

# Governance overview

Our business model, premised on realising the outcomes of the **Quadruple Aim**, is underpinned by a governance philosophy that supports the creation of measurable value for our stakeholders in the healthcare sector, and more broadly in our society.

The sector-specific objectives of the **Quadruple Aim**, and in turn our governance philosophy, align to King IV's foundational concepts of ethical leadership, corporate citizenship, sustainable development, stakeholder inclusivity, integrated thinking and reporting, and protecting value.

Sound corporate governance practices are implicit in our values, culture and processes; and our internal controls promote an awareness of risk, compliance and good governance in every area of the business. Furthermore, Netcare's intention to be a powerful force for social good finds expression in our deliberate efforts to create socioeconomic value and to responsibly manage our impacts, supported by strong Board oversight.

## Netcare Board Our Board of directors

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

### Non-executive directors



T (Thevendrie) Brewer /47

BCom, PGDA, CA(SA)

**Board Chair**

Tenure: 8 years

**Skills**

General business management, global commerce, financial, governance, healthcare, public policy, compensation, investment banking, legal, human resources.

■ (C) ■ ■ ■



MR (Mark) Bower /64

BCom (Cum Laude), BCompt, BCompt (Hons), CA(SA)

**Independent non-executive director**

Tenure: 4 years

**Skills**

General business management, global commerce, financial, investment banking, governance, compensation, human resources.

(C) ■ ■ ■<sup>1</sup>

**KEY**

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



**B (Bukelwa) Bulu /42**

BBusSci Hons, PGDA, CA(SA)

**Independent  
non-executive director**

*Tenure: 4 years*

**Skills**

General business management, global commerce, investment banking, governance, financial, public policy, compensation.



**L (Lezanne) Human /50<sup>2</sup>**

BSc Hons Operations Research (Cum Laude), MSc Applied Mathematics (Cum Laude), MBA (Cum Laude)

**Independent  
non-executive director**

*Tenure: 5 months*

**Skills**

General business management, digital, global commerce, governance, financial.



**Dr APH (Azar) Jammine /70<sup>4</sup>**

BSc (Hons), BA(Hons), MSc, PHD

**Independent  
non-executive director**

*Tenure: 21 years*

**Skills**

General business management, global commerce, governance, financial, compensation, investment banking, public policy.



**D (David) Kneale /65<sup>5</sup>**

BA

**Independent  
non-executive director**

**Skills**

General business management, governance, global commerce, financial, healthcare.



**MJ (Martin) Kuscus /64**

BA Cur, Dip Company Director, EDP

**Independent  
non-executive director**

*Tenure: 11 years*

**Skills**

General business management, global commerce, governance, healthcare, public policy, human resources.



**Adv KD (Kgomotso) Moroka /65**

BProc, LLB

**Independent  
non-executive director**

*Tenure: 13 years*

**Skills**

General business management, investment banking, global commerce, legal, governance, public policy, human resources.



**N (Norman) Weltman /70**

CTA, CA(SA)

**Independent  
non-executive director**

*Tenure: 11 years*

**Skills**

General business management, global commerce, healthcare, financial, compensation, public policy.



## Executive directors



**Dr RH (Richard) Friedland /57**

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

**Chief Executive Officer**

*Tenure: 22 years*

**Skills**

General business management, global commerce, financial, healthcare, governance, compensation, human resources.



**KN (Keith) Gibson /49**

BAcc, CA(SA)

