



Case study #5

Netcare
helps to mend
broken hearts

At Netcare we are proud of our people who deliver world-class healthcare services to our patients. We support them with industry-leading training and development programmes to ensure they remain at the forefront of their profession. But it is our people's **PASSION** and pride that brings true magic to our business.

Dr Farrel Hellig, a cardiologist from the Netcare Sunninghill Hospital, brought his passion for his profession to bear when he and his team made history in South Africa by completing the first transcatheter aortic valvular implantation (TAVI) procedure in October 2009.

Before the advent of this procedure, people with severe aortic heart valve stenosis (narrowing) who were not be able to survive open-heart surgery had little chance to live. But the success of this groundbreaking procedure gives new hope.

The procedure involves doctors using tubes known as catheters to implant the transcatheter aortic heart valve to replace a diseased heart valve. According to Dr Hellig, “the procedure is far less invasive than traditional open-heart surgery. The new approach makes it possible to repair the heart valve without having to resort to traumatic chest opening surgery. Seriously ill patients are therefore more likely to survive the procedure. Patients also often recover relatively quickly; some are up and about within days.”

Picture: Dr Farrel Hellig, Netcare Sunninghill Hospital, Johannesburg.

Corporate governance report 74

Introduction	75
Board of directors	76
Board committees	77
Accountability and control	80
Share dealings	80
Ethics	80
Relations with shareholders	81

Risk report 82

Introduction	83
Risk management process	83
Key risks	84

Sustainability report 86

Introduction	87
Highlights	88
Overview	89
Letter from the CEO	90
Value added statement	91
Sustainability at a glance	92
Key issues and engagement channels	94
Our response to stakeholder issues	96
Human capital	98
Black economic empowerment	102
Corporate social investment	105
Environment	110

Corporate responsibility review



Corporate
governance
report



Corporate governance report

Introduction

Netcare recognises that a company's corporate governance policies form an integral part of its overall strategy. Sound corporate governance principles are embedded in Netcare's business structure, values, policies, processes and systems, and are not viewed in isolation as peripheral guidelines on which a company must report to meet regulatory obligations. These principles encompass:

- Compliance with the law and adherence to commercial legitimacy;
- Fair treatment of employees and business partners;
- A responsibility to the communities and environment in which we operate; and
- Probity, integrity and business ethics in operational activities.

Netcare strives to balance conformance and the creation of value as a key driver in corporate performance. In addition, corporate governance standards are incorporated into our overall balanced scorecard framework which informs the Group's performance appraisal process.

The Group subscribes to the highest standards in its corporate governance structure, processes and behaviour. We are committed to complying with the recommendations contained in the Code of Corporate Practices and Conduct (the Code) as set out in the second King Report on Corporate Governance for South Africa 2002 (King II), most elements of which are either formally or informally in place. We recognise the pragmatic flexibility inherent in the "comply or explain" approach and have adopted this in our application of the King Code.

We deliberately avoid a "tick-box" approach in assessing our corporate governance processes. In particular, Netcare endorses the sentiments of paragraph 8.1 of the code which states that the quality of information communicated must be based on the principles of openness and substance over form, as well as addressing material matters of significant interest and concern to all stakeholders. Certain features of the Board structure, although technically non-compliant with certain elements of the King Code, remain in force because we believe that they are aligned with the best interests of Netcare.

Netcare complied with King II during the year ended 30 September 2009, except for the following:

- The Audit Committee does not have a majority of independent non-executive directors and is chaired by a non-executive director who is the senior partner of the Group's external legal advisers and is therefore not independent;



Joel Wolpert
Company Secretary

The Group's values are core to its business philosophy and guide the way the Group conducts its business and interacts with all stakeholders.

- The Audit Committee Chairman also chairs the Remuneration Committee;
- The Risk Committee does not have a majority of independent non-executive directors; and
- The Nominations Committee is not chaired by the Board Chairman but by an independent non-executive director. This situation has prevailed since the committee was established; at that time the Board Chairman was not independent.

As indicated last year, the Board initiated a process for formal Board evaluation during the year under review and is currently considering the steps necessary to enhance the independence of certain Board committees.

Netcare supports the principles embodied in the revised code, set out in the third King Report on Governance Principles for South Africa (King III), released on 1 September 2009. The Board intends to apply these principles insofar as is practicable, when relevant and appropriate.

Board of directors

The Board is the focal point for the application of sound corporate governance principles. Accordingly, governance structures and practices have been designed by the Board to allow it to fulfil its duties effectively. These structures and practices are transparent and designed to ensure the objectivity of Board decisions, as well as the accountability of the Board to all its stakeholders.

