earn between 23% and 35% less than men on average. The joint report published by the International Labour Organisation and the World Health Organisation (2022) further confirms that women earn between 20% to 24% less than men in the healthcare sector despite constituting 67% of the global health and care workforce. Netcare is a gender empowered organisation with 81% of our workforce being women. Consequently, female earnings range between 8% to 25% higher than men in roles below junior management level, and marginally higher than men at junior management level. Men earn between 7% and 10% higher than women at senior and middle management levels, respectively.

In considering King IV<sup>TM</sup> Principle 14 on remuneration governance, the global challenge of income gaps between the highest and the lowest earners, and the social inequalities in SA as one of the most unequal societies in the world, we have implemented the measures below to progressively narrow the gap.

### Pay measures to narrow the income gap

- Our minimum wage is 50% above the legislated national minimum wage.



- We offer higher annual salary increments for employees at the lower end of the pay scale while extending lower salary increments for executive directors, prescribed officers and senior executives.
- Employees at non-managerial levels are remunerated based on their structured package plus benefits. The benefits include employer contributions to retirement fund, medical aid membership, group life cover, funeral cover, as well as disability benefits.
- Permanent employees at non-managerial level receive a guaranteed 13th cheque for each completed 12-month period worked. This is paid to employees in service on 31 December of each year.
- All employees below executive level were each allocated 3 000 Netcare shares in October 2019 as part of Netcare's B-BBEE employee share ownership scheme (ESOP).
- We offer enhanced maternity and parental leave benefits compared to those prescribed in the Basic Conditions of Employment Act (BCEA).
- We offer our employees a four-month paid maternity leave benefit at 33% of structured package and allow the option of a fifth month without pay. This benefit compares favourably to the BCEA legislated four months unpaid maternity benefit.
- We also offer ten days of paid parental leave compared to the legislated ten days unpaid parental leave.
- We provide uniforms to our staff at no cost to them, with the uniform allocation made every 18 months.
- We provide subsidised meals to employees while on duty.

## Part 3: Implementation report

### Subject to non-binding advisory vote at the AGM to be held on 2 February 2024

This section describes the implementation of the remuneration policy in FY 2023.

We report on the inflation-linked increases in guaranteed packages, the performance outcome of the FY 2023 BSC and the total single incentive approved for executive directors and prescribed officers. We also disclose total figure remuneration and provide a schedule of the forfeitable shares held by executive directors and prescribed officers in line with the applicable requirements of King IV™. We conclude with the remuneration of non-executive directors as required by the Companies Act and King IV™.

#### Annual increases

During the financial year, we continued to use Old Mutual's RemChannel data to benchmark the AGP of Executive Committee members and prescribed officers. This benchmark excluded the executive directors, being the CEO and CFO. The findings showed that the AGPs of the Executive Committee align well with the market median. After taking into consideration the prevailing market conditions, affordability and shareholder expectations, the Remuneration Committee approved lower average salary adjustments for executives, senior managers and prescribed officers, and higher average adjustments for employees within the bargaining units, depending on scarcity of skills.

#### BSC performance for FY 2023

The setting of appropriate financial targets for FY 2023 was made against a background of a more stable operating environment after two and a half years under pandemic conditions. For the first time since March 2020, we anticipated a minimal impact from COVID-19 on our ability to operate, allowing the business to return to pre-pandemic levels of activity. Unfortunately, we did not foresee the collapse of electricity supply and the significant cost impact of load shedding. Despite this, the Group was able to deliver solid improvement in EBITDA, positive operating leverage and expanded EBITDA margins. ROIC, devastated by the impact of COVID-19, recovered to 10.8% from 8.8%, although it remained below historical levels due to the lingering impacts of COVID-19 as well as strategic costs related to implementing the Group's strategic imperatives.

Importantly, the financial growth targets achieved for FY 2023 were largely organic.

We also set ourselves key deliverables in relation to our digital strategic projects, consistency of care, environmental sustainability and our people and transformation objectives. These deliverables were largely achieved, providing a sound platform for performance in FY 2024.

# Remuneration report continued

## Group BSC for FY 2023

	Measure	Weighting	Threshold	On-target	Outperform	Achieved	Score
Financial results 60%	EBITDA margin – growth on FY 2022	15.0%	FY 2022 + 0.5% 16.7%	FY 2022 + 1.0% 17.2%	FY 2022 + 1.5% 17.7%	17.4%	18.0%
	Adjusted HEPS – growth on FY 2022 (cents)	15.0%	FY 2022 + CPI + GDP + 5.0% 93.6	FY 2022 + CPI + GDP + 10.0% 97.8	FY 2022 + CPI + GDP + 15.0% 101.9	105.7	22.5%
	ROIC (measured over a two-year period i.e. FY 2022 and FY 2023)	15.0%	WACC – 2.5% 8.8%	WACC – 1.5% 9.8%	WACC 11.3%	9.8%	15.0%
	Cash conversion (measured over a two-year period i.e. FY 2022 and FY 2023)	15.0%	100.0%	105.0%	110.0%	106.2%	16.8%
Consistency of care 10%	<b>Patient experience:</b> continued improvement in the nurse compassion score of the PFS for the Hospital Division	5.0%	8.16	8.26	8.36	8.18	3.0%
	<b>Doctor engagement:</b> improved likelihood of doctor recommendation of Netcare as the workplace of choice	2.5%	7.65	7.75	7.95	6.99	0.0%
	<b>Specialists:</b> gross number of new specialists granted admitting privileges in the Hospital Division	2.5%	75	80	85	143	3.8%
Digitisation 10%	<b>CareOn EMRs:</b> additional number of beds in the Hospital Division linked to CareOn by September 2023	5.0%	3 354	3 554	3 817	3 817	7.5%
	<b>CareOn adoption by doctors:</b> adoption of e-scripts	2.5%	75.0%	80.0%	85.0%	82.4%	3.1%
	<b>CareOn adoption by doctors:</b> adoption of clinical orders	2.5%	75.0%	80.0%	82.5%	76.5%	1.6%
Environmental sustainability 10%	<b>Energy efficiency:</b> additional year-on-year tCO <sub>2</sub> e avoidance as a result of energy efficiency projects implemented	3.0%	923	1 026	1 077	1 324	4.5%
	<b>Renewable energy:</b> additional year-on-year tCO <sub>2</sub> e avoided as a result of renewable energy generated	3.0%	965	1 072	1 126	1 081	3.3%
	<b>Water savings:</b> reduction in overall water consumption per bed in use in the Hospital Division	2.0%	1.5%	3.0%	5.0%	8.0%	3.0%
	<b>General waste:</b> reduction in waste to landfill as % of Hospital Division general waste	1.0%	35.0%	40.0%	50.0%	44.0%	1.2%
	<b>HCRW:</b> reduction in HCRW to landfill as % of Hospital Division HCRW	1.0%	6.3%	6.9%	7.2%	9.3%	1.5%
Human capital and transformation 10%	<b>Preferential procurement:</b> improved procurement spend with ≥30% black women-owned enterprises, ≥51% black-owned enterprises, EMEs and QSEs with overall improvement on procurement rating as % of points available for procurement on the B-BBEE scorecard	5.0%	86.0%	89.0%	93.0%	90.0%	5.6%
	<b>Employee retention:</b> reduction in voluntary labour turnover	2.5%	14.8%	14.0%	13.8%	11.5%	3.8%
	<b>Management diversity and inclusivity:</b> increase in overall representation of black managers at middle management as a % of all middle managers	2.5%	55.0%	56.5%	58.0%	57.5%	3.3%
		100.0%					117.5%