**Chief Financial Officer**

*Tenure: 8 years*

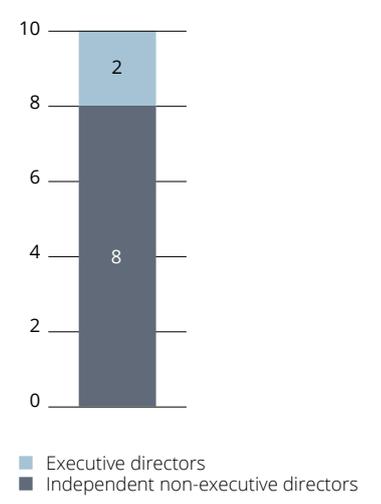
**Skills**

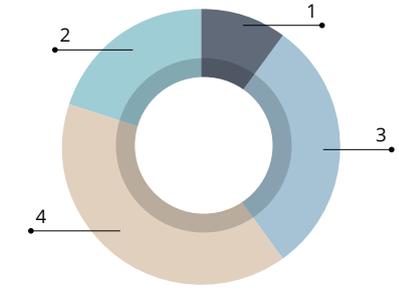
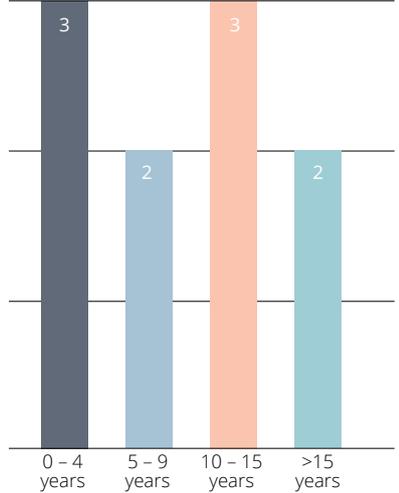
General business management, global commerce, healthcare, compensation, investment banking, human resources.

1. Appointed 1 October 2019.
2. Appointed 13 May 2019.
3. Appointed 1 October 2019.
4. Retired 30 September 2019.
5. Appointed with effect 1 January 2020.

## Board composition

(including APH Jammine and L Human)

<b>Independence</b>	 <p>2</p> <p>8</p> <p>0</p> <p>■ Executive directors ■ Independent non-executive directors</p>	<p>Independent non-executive directors are re-elected every three years.</p> <p><b>2019 Board review finding</b></p> <p>All members are considered independent with the exception of the CEO and CFO. Board Chair, Mrs Thevendrie Brewer, is independent and free from any conflicts of interest.</p>	
<b>Skill</b>	<p><b>Financial</b> 8 directors (80%)</p> <p><b>Legal</b> 2 directors (20%)</p> <p><b>Healthcare</b> 5 directors (50%)</p> <p><b>General business management</b> 10 directors (100%)</p>	<p><b>Public policy</b> 6 directors (60%)</p> <p><b>Governance</b> 10 directors (100%)</p> <p><b>Investment banking</b> 6 directors (60%)</p> <p><b>Global commerce</b> 10 directors (100%)</p>	<p><b>Human resources</b> 6 directors (60%)</p> <p><b>Compensation</b> 7 directors (70%)</p> <p><b>Digital</b> 1 director (10%)</p>
<p>Where gaps in knowledge or skills are identified, directors are provided with development training or new appointments are made. Subject matter experts are available for matters requiring specialised guidance.</p> <p><b>2019 Board review finding</b></p> <p>The Board possesses a wide range of expertise and experience with sufficient professional and industry knowledge.</p>			

<p><b>Age</b></p>	<p><b>Average age: 58</b></p>  <ul style="list-style-type: none"> <li>■ Younger than 46 years of age</li> <li>■ 46 to 55 years of age</li> <li>■ 56 to 65 years of age</li> <li>■ Older than 65 years of age</li> </ul>	<p>Succession planning is a key focus area and ensures that skillsets are retained following the retirement of members. We strive to balance fresh perspectives from newer members with the experience and institutional knowledge of those with longer tenures.</p> <p><b>2019 Board review finding</b></p> <p>Board succession plans are adequate for both non-executive directors and executive directors, including the interim measures in the event of an unforeseen loss of expertise.</p>
<p><b>Diversity</b></p>	<p><b>Black South African representation</b>  <b>40.0%</b>                  2018: 40.0%</p> <p><b>Women representation</b>  <b>40.0%</b>                  2018: 30.0%                  Target: 35%</p>	<p>The Board appointment and gender diversity policy ensures a formal and transparent appointment process with a focus on gender and race diversity, as well as skill, experience, qualities and broader diversity aspects.</p> <p><b>2019 Board review finding</b></p> <p>The requirements of the Board appointment and gender diversity policy have been met and exceeded in terms of gender diversity.</p>
<p><b>Tenure</b></p>	<p><b>Average years of tenure: 10</b></p> 	<p>The Nomination Committee objectively and subjectively evaluates the continued independence of non-executive directors who have served for a period of nine years or longer, and considers factors that may impair their independence.</p> <p><b>2019 Board review finding</b></p> <p>There are no relationships or circumstances likely to affect, or which appear to affect, the judgement of Mr Martin Kuscus, Adv Kgomotso Moroka and Mr Norman Weltman as independent non-executive directors, who have served on the Board for more than nine years.</p>