Strategic priorities, information needs and relevant risks have all been factored into Board decision-making. The Board retains full and effective control over the organisation and decisions on material matters are reserved for the Board.

Standing subcommittees of the Board have been appointed (details are provided below) and ad hoc subcommittees are created when necessary. The Board has also adopted and regularly reviews a policy governing the authority delegated to Group management that specifies the matters reserved for Board decision.

The Board has unrestricted access to all information, records and documents to enable it to discharge its responsibilities. The Board's information needs are reviewed regularly and appropriate procedures are in place to inform and brief Board members prior to relevant meetings. The standard Board agenda focuses on monitoring governance, strategy and performance, and imperatives dictated by the contents of the Board charter.

Board structure and composition

Netcare has a unitary Board structure which comprises an appropriate balance of executive and non-executive directors. At the end of the financial year, the Board comprised 13 directors, four of whom are executive; six of the nine non-executive directors are independent. The biographical details of the Board of directors are provided on pages 14 and 15.

Peter Nelson resigned as Financial Director/Chief Financial Officer with effect from 5 December 2008. He was succeeded by Vaughan Firman who was appointed on 12 February 2009.

During the year under review, Ingrid Davis, an executive director, announced her resignation, effective from 31 December 2009; this will reduce the number of executive directors to three.

Board appointments

A formal and transparent procedure is applied to all appointments by the full Board of directors, acting within its powers under the Articles of Association. The Nominations Committee considers executive succession planning and makes appropriate recommendations regarding appointments to the Board. This process encompasses an evaluation of the skills, knowledge and experience required to implement Group strategy, as well as due consideration of transformation imperatives.

No executive director has a service contract exceeding two years. Generally, directors have no fixed term of appointment but retire by rotation every three years and, if available, are considered for reappointment at the annual general meeting. The Chief Executive Officer is not required to stand for re-election.

Board responsibilities and charter

The Netcare Board brings together directors possessing a wealth of experience and expertise from many fields of business; this diversity ensures the effective leadership of Netcare into the future. The Board recognises the importance of promoting entrepreneurial flair within the organisation while at the same time ensuring conformance with governance and other compliance realities.

The Board is accountable to shareholders and other stakeholders for the performance of the Company. It is responsible for the strategic direction and primary objective of the Company, which is to create and build sustainable value for its shareholders. It does this by establishing goals for management and monitoring the achievement of these goals.

In undertaking these responsibilities the Board endeavours to:

- Act in the best interests of Netcare Limited;
- Carry out its responsibilities with honesty, fairness, integrity, care and diligence, and in a manner which reflects current best practice in good corporate governance;
- Be mindful at all times of the legitimate interests of other parties who may have an interest in or be affected by the activities of the Group; and
- Act in accordance with the duties and obligations imposed upon it by the law and the Memorandum and Articles of Association of Netcare Limited.

A Board Charter is in place which defines the Board's role and responsibilities.

Board meetings

The Board meets at least five times a year in Sandton and all meetings are convened by formal notice. Ad hoc meetings are held when necessary. Information is distributed in a timely manner prior to Board meetings, to facilitate adequate preparation for relevant deliberation at these meetings.

Attendance of directors at Board meetings

during the year ended 30 September 2009

Name	Status	20/11/08	12/02/09	14/05/09	12/08/09	30/09/09
IM Davis	Executive	✓	✓	✓	A	✓
VE Firman ¹	Executive	N/A	✓	✓	✓	✓
RH Friedland	Executive	✓	✓	✓	✓	✓
APH Jammine	Independent non-executive	✓	✓	✓	✓	✓
JM Kahn	Independent non-executive	✓	✓	A	✓	✓
MJ Kuscus	Independent non-executive	✓	✓	✓	✓	✓
HR Levin	Non-executive	✓	✓	✓	✓	✓
VLJ Litlhakanyane	Executive	✓	✓	✓	✓	✓
KD Moroka	Independent non-executive	✓	✓	✓	✓	✓
PG Nelson ²	Executive	✓	N/A	N/A	N/A	N/A
AA Ngcaba	Independent non-executive	A	✓	✓	A	A
MI Sacks	Non-executive	✓	✓	✓	✓	A
SJ Vilakazi	Independent non-executive	A	✓	✓	✓	A
N Weltman	Non-executive	✓	✓	✓	✓	✓

✓ = Attendance.

A = Apology.

N/A = Not applicable.

¹ = Appointed 12 February 2009.

² = Resigned 5 December 2008.