## Financial targets

Our financial performance for FY 2023 demonstrated continued recovery as the operating environment normalises. Improved occupancy and cost efficiencies drove robust operating leverage. EBITDA ended at R4 115 million, an improvement of 17.7% on the prior year of R3 496 million. Normalised EBITDA margin strengthened to 17.4% from 16.2% in the prior year. Adjusted HEPS for FY 2023 ended at 105.7 cents, a 27.0% increase on the prior year's 83.2 cents. Cash conversion of 100.5% was achieved in FY 2023 and 106.2% for the two-year average across FY 2022 and FY 2023. ROIC improved to 10.8% for FY 2023 compared to 8.8% reported in the prior financial year, converting to a two-year average of 9.8%.

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
ROIC	20.1%	5.6%	7.9%	8.8%	<b>10.8%</b>
WACC	11.4%	11.0%	10.7%	10.7%	<b>11.9%</b>

ROIC, which was comfortably in excess of WACC prior to COVID-19, dropped significantly during the pandemic, as was the case with many listed peers. While ROIC for the current year remains below the medium-term target range, it has improved from 7.9% in FY 2021 to 10.8% in FY 2023 and is expected to improve further in FY 2024, as reflected in the FY 2024 scorecard with the minimum threshold equal to WACC and on-target performance of WACC + 0.5%.

It is important to note that, in addition to the impact of COVID-19, strategic costs are not added back when calculating ROIC or other financial metrics included in the scorecard. These operational strategic costs of R258 million for FY 2023 (FY 2022: R249 million; FY 2021: R172 million) have weighed on our margins, earnings and ROIC. The estimated impact of these costs on ROIC was 1.0% in both FY 2022 and FY 2023.

The SIP was approved at the 2022 AGM and applied for the first time during FY 2022. It was necessary to set targets that factored in the adverse impacts of COVID-19 conditions on the FY 2022 results. However, recognising that trading conditions would normalise in the medium term, an improved financial performance was anticipated in FY 2023 and beyond. Accordingly, medium-term performance target ranges were published as set out below.

Measure	Medium-term target		FY 2023 result	Outcome
	Lower threshold	Upper threshold		
EBITDA margin (%)	FY 2022 + 2.5% 17.1%	FY 2022 + 4.0% 18.6%	17.4%	Achieved
Adjusted HEPS (cents)	FY 2022 CPI + GDP + 5.0% 70.3 cents	FY 2022 CPI + GDP + 10.0% 73.4 cents	105.7	Achieved
ROIC (%)	WACC + 2.0% 12.7%	WACC + 4.0% 14.7%	9.8% <sup>1</sup>	Not yet achieved
Cash conversion (%)	90%	110%	106.2% <sup>1</sup>	Achieved

1. Measured over two-year period (i.e. FY 2022 and FY 2023).

The medium-term performance targets translated into the ranges reflected in the table above, based on the WACC and forecasts of EBITDA margin, adjusted HEPS, CPI and GDP at the time of publishing the targets. The FY 2023 results achieved or exceeded these targets for EBITDA margin, adjusted HEPS and cash conversion. While ROIC remains below the medium-term target range, it has shown steady improvement from 7.9% in FY 2021 to 8.8% in FY 2022, increasing to 10.8% in FY 2023. Further improvements in ROIC are anticipated in FY 2024, such that the minimum threshold requires ROIC to meet WACC (which has subsequently increased from 10.7% in FY 2022 to 12.3% for FY 2024), with an on-target metric of WACC + 0.5%.

# Remuneration report continued

## Strategic non-financial targets

The Group made excellent progress in driving the strategic non-financial priorities that operationalise Netcare's long-term strategy across our entire ecosystem. These will continue to position Netcare well to benefit from the long-term dynamics that drive healthcare demand. Below is a summary of achievements, with further details available in the integrated and ESG reports.

- **Consistency of care:** clinical performance and patient experience measures in FY 2023 demonstrated our commitment to providing the best and safest care to our patients. We continued to measure the impact of compassion displayed by our care teams in patient feedback surveys across our ecosystem, with the metric for the Hospital Division exceeding the threshold in FY 2023. We outperformed our target on admitting privileges granted to doctors, at our facilities. Our patient feedback data indicate that the top reason for patients seeking care at our facilities is linked to where their doctor of choice practices. We fell short of our doctor engagement target, measured in our doctor engagement survey. A focused strategy is in place to improve doctor engagement in FY 2024.
- **Digitisation:** we achieved excellent progress rolling out our EMR projects across our divisions with CareOn now implemented in 38 hospitals with an additional 3 817 beds digitised in FY 2023. We also achieved our targets for doctor adoption of e-scripts at 82.4% against a target of 80.0%, and exceeded the threshold target for doctor adoption of clinical orders. While these adoption results are pleasing, they demonstrate that doctor adoption continues to demand our attention. Consequently, this remains a key area of focus for FY 2024 and beyond.
- **Environmental sustainability:** we set targets to further reduce our carbon emissions, water consumption and waste generation across all our facilities in relation to both our FY 2023 and FY 2030 environmental sustainability goals. We achieved all targets, reaching stretched targets in three of the five goals, being additional savings derived from energy efficiency projects, reduction of overall water consumption per bed in use for hospitals and lowering HCRW waste to landfill in the Hospital Division.
- **Human capital and transformation of society:** despite the high demand and low supply of skilled workers in our sector, we reduced voluntary labour turnover to 11.5% from 14.8% in FY 2022 and 15.9% in FY 2021. Enhancing DEI and belonging remain priorities. We improved the representation of black managers at middle management to 57.5% against a target of 56.5%. We also exceeded the Department of Trade, Industry and Competition (dtic) thresholds on preferential procurement spend with ≥51% black-owned suppliers, achieving 52.0% (R6.6 billion) of measurable spend (dtic target: 50.0%). Procurement spend on black women-owned suppliers grew to 32.3% (R4.1 billion) of measurable spend (dtic target: 12.0%). We spent R1.2 billion (9.4%) of measurable spend on QSEs.