## Responsibilities of the Board

To address areas of improvement identified in last year's Board performance evaluation, we undertook the following:

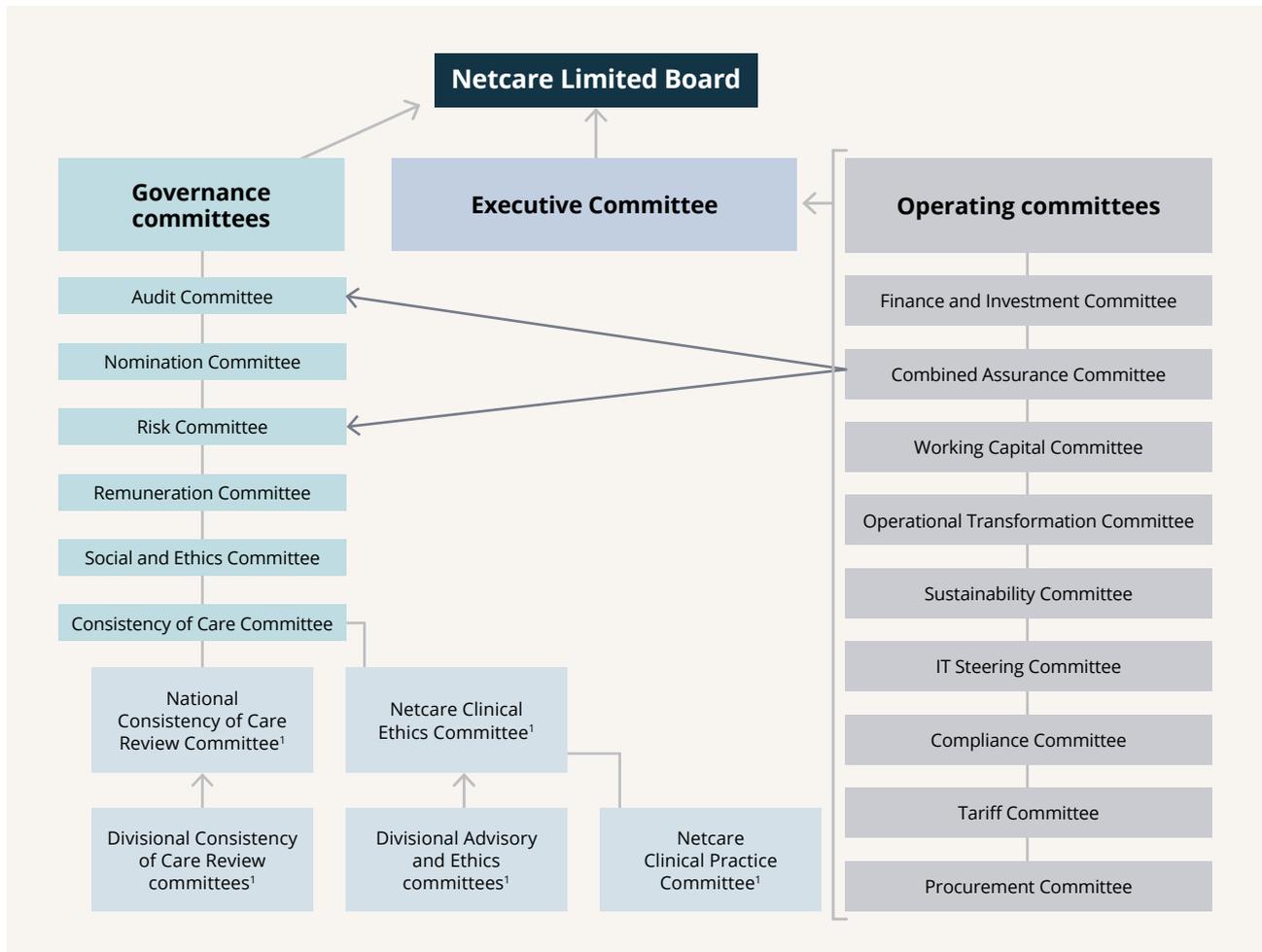
- Updated our stakeholder policy and engagement plan to strengthen Board oversight of stakeholder engagement activities and enhance its awareness of key stakeholder concerns.
- Dedicated a significant portion of the strategy workshop and the 'Netcare Caring Beyond 2020' leadership conference to enhancing the Board's knowledge on disruptive technologies and trends.