Company Secretary

The Company Secretary provides individual directors and the Board as a whole with detailed guidance on properly discharging their responsibilities in the best interests of the Company. The Board has empowered the Company Secretary with the responsibility for advising the Board, through the Chairman, on all governance matters. Accordingly, the Company Secretary is the central source of advice to the Board and the Company on matters of ethics and good corporate governance.

The Company Secretary ensures, in consultation with the Chairman, that the contents of the agenda are relevant to Board decision-making and that the outcome of Board deliberations is communicated throughout the Group as appropriate. In addition, the Company Secretary is responsible for the timely preparation and circulation of minutes to the Board and its committees, and for ensuring that the levels of authority in delegated matters are properly adhered to.

The Company Secretary is qualified to perform his duties in accordance with the applicable legislation and is considered by the Board to be fit and proper for the post.

Professional advice

The directors are entitled, at the Group's expense, to seek professional advice about the affairs of the Group and have unrestricted access to all Group information, records, documents and property.

Board committees

The Board has established nine committees, comprising six governance committees and three operating committees, which are responsible for assisting the Board in discharging its responsibilities.

Governance committees

- Audit
- Remuneration
- Risk
- Nominations
- Board Transformation
- Quality Assurance and Clinical Risk Audit

Operating committees

- Executive
- Finance and Investment
- Operational Transformation

Each committee acts according to clearly defined terms of reference approved by the Board. Board committees are entitled to take independent and external professional advice, as and when necessary, and are subject to regular evaluation by the Board to monitor their performance and effectiveness.

Governance committees

Audit Committee

The Audit Committee comprises Messrs HR Levin (Chair), APH Jammine, KD Moroka and MI Sacks.

During the previous financial year, pursuant to section 269A of the Companies Act (Corporate Laws Amendment Act) which came into effect on 14 December 2007, the Board appointed the Audit Committee to hold office in respect of the financial year ended 30 September 2009.

Attendance at Audit Committee meetings

during the year ended 30 September 2009

Name	19/11/08	13/05/09	06/08/09	22/09/09
APH Jammine	✓	✓	✓	✓
HR Levin	✓	✓	✓	✓
KD Moroka	✓	✓	✓	A
MI Sacks	✓	✓	✓	A

✓ = Attendance.

A = Apology.

Further information relating to the Audit Committee, as required by section 270A (1)(f) of the Companies Act, is now included in the Audit Committee report, which has been incorporated into the Group's annual financial statements on page 120.

Pursuant to paragraph 3.84(h) of the JSE Listings Requirements, the Audit Committee reports that it has considered and satisfied itself of the appropriateness of the expertise and experience of the financial director of Netcare Limited.

Remuneration Committee

The Remuneration Committee comprises Messrs HR Levin (Chair), APH Jammine, AA Ngcaba, MI Sacks and SJ Vilakazi (appointed 12 February 2009).

The Remuneration Committee's terms of reference include *inter alia*:

- Developing the remuneration philosophy and strategy for the Group;
- Determining Group policy regarding executive remuneration;
- Determining specific remuneration packages for executive directors and senior management; and
- Recommending for approval by the Company in general meetings, the fees payable to non-executive directors.

Independent external studies and comparisons are used to ensure that remuneration is market related and is linked to both individual and Company performance.

Attendance at Remuneration Committee meetings

during the year ended 30 September 2009

Name	11/12/08	05/03/09
APH Jammine	✓	✓
HR Levin	✓	✓
AA Ngcaba	✓	✓
MI Sacks	A	A
SJ Vilakazi ¹	N/A	✓

✓ = Attendance.

A = Apology.

N/A = Not applicable.

¹ = Appointed 12 February 2009.

The committee satisfied all its responsibilities in accordance with its terms of reference.

Risk Committee

The Risk Committee comprises Messrs JM Kahn (Chair), MI Sacks, RH Friedland, VE Firman (appointed 2 August 2009) and VLJ Litlhakanyane (appointed 12 August 2009).

The Risk Committee's terms of reference include *inter alia*:

- Determining policy regarding Group risk appetite;
- Determining nature, role, responsibility, authority and scope of risk management functions in the Group;
- Developing procedures to quantify and measure risks;
- Developing risk mitigation action plans; and
- Identifying and assessing risks facing the Group.

Attendance at Risk Committee meetings

during the year ended 30 September 2009

Name	22/10/08	04/08/09
VE Firman ¹	N/A	✓
RH Friedland	✓	✓
JM Kahn	✓	✓
VLJ Litlhakanyane ³	N/A	✓
PG Nelson ²	✓	N/A
MI Sacks	✓	✓

✓ = Attendance.

A = Apology.