## Group performance outcome

The Group achieved an overall performance score of 117.5% against the maximum 150.0% possible for outperformance. This qualified for payment of the SIP, inclusive of catch-up awards and the cost of the second year of deferred shares from FY 2022 performance, equivalent to 8.3% of EBIT. Excluding the catch-up awards, the SIP incentive amounted to 6.5% of EBIT.

The performance scores relating to the financial results are extracted from the audited annual financial statements on which Deloitte & Touche has issued an unmodified audit opinion. GCX independently verified our carbon emissions declarations and Empowerdex verified our B-BBEE scores.

### Remuneration of executive directors and prescribed officers for FY 2023

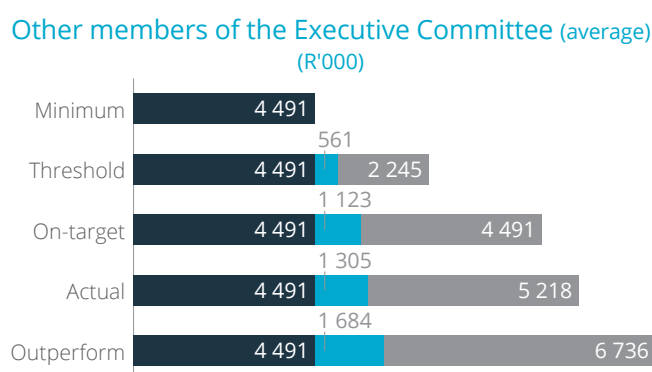
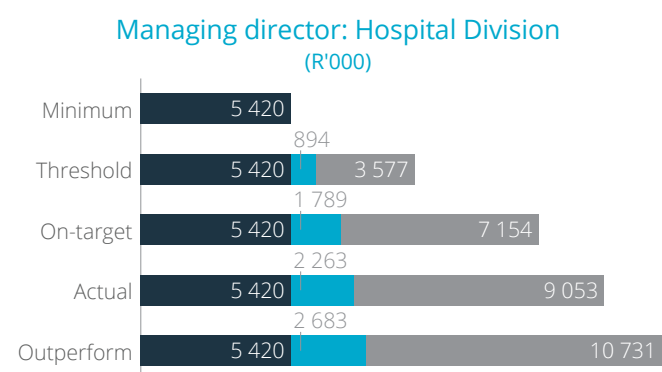
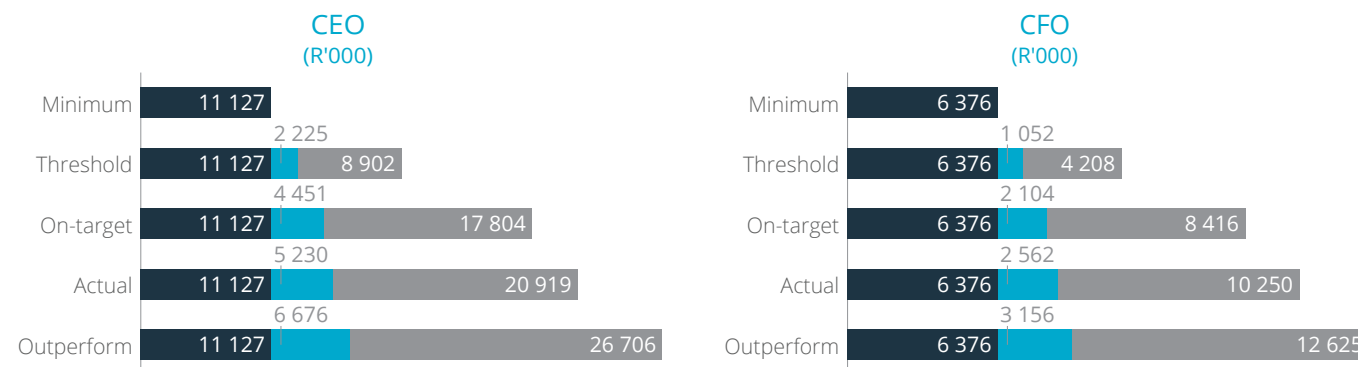
Based on this performance, potential eligibility and weighted BSC results for each director; the Board, on the recommendation of the Remuneration Committee, acknowledged the efforts of management and approved the payment of the SIP based on the formula below.

$$\text{Annual CTC} \times \text{On-target \%} \times \text{Performance multiplier (0\% - 150\%)} = \text{Annual single incentive}$$

The table below outlines the approved total SIP for executive directors and prescribed officers.

Name	Annual CTC (R)	On-target	Performance multiplier	Annual single incentive (R)	% Cash	Cash (R)	% Shares	Shares (R)	Vesting period
RH Friedland	11 127 306	200.00%	117.50%	26 149 169	20%	5 229 834	80%	20 919 335	5 years
KN Gibson	6 376 073	165.00%	121.78%	12 811 888	20%	2 562 377	80%	10 249 511	5 years
J du Plessis	5 419 925	165.00%	126.54%	11 316 316	20%	2 263 263	80%	9 053 053	5 years
T Akaloo	4 045 610	125.00%	104.50%	5 284 578	20%	1 056 916	80%	4 227 662	5 years
MFS Da Costa	4 995 783	125.00%	117.50%	7 337 556	20%	1 467 511	80%	5 870 045	5 years
CE Grindell	4 379 663	125.00%	120.90%	6 618 765	20%	1 323 753	80%	5 295 012	5 years
WN van der Merwe	4 542 025	125.00%	120.66%	6 850 509	20%	1 370 102	80%	5 480 407	5 years

### Pay mix for the executive directors and prescribed officers as a percentage of guaranteed package



■ Guaranteed package ■ Single incentive cash ■ Single incentive deferred shares

# Remuneration report continued

## Total single-figure remuneration of executive directors and prescribed officers

The table below provides an outline of the executive directors' and prescribed officers' remuneration, in terms of total single-figure remuneration, as required by King IV™ and in line with the guideline note issued by the IoDSA and the South African Reward Association.