<p><b>STRATEGY</b> (the Board is assisted by all governance committees)</p>	<p><b>Key activities in 2019</b></p> <ul style="list-style-type: none"> <li>▪ Assessed the Group's business model and strategy to deliver person-centred health and care that is digitally enabled and data driven.</li> <li>▪ Reviewed the Group's data management initiatives and endorsed the establishment of a Data Council to oversee the governance, co-ordination and protection of data. The Board is pleased with the progress of the digital strategy.</li> <li>▪ Tracked, and where required, approved capital allocation.</li> <li>▪ Approved the Group's new share ownership scheme, contributing to the Level 4 B-BBEE rating.</li> </ul> <p><b>Board opinion</b></p> <p>Satisfied that the Group's business model and strategy continue to remain relevant and support the achievement of sustainable competitive advantage.</p> <p><b>Key objective for 2020</b></p> <p>Monitor delivery of the Group's strategic priorities.</p>
<p><b>STAKEHOLDER INCLUSIVENESS</b> (the Board is assisted by the Remuneration, Social and Ethics and Consistency of Care committees)</p>	<p><b>Key activities in 2019</b></p> <ul style="list-style-type: none"> <li>▪ Assessed the Group's stakeholder engagement strategy and mandated management to develop strategies to prioritise stakeholder feedback and ensure engagement with stakeholders is linked to the Group's strategy. The Board also approved the updated stakeholder policy aligned to these objectives.</li> <li>▪ Monitored key stakeholder concerns, including change management interventions for doctors and nurses, and engagement with regulators and government on healthcare policy.</li> <li>▪ Engaged with stakeholders on various governance matters.</li> </ul> <p><b>Key objective for 2020</b></p> <p>Ensure the Group enhances its engagement with media.</p>
<p><b>ETHICS</b> (the Board is assisted by all governance committees)</p>	<p><b>Key activities in 2019</b></p> <ul style="list-style-type: none"> <li>▪ Reviewed executive performance and the adherence of governance committees to their Board-approved, King IV-aligned terms of reference, including a focus on ethical outcomes.</li> <li>▪ Reviewed the results of the Group-wide governance, legal, ethics and compliance survey, and endorsed the ethical management programme, which will entail policies, ethical training, screening of employees, addressing of misconduct and failures, and ethical surveys.</li> </ul> <p><b>Board opinion</b></p> <p>Satisfied with the Group's implementation of the King IV principles and recommended practices related to ethical culture.</p> <p><b>Key objective for 2020</b></p> <p>Ensure the Group provides additional training and ethics awareness for employees.</p>