### Remuneration of executive directors and prescribed officers for FY 2023

Rand	Annual guaranteed package			Single incentive		Total	Incentive paid in 2023		
	Salary and benefits	Retirement fund savings and contributions	Guaranteed package	Cash portion	Deferred share portion	Total single incentive	Total single-figure remuneration	Incentive paid in cash	Incentive paid in deferred shares
<b>Executive directors</b>									
RH Friedland	10 907 442	577 116	<b>11 484 558</b>	5 229 834	20 919 335	<b>26 149 169</b>	<b>37 633 727</b>	5 229 834	20 919 335
KN Gibson	6 052 367	343 407	<b>6 395 774</b>	2 562 377	10 249 511	<b>12 811 888</b>	<b>19 207 662</b>	2 562 377	10 249 511
	16 959 809	920 523	<b>17 880 332</b>	7 792 211	31 168 846	<b>38 961 057</b>	<b>56 841 389</b>	7 792 211	31 168 846
<b>Prescribed officers</b>									
T Akaloo	3 830 143	227 874	<b>4 058 017</b>	1 056 916	4 227 662	<b>5 284 578</b>	<b>9 342 595</b>	1 056 916	4 227 662
MFS Da Costa	4 735 686	260 097	<b>4 995 783</b>	1 467 511	5 870 045	<b>7 337 556</b>	<b>12 333 339</b>	1 467 511	5 870 045
J du Plessis	5 156 920	279 022	<b>5 435 942</b>	2 263 263	9 053 053	<b>11 316 316</b>	<b>16 752 258</b>	2 263 263	9 053 053
CE Grindell	4 155 114	245 206	<b>4 400 320</b>	1 323 753	5 295 012	<b>6 618 765</b>	<b>11 019 085</b>	1 323 753	5 295 012
WN van der Merwe	4 310 090	245 452	<b>4 555 542</b>	1 370 102	5 480 407	<b>6 850 509</b>	<b>11 406 051</b>	1 370 102	5 480 407
	22 187 953	1 257 651	<b>23 445 604</b>	7 481 545	29 926 179	<b>37 407 724</b>	<b>60 853 328</b>	7 481 545	29 926 179

### Remuneration of executive directors and prescribed officers for FY 2022

Rand	Annual guaranteed package			Single incentive		Total	Incentive paid in 2022		
	Salary and benefits	Retirement fund savings and contributions	Guaranteed package	Cash portion	Deferred share portion	Total single incentive	Total single-figure remuneration	Incentive paid in cash	Incentive paid in deferred shares
<b>Executive directors</b>									
RH Friedland	10 327 566	661 739	<b>10 989 305</b>	5 804 469	23 217 877	<b>29 022 346</b>	<b>40 011 651</b>	5 804 469	23 217 877
KN Gibson	5 349 198	367 563	<b>5 716 761</b>	2 516 246	10 064 985	<b>12 581 231</b>	<b>18 297 992</b>	2 516 246	10 064 985
	15 676 764	1 029 302	<b>16 706 066</b>	8 320 715	33 282 862	<b>41 603 577</b>	<b>58 309 643</b>	8 320 715	33 282 862
<b>Prescribed officers</b>									
T Akaloo	3 621 971	257 351	<b>3 879 322</b>	1 129 833	4 519 331	<b>5 649 164</b>	<b>9 528 486</b>	1 129 833	4 519 331
MFS Da Costa	4 477 964	298 444	<b>4 776 408</b>	1 614 903	6 459 614	<b>8 074 517</b>	<b>12 850 925</b>	1 614 903	6 459 614
J du Plessis	4 880 584	315 611	<b>5 196 195</b>	2 225 235	8 900 938	<b>11 126 173</b>	<b>16 322 367</b>	2 225 235	8 900 938
CE Grindell	3 465 827	247 212	<b>3 713 039</b>	1 251 108	5 004 431	<b>6 255 539</b>	<b>9 968 578</b>	1 251 108	5 004 431
WN van der Merwe	4 072 272	282 936	<b>4 355 208</b>	1 433 918	5 735 672	<b>7 169 590</b>	<b>11 524 799</b>	1 433 918	5 735 672
	20 518 618	1 401 554	<b>21 920 172</b>	7 654 997	30 619 986	<b>38 274 983</b>	<b>60 195 155</b>	7 654 997	30 619 986

## Single Incentive Plan

The following deferred shares were held by executive directors and prescribed officers at 30 September 2023.

Number of deferred shares	Grant date	1 Oct 2022	Granted	Shares forfeited during the year	Exercised (sold and retained)	30 Sep 2023
<b>Executive directors</b>						
RH Friedland		-	1 584 514	-	-	<b>1 584 514</b>
KN Gibson		-	686 889	-	-	<b>686 889</b>
<b>Prescribed officers</b>						
T Akaloo	5 December 2022	-	308 424	-	-	<b>308 424</b>
MFS Da Costa		-	440 839	-	-	<b>440 839</b>
J du Plessis		-	607 448	-	-	<b>607 448</b>
CE Grindell		-	341 529	-	-	<b>341 529</b>
WN van der Merwe		-	391 433	-	-	<b>391 433</b>
		-	4 361 076	-	-	<b>4 361 076</b>

## Health Partners for Life

The following share options were held by directors and prescribed officers at 30 September 2023.

Number of options	Grant date	1 October 2022	Exercised	30 September 2023
<b>Executive directors</b>				
KN Gibson	2 Oct 2006	1 041	-	<b>1 041</b>
Weighted average exercise price		12.34		<b>12.34</b>
<b>Prescribed officers</b>				
CE Grindell	25 Oct 2006	1 200	-	<b>1 200</b>
Weighted average exercise price		6.42		<b>6.42</b>
		2 241	-	<b>2 241</b>

No share options were granted in FY 2023 (FY 2022: nil).

A total of 2 241 Health Partners for Life share options had vested as at 30 September 2023 (FY 2022: 2 241).

## Non-executive director remuneration

Non-executive directors are paid a fixed fee for their services as directors and for services provided as members of Board committees. These fees vary depending on their committee roles. Fees are set at levels that will attract and retain the calibre of directors necessary for a highly effective Board. Non-executive directors do not qualify for participation in any share or incentive schemes.

# Remuneration report continued

## Board and governance committee meeting attendance

The table below outlines the number of Board meetings and committee meetings held as per the Memorandum of Incorporation. In addition, various additional or ad hoc meetings were held during FY 2023 to support and provide counsel to the executive team.