<p><b>MATERIAL MATTERS AND REPORTING</b> (the Board is assisted by all committees)</p>	<p><b>Key activities in 2019</b></p> <ul style="list-style-type: none"> <li>▪ Oversaw the Group's response to and management of matters considered material to its ability to create and sustain stakeholder value. Key focus areas included operationalising the Group's strategy, doctor and funder engagement, and regulatory oversight.</li> <li>▪ Oversaw the preparation of the integrated report, including the consideration and approval of the Group's material matters.</li> <li>▪ Oversaw the fair presentation of the Group's annual financial statements and other shareholder information.</li> </ul> <p><b>Board opinion</b></p> <ul style="list-style-type: none"> <li>▪ Satisfied that the Group's risk management systems and processes support its business model and strategy (see page 46).</li> <li>▪ Satisfied that the Group annual financial statements for the 2019 financial year fairly present the Group's operational results and financial position.</li> <li>▪ Satisfied that the integrated report provides a fair and balanced account of the Group's performance against its material matters.</li> </ul> <p><b>Key objective for 2020</b></p> <p>Continue to ensure meaningful, material and transparent external reporting.</p>
<p><b>TECHNOLOGY GOVERNANCE</b> (the Board is assisted by the Audit and Risk committees)</p>	<p><b>Key activities in 2019</b></p> <ul style="list-style-type: none"> <li>▪ Oversaw the progress made towards implementing electronic medical records (EMRs), particularly the CareOn pilot in the Hospital division.</li> <li>▪ Reviewed cybersecurity initiatives and disaster recovery plans.</li> </ul> <p><b>Board opinion</b></p> <p>Satisfied that IT governance is properly managed and aligned with business needs and strategy, and that the disaster recovery programme will support the continuity of critical business processes.</p> <p><b>Key objective for 2020</b></p> <p>Continue to oversee the roll out of EMR systems across all service platforms, ensuring that potential cost and schedule overruns are avoided.</p>
<p><b>COMPLIANCE</b> (the Board is assisted by all governance committees)</p>	<p><b>Key activities in 2019</b></p> <ul style="list-style-type: none"> <li>▪ Ensured effective governance and risk management processes.</li> <li>▪ Considered matters relating to King IV, the JSE Listings Requirements, the draft NHI Bill and the Competition Commission's final HMI Report.</li> <li>▪ Mandated human resources to deliver updated training on the protection of personal information.</li> </ul> <p><b>Board opinion</b></p> <p>Satisfied that there is no current or pending legal action that will materially affect the Group's operations, and that the Group complies with the amended JSE Limited (JSE) Listings Requirements.</p> <p><b>Key objective for 2020</b></p> <p>Continue to ensure the effectiveness of the Group's governance, risk and compliance frameworks, and implement policies that ensure sustainable value is created for stakeholders.</p>
<p><b>PERFORMANCE</b> (the Board is assisted by all committees)</p>	<p><b>Key activities in 2019</b></p> <ul style="list-style-type: none"> <li>▪ Reviewed and monitored performance against financial and non-financial targets aligned with the Group's strategic priorities.</li> <li>▪ Enacted the decision taken in 2018 to voluntarily implement audit firm rotation ahead of the prescribed date of 1 April 2023. Deloitte &amp; Touche were appointed as Netcare's new auditors for the 2019 financial year.</li> </ul> <p><b>Key objective for 2020</b></p> <p>Continue to monitor the remuneration policy and associated practices.</p>

## Governance and delegation of authority

### Governance and delegation of authority framework



Note: for the duration of the CareOn project, a CareOn Digitisation Project Steering Committee has been established.

1. Report into the Executive Committee.

## Governance committee activities

<b>AUDIT COMMITTEE</b> (meets three times a year)	<b>RISK COMMITTEE</b> (meets twice a year)
<b>Key activities in 2019</b> <ul style="list-style-type: none"> <li>▪ Approved Group Internal Audit's charter and risk-based audit plan, and reviewed Risk Committee reports, all aspects of financial reporting, and cybercrime and cybersecurity, including comprehensive cyber liability insurance.</li> <li>▪ Monitored and oversaw the outputs of the five levels of assurance model, as well as the external audit function and related audit fees.</li> <li>▪ Assessed Internal Audit's independent review of the implementation of King IV (excluding the requirements related to internal audit), which confirmed that the principles have been applied.</li> <li>▪ Requested all decision letters or explanations issued by the Independent Regulatory Board for Auditors, or any other regulator, along with any summaries relating to monitoring procedures or deficiencies issued by the audit firm.</li> </ul>	<b>Key activities in 2019</b> <ul style="list-style-type: none"> <li>▪ Reviewed and approved the Group's top business risks, and reviewed various aspects of these risks including the regulatory environment, the Group's water backup plan, environmental, social and governance (ESG) practices and assessments, and the results of the Group-wide ethics survey. The committee also ensured that the Group remains focused on advances in technology and technological disruptions.</li> <li>▪ Approved the Group's insurance cover.</li> <li>▪ Reviewed the process and results of the control effectiveness self-assessments to manage risks.</li> <li>▪ Continued to track the Group's progress towards meeting the requirements of the Protection of Personal Information Act once fully implemented.</li> <li>▪ Oversaw interventions to manage cybersecurity, information management and data security.</li> </ul>
<b>Key outcome</b> The Group is in a sound financial position with access to sufficient borrowing facilities to meet its foreseeable cash requirements.	<b>Key outcome</b> A risk-aware culture is embedded at all levels of the Group, which enables relevant, informed and consistent decision-making relating to risk.
<b>Key objective for 2020</b> <ul style="list-style-type: none"> <li>▪ Adoption of the 'agile audit approach', where revisions to the internal audit plan will be tabled at Audit Committee meetings on a quarterly basis for ratification.</li> </ul>	<b>Key objectives for 2020</b> <ul style="list-style-type: none"> <li>▪ Monitor the risks associated with digitisation.</li> <li>▪ Evaluate the ability of third-party security providers to adequately address emerging cybersecurity risks.</li> </ul>
<b>NOMINATION COMMITTEE</b> (meets twice a year)	
<b>Key activities in 2019</b> <ul style="list-style-type: none"> <li>▪ Conducted the annual review of the composition and effectiveness of the Board and governance committees. The 2019 committee self-assessment process shows that the Board, its governance committees and members are operating effectively.</li> <li>▪ Updated the executive succession planning process at executive and non-executive level. The committee is satisfied with the bench strength of the executive succession pipeline given the number of key appointments made across the Group during the reporting year.</li> <li>▪ Following a review, concluded that conflicts of interest are well managed and the process is robust.</li> </ul>	
<b>Key outcomes</b> Appointment of Ms L Human and Mr D Kneale to the Board, and improved transformation at executive and senior level.	
<b>Key objective for 2020</b> <ul style="list-style-type: none"> <li>▪ Review the Board appointment and gender diversity policy.</li> </ul>	



Detailed disclosure of committee activities in the full corporate governance report: **page 11**.

## REMUNERATION COMMITTEE

(meets twice a year)

### Key activities in 2019

- Reviewed the key performance indicators used to evaluate the performance of executive directors, prescribed officers and senior executives. These include financial targets and non-financial targets aligned to our strategic priorities.
- Engaged with shareholders on best practice remuneration, updated the remuneration policy to include malus and clawback provisions in line with stakeholder recommendations, and approved a new long-term incentive plan for implementation in 2020.

### Key outcome

An updated remuneration policy to be presented for separate non-binding advisory vote from shareholders at the AGM to be held on 31 January 2020.

### Key objective for 2020

- Ongoing engagement with shareholders and other stakeholders on Netcare's remuneration policy and practices.

## SOCIAL AND ETHICS COMMITTEE

(meets twice a year)

### Key activities in 2019

- Reviewed the Group's B-BBEE plans and scorecard and oversaw the implementation of the share ownership scheme.
- Reviewed Netcare's participation in various internationally accredited ESG indices.
- Oversaw the appropriate management of ethics awareness, including the roll out of the Group-wide ethics survey.
- Reviewed progress on the Group's environmental sustainability projects.