Director	Board	Audit	Risk	Nomination <sup>1</sup>	Remuneration	Consistency of care	Social and ethics
M Bower	C <sup>10</sup> 4/4	M/C <sup>12</sup> 3/3	M 2/2	C <sup>10</sup> 1/1	M/C <sup>13</sup> 2/2		M 2/2
T Brewer <sup>2</sup>	C <sup>11</sup> 1/1		M 1/1	C <sup>11</sup>	M 1/1		M 1/1
B Bulo	M 4/4	M/C <sup>12</sup> 3/3	C 2/2			M 2/2	
R Friedland	M 4/4	B	M 2/2	B	B	M 2/2	M 3/3
K Gibson	M 4/4	B	B				
L Human	M 4/4		M 2/2	M 1/1	M 1/1	M/C <sup>14</sup> 2/2	
I Kirk <sup>3</sup>	M 3/3						
D Kneale <sup>4</sup>	M 1/1	M 1/1	M 1/1		C <sup>13</sup> 1/1		
M Kuscus <sup>5</sup>	M 1/1		M 1/1			C <sup>14</sup> 1/1	M 1/1
T Leoka <sup>6</sup>	M 2/2	M 1/1	M 1/1				M 1/1
A Maditse <sup>7</sup>	M 1/1						M 1/1
K Moroka <sup>8</sup>	M 1/1						C <sup>15</sup> 1/1
R Phillips	M 4/4			M 1/1		M 2/2	M/C <sup>16</sup> 3/3
L Stephens <sup>9</sup>	M 3/3	M 2/2			M 1/1		

C – chair

M – member

B – attendance by invitation

1. Nomination Committee – several ad hoc meetings were held regarding CEO succession.

### Members

2. T Brewer resigned effective 31 December 2022.

3. I Kirk appointed effective 1 January 2023.

4. D Kneale retired effective 3 February 2023.

5. M Kuscus retired effective 31 December 2022.

6. T Leoka resigned effective 8 March 2023.

7. A Maditse appointed effective 7 June 2023.

8. K Moroka retired effective 31 December 2022.

9. L Stephens appointed effective 1 January 2023.

### Chairpersons

10. M Bower assumed the role of chair effective 1 January 2023.

11. T Brewer resigned as chair effective 31 December 2022.

12. B Bulo appointed chair of the Audit committee effective 1 March 2023 assuming the role of chair from M Bower.

13. D Kneale retired effective 3 February 2023 and M Bower assumed the role of chair.

14. M Kuscus retired effective 31 December 2022 and L Human assumed the role of chair.

15. K Moroka retired effective 31 December 2022.

16. R Phillips appointed chair of the Social and Ethics Committee 1 January 2023.

## Fees paid to non-executive directors

(based on Board, committee and ad hoc committee attendance)

R'000	Board	Audit	Nomination	Risk	Remuneration	Social and ethics	Consistency of care	Finance and investment	2023 total	2022 total
M Bower	1 236	201	134	144	186	95		294	2 290	1 452
T Brewer	355		44	36	31	31		85	582	2 159
B Bulo	685	245		174			186	211	1 501	1 243
L Human	685		126	144	126		223		1 304	1 133
I Kirk	513								513	-
D Kneale	228	59	43		68				398	1 185
M Kuscus	171			36		31	59		297	1 182
T Leoka	342	89		88		63			582	809
A Maditse	228					42			270	-
K Moroka	171		31			45			247	990
R Phillips	685		94			165	187		1 131	746
L Stephens	513	134			95				742	-
<b>Total</b>	<b>5 812</b>	<b>728</b>	<b>472</b>	<b>622</b>	<b>506</b>	<b>472</b>	<b>655</b>	<b>590</b>	<b>9 857</b>	<b>10 899</b>

## Proposed non-executive directors' fees

The Remuneration Committee has proposed a variable increase in non-executive directors' fees (exclusive of VAT) for FY 2024.

The increases remain subject to shareholder approval at the AGM to be held on 2 February 2024. The fees that have been adjusted have been referenced accordingly, and the balance remain at current levels.

PWC benchmarked non-executive directors' fees in FY 2022, with the following comparators used:

- Publicly disclosed non-executive director fees for a comparator group of companies listed on the JSE.
- Quartile benchmarks to ensure that accurate data is provided.

Based on the findings of the PWC benchmarking, the following fee adjustments are being tabled for approval by shareholders at the 2024 AGM.

## Proposed non-executive director fees

R'000	Proposed 2024	% Increase	Actual 2023
<b>Board</b>			
Chair	1 491	5%	1 420
Member	685	0%	685
<b>Audit Committee</b>			
Chair	281	5%	268
Member	188	5%	179
<b>Nomination Committee</b>			
Chair	188	5%	179
Member	132	5%	126
<b>Risk Committee</b>			
Chair	215	5%	205
Member	151	5%	144
<b>Remuneration Committee</b>			
Chair	216	5%	206
Member	132	5%	126
<b>Social and Ethics Committee</b>			
Chair	188	5%	179
Member	126	0%	126
<b>Consistency of Care Committee</b>			
Chair	247	5%	235
Member	195	5%	186
Payable per meeting			
Ad hoc committees (including the Finance and Investment Committee)	44	5%	42

Note: values exclude VAT.

# Summarised Group annual financial statements

for the year ended 30 September 2023

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These summarised Group annual financial statements comprise a summary of the complete audited Group annual financial statements for the year ended 30 September 2023 that were approved by the Netcare Board on 16 November 2023. The summarised Group annual financial statements do not contain sufficient information to allow for a complete understanding of the results of the Group, as would be provided in the complete audited Group annual financial statements. These summarised Group financial statements, and the audited Group financial statements from which they have been derived, were compiled under the supervision of KN Gibson CA(SA), Chief Financial Officer of the Group.





The summarised consolidated annual financial statements comprise:

- Summarised Group statement of profit or loss.
- Summarised Group statement of comprehensive income.
- Summarised Group statement of financial position.
- Summarised Group statement of cash flows.
- Summarised Group statement of changes in equity.
- Headline earnings.
- Summarised segment report.

The directors are responsible for the preparation and fair representation of the annual financial statements in accordance with the requirements of the Companies Act No. 71 of 2008 and in compliance with the Company's Memorandum of Incorporation.

 The complete audited annual financial statements are available at [www.netcare.co.za/Netcare-Investor-Relations/Reports/Financial-Results](http://www.netcare.co.za/Netcare-Investor-Relations/Reports/Financial-Results).

## Operating activities

The activities of the Group's operating segments are described below:

- **Hospital and emergency services**  
This segment is further disaggregated into Hospital and pharmacy operations, covering our private acute hospital network and day clinics, and non-acute services. The non-acute services include the provision of emergency medical services, the operation of private mental health clinics, diagnostics support services, the sale of healthcare products and vouchers and cancer care services.
- **Primary Care**  
This segment offers comprehensive primary healthcare services, employee health and wellness services and administrative services to medical and dental practices.

## Going concern

The directors have reviewed the Group and Company budget and cash flow forecasts and have satisfied themselves that the Group and Company are in a sound financial position and that they have access to sufficient borrowing facilities to meet their foreseeable cash requirements.

On the basis of this review, the Netcare directors have concluded that there is a reasonable expectation that the Group will continue to meet its financial covenants and its obligations as they fall due for at least the next 12 months from the date of approval of these financial statements. The directors consider it appropriate to adopt the going concern basis in preparing the Group and Company annual financial statements.

## Accounting policies

The accounting policies and methods of computation applied in the preparation of the Group and Company annual financial statements are in accordance with IFRS. All policies are consistent in all material respects with those applied in the audited consolidated financial statements for the year ended 30 September 2022.

Certain new or amended standards became applicable for the current financial year. The adoption of these standards did not have a material impact on the Group.

## Report of the independent auditor's

These summarised Group annual financial statements for the year ended 30 September 2023 have been extracted from the complete audited Group annual financial statements on which the auditors, Deloitte & Touche, have expressed an unmodified audit opinion and communication of a key audit matter.

The directors take full responsibility for the preparation of the summarised Group financial statements, which have been extracted from and are consistent in all material respects with the Group's consolidated financial statements.

# Summarised Group annual financial statements continued

## Summarised Group statement of profit or loss

for the year ended 30 September

Rm	2023	2022
<b>Revenue<sup>1</sup></b>	<b>23 699</b>	21 636
Cost of sales	<b>(11 937)</b>	(11 085)
<b>Gross profit</b>	<b>11 762</b>	10 551
Other income	<b>466</b>	435
Administrative and other expenses	<b>(9 371)</b>	(8 524)
Impairment of financial assets	<b>(141)</b>	(180)
<b>Operating profit</b>	<b>2 716</b>	2 282
Investment income	<b>144</b>	115
Finance costs	<b>(1 064)</b>	(885)
Other financial gains – net	<b>2</b>	1
Attributable earnings/(losses) of associates	<b>2</b>	(23)
Attributable earnings of joint ventures	<b>38</b>	44
Impairment of long-term interests and investment in associates	<b>(31)</b>	—
<b>Profit before taxation</b>	<b>1 807</b>	1 534
Taxation	<b>(471)</b>	(484)
<b>Profit for the year</b>	<b>1 336</b>	1 050
<i>Attributable to:</i>		
Owners of the parent	<b>1 271</b>	975
Preference shareholders	<b>50</b>	38
	<b>1 321</b>	1 013
Non-controlling interests	<b>15</b>	37
	<b>1 336</b>	1 050
Cents		
<b>Basic earnings per share</b>	<b>94.5</b>	72.3
<b>Diluted earnings per share</b>	<b>93.5</b>	71.7

Strategic costs of R258m (FY 2022: R249m) and generator diesel costs of R124m (FY 2022: R37m)

Increased financial expenses reflective of higher cost of debt

Lower effective tax rate of 26.1% (FY 2022: 29.8%) attributable to change in statutory tax rate and partial utilisation of tax losses within the Group

1. Refer to segment report on page 72 for detail on the disaggregation of revenue

## Summarised Group statement of comprehensive income

for the year ended 30 September

Rm	2023	2022
<b>Profit for the year</b>	<b>1 336</b>	1 050
<b>Items that will not subsequently be reclassified to profit or loss</b>	<b>53</b>	(21)
Remeasurement of post employment benefit obligation	72	—
Fair value adjustment on equity investments	—	(21)
Taxation on items that will not subsequently be reclassified to profit or loss	(19)	—
<b>Items that may subsequently be reclassified to profit or loss</b>	<b>(6)</b>	62
Effect of cash flow hedge accounting	(8)	85
Amortisation of the cash flow hedge accounting reserve	(27)	43
Change in the fair value of cash flow hedges	19	42
Taxation on items that may subsequently be reclassified to profit or loss	2	(23)
<b>Other comprehensive income for the year</b>	<b>47</b>	41
<b>Total comprehensive income for the year</b>	<b>1 383</b>	1 091
<i>Attributable to:</i>		
Owners of the parent	1 318	1 016
Preference shareholders	50	38
Non-controlling interests	15	37
	<b>1 383</b>	1 091

# Summarised Group annual financial statements continued

## Summarised Group statement of financial position

at 30 September

Rm	2023	2022
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	13 887	13 469
Right of use assets	4 073	3 770
Goodwill	1 606	1 606
Intangible assets	267	237
Equity-accounted investments, loans and receivables	606	594
Financial assets	63	99
Deferred lease assets	19	17
Deferred taxation	854	1 040
<b>Total non-current assets</b>	<b>21 375</b>	<b>20 832</b>
<b>Current assets</b>		
Loans and receivables	27	59
Financial assets	15	2
Inventories	556	562
Trade and other receivables	3 542	3 288
Taxation receivable	9	28
Cash and cash equivalents	2 279	1 499
<b>Total current assets</b>	<b>6 428</b>	<b>5 438</b>
<b>Total assets</b>	<b>27 803</b>	<b>26 270</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Ordinary share capital	4 297	4 297
Treasury shares	(3 926)	(3 504)
Other reserves	526	473
Retained earnings	9 479	8 980
Equity attributable to owners of the parent	10 376	10 246
Preference share capital and premium	644	644
Non-controlling interests	21	54
<b>Total shareholders' equity</b>	<b>11 041</b>	<b>10 944</b>
<b>Non-current liabilities</b>		
Long-term debt	6 057	5 265
Long-term lease liabilities	4 334	3 906
Post-employment healthcare benefit obligations	495	533
Deferred taxation	254	319
Provisions	19	22
<b>Total non-current liabilities</b>	<b>11 159</b>	<b>10 045</b>
<b>Current liabilities</b>		
Trade and other payables	3 657	3 521
Short-term debt	1 249	1 105
Short-term lease liabilities	658	582
Financial liabilities	12	20
Taxation payable	26	49
Bank overdrafts	1	4
<b>Total current liabilities</b>	<b>5 603</b>	<b>5 281</b>
<b>Total equity and liabilities</b>	<b>27 803</b>	<b>26 270</b>