### Key outcomes

There were no material incidents of non-compliance with regulatory obligations, and the committee is satisfied with the Group's compliance programmes and processes. The Group improved its B-BBEE rating and performed well in all ESG indices.

### Key objective for 2020

- Oversee the implementation of the ethics management programme.

## CONSISTENCY OF CARE COMMITTEE

(meets twice a year)

### Key activities in 2019

- Reviewed systems to enhance measurable improvements in quality outcomes.
- Reviewed the strategic initiatives implemented to support focused engagement with healthcare practitioners and funders, improve patient experience, drive person-centred health and care, and close inefficiency gaps.
- Oversaw the process of preparing clinical quality data for publication.
- Assessed Akeso Clinics' quality management systems.
- Oversaw initiatives to develop Netcare's value-based care and contracting capability, and establish a clinical decision support culture and system.
- Monitored healthcare practitioner conduct to ensure strict adherence to professional ethics and Netcare's values and behaviours.

### Key outcome

Maintained Group ISO 9001:2015 certification (excludes Akeso Clinics).

### Key objective for 2020

- Oversee the realisation of the consistency of care strategy and the design and implementation of a quality management system for Akeso Clinics to achieve ISO 9001:2015 accreditation.



Detailed disclosure of committee activities in the full corporate governance report: **page 11**.

## Ethics

We are committed to high moral, ethical and legal standards, and support the code, principles and values of the Health Professions Council of South Africa (HPCSA). Our Code of Ethics guides the interaction between the Group and its stakeholders, including its partners and suppliers in the healthcare value chain. It articulates the Group's policy regarding conflicts of interest, gifts, confidentiality, fair dealings and the protection and appropriate use of Netcare's assets. Training interventions, awareness campaigns and an annual survey are used to entrench the code's principles and ensure that it is consistently applied within the Group.

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

### Fraud and ethics reporting

**208 incidents** of alleged fraud and irregularities reported (2018: 236).

**No incidents** of alleged unethical medical behaviour (2018: 2).

**191 incidents** investigated and closed with the balance still under investigation (2018: 223).

## ESG performance

The Group's ESG performance is independently assessed and benchmarked annually.

### FTSE Russell (SA)

Included in the FTSE/JSE Top 30 Responsible Investment Index

	Total score	2019 score	2018 score
Environmental	5	3.5 <sup>1</sup>	5.0
Social	5	4.3	3.5
Governance	5	5.0	5.0
Overall ESG rating	5	4.3	4.4

<sup>1</sup> Our environmental score declined due to the change in methodology used to assess water consumption.

### Dow Jones Sustainability (global)

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

### MSCI ESG Research Inc. (global)

Achieved an 'AA' rating, the second highest awarded by MSCI ESG, marking us as a leader in our sector (2018: AA).

### Sustainalytics (global)

Achieved an overall score of 74%, ranking sixth out of 123 participants.

Environmental	82%
Social	63%
Governance	83%



Our social and environmental performance: **page 86** and **page 114** respectively.

## Accountability and control

An appropriate system of internal controls is maintained to safeguard and manage Netcare's assets, minimise losses arising from fraud and/or other illegal acts, and fairly present financial and operational information. Group Internal Audit fulfils an assurance and consulting function and is mandated to provide independent and objective assurance over this system of internal controls. Group Internal Audit's activities provide assurance to our stakeholders that Netcare operates in a responsible manner.

In line with the requirements of the IIA Standards, Group Internal Audit undergoes an independent quality review at least every five years. An assessment was undertaken in 2019 by a globally recognised external audit firm. The findings confirmed that Netcare's internal audit function 'generally conforms' to the IIA Standards (the highest level of compliance). The assessment report indicated that Netcare has a professional and established internal audit function which achieved an 'established' maturity rating and is regarded as a trusted advisor to the business. The next independent quality review is planned for 2024.



Full corporate governance report.