# Summarised Group statement of cash flows

for the year ended 30 September

Rm	2023	2022
<b>Cash flows from operating activities</b>		
Cash received from customers	23 338	21 522
Cash paid to suppliers and employees	(19 203)	(17 572)
<b>Cash generated from operations</b>	<b>4 135</b>	3 950
Interest paid on debt	(516)	(419)
Interest paid on lease liabilities	(454)	(409)
Taxation paid	(374)	(439)
Ordinary dividends paid by subsidiaries	(47)	(25)
Ordinary dividends paid	(808)	(728)
Preference dividends paid	(50)	(38)
Distribution paid to beneficiaries of the HPFL B-BBEE <sup>1</sup> trusts	(6)	(8)
<b>Net cash from operating activities</b>	<b>1 880</b>	1 884
<b>Cash flows from investing activities</b>		
Advances to associates	(25)	(30)
Advances (to)/from joint ventures	(20)	17
Payments for acquisition of property, plant and equipment	(1 443)	(1 382)
Payments for additions to intangible assets	(64)	(14)
Proceeds on disposal of property, plant and equipment and intangible assets	101	35
Payments for investments and loans	(45)	(8)
Interest received	144	115
Dividends received	46	19
<b>Net cash from investing activities</b>	<b>(1 306)</b>	(1 248)
<b>Cash flows from financing activities</b>		
Proceeds on disposal of treasury shares	49	29
Acquisition of treasury shares	(510)	(29)
Debt raised	2 080	1 903
Debt repaid	(1 174)	(2 325)
Payments for equity interests in subsidiaries	(8)	—
Payment for acquisition of non-controlling interests	(2)	—
Proceeds from issue of shares to non-controlling interests	—	2
Payment of principal elements of lease liabilities	(226)	(177)
<b>Net cash from financing activities</b>	<b>209</b>	(597)
<b>Net increase in cash and cash equivalents</b>	<b>783</b>	39
Cash and cash equivalents at the beginning of the year	1 495	1 456
<b>Cash and cash equivalents at the end of the year</b>	<b>2 278</b>	1 495
<b>Consisting of</b>		
Cash on hand and balances with banks	2 279	1 499
Bank overdrafts	(1)	(4)
	<b>2 278</b>	1 495

1. Health Partners for Life Broad-based Black Economic Empowerment

# Summarised Group annual financial statements continued

## Summarised Group statement of changes in equity

for the year ended 30 September

Rm	Ordinary share capital	Treasury shares	Cash flow hedge accounting reserve
<b>Balance at 1 October 2021</b>	4 297	(3 557)	(31)
Sale of treasury shares	—	82	—
Purchase of treasury shares	—	(29)	—
Acquisition of subsidiaries	—	—	—
Transfer <sup>1</sup>	—	—	—
Share-based payment reserve movements	—	—	—
Preference dividends paid	—	—	—
Ordinary dividends paid	—	—	—
Other reserve movements	—	—	—
Distributions to beneficiaries of the HPFL B-BBEE <sup>2</sup> trusts	—	—	—
Tax recognised in equity	—	—	—
Changes in equity interests in subsidiaries	—	—	—
Total comprehensive income for the year	—	—	62
Profit for the year	—	—	—
Other comprehensive income	—	—	62
<b>Balance at 1 October 2022</b>	<b>4 297</b>	<b>(3 504)</b>	<b>31</b>
Sale of treasury shares	—	78	—
Purchase of treasury shares	—	(510)	—
Transfer <sup>1</sup>	—	10	—
Share-based payment reserve movements	—	—	—
Preference dividends paid	—	—	—
Ordinary dividends paid	—	—	—
Other reserve movements	—	—	—
Distributions to beneficiaries of the HPFL B-BBEE <sup>2</sup> trusts	—	—	—
Tax recognised in equity	—	—	—
Changes in equity interests in subsidiaries	—	—	—
Total comprehensive income for the year	—	—	(6)
Profit for the year	—	—	—
Other comprehensive income	—	—	(6)
<b>Balance at 30 September 2023</b>	<b>4 297</b>	<b>(3 926)</b>	<b>25</b>

1. Transfer of treasury shares and share-based payment reserve in respect of vested shares

2. Health Partners for Life Broad-based Black Economic Empowerment

Share-based payment reserve	Retained earnings	Equity attributable to owners of the parent	Preference share capital and premium	Non-controlling interests	Total shareholders' equity
444	8 780	9 933	644	12	10 589
—	(53)	29	—	—	29
—	—	(29)	—	—	(29)
—	(1)	(1)	—	17	16
(42)	42	—	—	—	—
41	—	41	—	—	41
—	—	—	(38)	—	(38)
—	(728)	(728)	—	(25)	(753)
(1)	8	7	—	—	7
—	(8)	(8)	—	—	(8)
—	(2)	(2)	—	—	(2)
—	(12)	(12)	—	13	1
—	954	1 016	38	37	1 091
—	975	975	38	37	1 050
—	(21)	41	—	—	41
<b>442</b>	<b>8 980</b>	<b>10 246</b>	<b>644</b>	<b>54</b>	<b>10 944</b>
—	(29)	49	—	—	49
—	—	(510)	—	—	(510)
(39)	29	—	—	—	—
98	—	98	—	—	98
—	—	—	(50)	—	(50)
—	(808)	(808)	—	(47)	(855)
—	(8)	(8)	—	—	(8)
—	(6)	(6)	—	—	(6)
—	(3)	(3)	—	—	(3)
—	—	—	—	(1)	(1)
—	1 324	1 318	50	15	1 383
—	1 271	1 271	50	15	1 336
—	53	47	—	—	47
<b>501</b>	<b>9 479</b>	<b>10 376</b>	<b>644</b>	<b>21</b>	<b>11 041</b>

# Summarised Group annual financial statements continued

## Headline earnings

for the year ended 30 September

Rm	2023	2022
<b>Reconciliation of headline earnings</b>		
Profit for the year	<b>1 336</b>	1 050
<i>Adjusted for:</i>		
Dividends paid on shares attributable to the Forfeitable Share Plan, Single Incentive Plan and HPFL B-BBEE <sup>1</sup> Trust units	<b>(14)</b>	(8)
Preference shareholders	<b>(50)</b>	(38)
Non-controlling interest	<b>(15)</b>	(37)
<b>Profit for the purposes of basic and diluted earnings per share</b>	<b>1 257</b>	967
<i>Adjusted for:</i>		
Profit on disposal of property, plant and equipment and intangible assets	<b>(23)</b>	(2)
Loss on disposal of property, plant and equipment and intangible assets	<b>9</b>	9
Recognition of impairment of property, plant and equipment in operating profit and equity accounted earnings	<b>130</b>	13
Recognition of impairment of investment in associate	<b>2</b>	3
Tax effect of headline adjusting items	<b>(32)</b>	—
<b>Headline earnings</b>	<b>1 343</b>	990

1. Health Partners for Life Broad-based Black Economic Empowerment



## Headline earnings continued

for the year ended 30 September

Rm	2023	2022
<b>Adjusted headline earnings</b>		
Headline earnings	<b>1 343</b>	990
Adjusted for:		
Amortisation of cash flow hedge accounting reserve	<b>3</b>	8
Fair value gains on derivative financial instruments	<b>—</b>	(2)
Modification loss	<b>7</b>	—
Impairment of financial assets	<b>27</b>	40
De-designation of portion of hedging instrument	<b>(2)</b>	—
Ineffectiveness losses on cash flow hedges	<b>—</b>	2
Impairment of loan to joint venture	<b>—</b>	1
Restructure costs	<b>—</b>	2
Impairment of associate loans	<b>31</b>	48
Tax rate change	<b>—</b>	24
Tax effect of headline adjusting items	<b>(3)</b>	—
<b>Adjusted headline earnings</b>	<b>1 406</b>	1 113
Cents		
<b>Headline earnings per share</b>	<b>101.0</b>	74.0
<b>Diluted headline earnings per share</b>	<b>99.9</b>	73.4
<b>Adjusted headline earnings per share</b>	<b>105.7</b>	83.2
<b>Diluted adjusted headline earnings per share</b>	<b>104.5</b>	82.6

Adjusted headline earnings per share is a measurement used by the chief operating decision maker as a key measure of sustainable earnings from trading operations. The calculation of adjusted headline earnings per share excludes non-trading and/or non-recurring items, and is based on the adjusted profit attributable to ordinary shareholders, divided by the weighted average number of ordinary shares in issue during the year. The presentation of adjusted headline earnings is not an IFRS requirement, nor a JSE Listings Requirement.

Adjusted headline earnings represent headline earnings which have been adjusted for specific items of a non-trading and/or non-recurring nature, including:

- Gains or losses on financial instruments;
- Impairments and reversal of impairments on loans;
- Acquisition costs;
- Regulatory inquiry costs;
- Onerous lease provisions;
- Significant restructuring costs;
- New business development costs;
- Realisation of reserves through profit or loss;
- B-BBEE transaction costs;
- Changes in tax rates;
- Other non-trading items; and
- Other non-recurring items.

# Summarised Group annual financial statements continued

## Summarised segment report

for the year ended 30 September

### Hospital and emergency services

This segment is further disaggregated into Hospital and pharmacy operations, covering our private acute hospital network and day clinics, and non-acute services. The non-acute services include the provision of emergency medical services, the operation of private mental health clinics, diagnostics support services, the sale of healthcare products and vouchers and cancer care services.

### Primary Care

This segment offers comprehensive primary healthcare services, employee health and wellness services, and administrative services to medical and dental practices.

Rm	Hospital and pharmacy operations	Non-acute services	Hospital and emergency services	Primary Care	Inter-segment elimination <sup>1</sup>	Total
<b>30 September 2023</b>						
<b>Statement of profit or loss</b>						
<b>Revenue</b>	<b>21 472</b>	<b>1 578</b>	<b>23 050</b>	<b>663</b>	<b>(14)</b>	<b>23 699</b>
<b>EBITDA<sup>2</sup></b>	<b>3 661</b>	<b>168</b>	<b>3 829</b>	<b>161</b>	<b>—</b>	<b>3 990</b>
Depreciation and amortisation	(1 046)	(142)	(1 188)	(86)	—	(1 274)
<b>Operating profit</b>	<b>2 615</b>	<b>26</b>	<b>2 641</b>	<b>75</b>	<b>—</b>	<b>2 716</b>
<b>Additional segment information</b>						
Impairment of property, plant and equipment	(118)	(5)	(123)	(7)	—	(130)
<b>30 September 2022</b>						
<b>Statement of profit or loss</b>						
<b>Revenue</b>	19 733	1 291	21 024	634	(22)	21 636
<b>EBITDA<sup>2</sup></b>	3 211	111	3 322	163	—	3 485
Depreciation and amortisation	(929)	(183)	(1 112)	(91)	—	(1 203)
<b>Operating profit/(loss)</b>	<b>2 282</b>	<b>(72)</b>	<b>2 210</b>	<b>72</b>	<b>—</b>	<b>2 282</b>
<b>Additional segment information</b>						
(Impairment)/reversal of impairment of property, plant and equipment	(13)	2	(11)	—	—	(11)

1. Relates to revenue earned in the Hospital and emergency services segment

2. Earnings before interest, tax, depreciation and amortisation

**Company registration number**

Registration number 1996/008242/06

**Business address and registered office**

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76 Maude Street (corner West Street),  
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Benmore 2010

**Company secretary**

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**Fraud line**

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fraud@netcare.co.za

**JSE information**

JSE share code: NTC (Ordinary shares)  
ISIN code: ZAE000011953  
JSE share code: NTCP (Preference shares)  
ISIN code: ZAE000081121

**Sponsor**

Nedbank Corporate and Investment Banking,  
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Third floor, F Block, Nedbank  
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**Transfer secretaries**

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Tel no: +27 11 100 8352

**Auditors**

Deloitte & Touche

**Principal bankers**

RMB Private Bank  
Nedbank Limited

**Selected websites**

[www.netcare.co.za](http://www.netcare.co.za)  
[www.nrc.co.za](http://www.nrc.co.za)

# Shareholders' diary

Annual general meeting	2 February 2024
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## Reports

Interim results announcement	May
Final results announcement	November

## Dividends

Ordinary dividends	Declared	Paid
Interim	May	June
Final	November	January

### Preference dividend

Interim	April	May
Final	October	November

## Disclaimer

Certain statements in this document constitute 'forward-looking statements'. Forward-looking statements may be identified by words such as 'believe', 'anticipate', 'expect', 'plan', 'estimate', 'intend', 'project', 'target', 'predict' and 'hope'. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future, involve known and unknown risks, uncertainties and other facts or factors which may cause the actual results, performance or achievements of the Group, or the healthcare sector to be materially different from any results, performance or achievement expressed or implied by such forward-looking statements. Forward-looking statements are not guarantees of future performance and are based on assumptions regarding the Group's present and future business strategies and the environments in which it operates now and in the future. No assurance can be given that forward-looking statements will prove to be correct and undue reliance should not be placed on such statements.

Any forward-looking information contained in this notice has not been reviewed or reported on by the Company's external auditors.

Forward-looking statements apply only as of the date on which they are made, and Netcare does not undertake other than in terms of the JSE Listings Requirements respectively to update or revise any statement, whether as a result of new information, future events or otherwise.