N/A = Not applicable.

¹ = Appointed 12 February 2009.

² = Resigned 5 December 2008.

³ = Appointed 12 August 2009.

The committee satisfied all its responsibilities in accordance with its terms of reference.

Nominations Committee

The Nominations Committee comprises Messrs APH Jammine (Chair), JM Kahn and MI Sacks.

The Nominations Committee's terms of reference include *inter alia*:

- Reviewing structure, size and composition of the Board and its committees;
- Evaluating leadership needs of the organisation and succession planning; and
- Identifying and nominating candidates for Board appointment.

Attendance at Nominations Committee meetings

during the year ended 30 September 2009

Name	06/02/09
APH Jammine	✓
JM Kahn	✓
MI Sacks	✓

✓ = Attendance.

The committee satisfied all its responsibilities in accordance with its terms of reference.

Board Transformation Committee

The Board Transformation Committee comprises Messrs KD Moroka (Chair), RH Friedland and VLJ Litlhakanyane.

The Board Transformation Committee's terms of reference include *inter alia*:

- Developing transformation strategy and policy; and
- Guiding, monitoring and reviewing progress against transformation targets.

Attendance at Board Transformation

Committee meetings

during the year ended 30 September 2009

Name	30/10/08	05/05/09
RH Friedland	✓	✓
VLJ Litlhakanyane	✓	✓
KD Moroka	✓	✓

✓ = Attendance.

The committee satisfied all its responsibilities in accordance with its terms of reference.

Quality Assurance and Clinical Risk Audit Committee

The Quality Assurance and Clinical Risk Audit Committee comprises Messrs MJ Kuscus (Chair), RH Friedland and VLJ Litlhakanyane.

The Quality Assurance and Clinical Risk Audit Committee terms of reference include *inter alia*:

- Ensuring the availability of transparent and accountable systems for the provision of patient centred, safe, high quality care;
- Identifying areas of clinical risk and standardising clinical practice;
- Reviewing systems, policies and procedures for clinical governance throughout the Group; and
- Reporting on the effectiveness of clinical risk and clinical audit management processes and structures.

Attendance at Quality Assurance and Clinical Risk Audit Committee meetings

during the year ended 30 September 2009

Name	24/10/08	05/05/09	15/09/09
RH Friedland	✓	✓	✓
MJ Kuscus	✓	✓	✓
VLJ Litlhakanyane	✓	✓	✓

✓ = Attendance.

The committee satisfied all its responsibilities in accordance with its terms of reference.

Operating committees

Executive Committee

The Executive Committee comprises Ms IM Davis and Messrs RH Friedland, VLJ Litlhakanyane and VE Firman (appointed on 12 February 2009), replacing PG Nelson who resigned on 5 December 2008.

The following Group executives, who are divisional, associate and branch directors, have been appointed in terms of Article 72 of the Company's Articles of Association:

- Eileen Brannigan (Group Nursing Director)
- Melanie Da Costa (Director: Strategy and Health Policy)
- Jacques du Plessis (Managing Director: Hospitals)
- Tumi Nkosi (Managing Director: Emergency services)
- Charmaine Pailman (Managing Director: Primary care)
- Peter Warrener (Group Human Resources Director)

The Executive Committee terms of reference include *inter alia*:

- Monitoring the business environment and competitive landscape;
- Strategic planning and implementation of corporate philosophy, vision, mission, values and ethics;
- Formulation of budgets, operating policies and organisation structure;
- Managing stakeholder relationships and external communication protocols;
- Implementation of risk management and internal control systems;
- Managing the Group's human resources;
- Managing the Group's information systems;
- Designing and monitoring of key performance indicators; and
- Evaluating performance against targets.

Finance and Investment Committee

The Finance and Investment Committee is chaired by VE Firman (appointed on 12 February 2009), replacing PG Nelson who resigned on 5 December 2008.

Membership comprises three executive directors, certain Executive Committee members and other senior managers.

The Finance and Investment Committee terms of reference include *inter alia*:

- Raising capital and administration of banking facilities and relationships;
- Evaluating acquisitions and capital expenditure;
- Determining the economic forecasts and the overall framework that sets hurdle rates for capital projects and tariff increases;
- Controlling income taxation and VAT risk, and monitoring all exposures with the revenue authorities;
- Setting of the dividend payout by applying the appropriate cover ratio;
- Reviewing and implementing all transaction approval frameworks within the Group;
- Updating accounting policies in line with latest IFRS improvements; and
- Reviewing of all Treasury risk and ensuring compliance with Treasury Policies and Procedures.

Operational Transformation Committee

The Operational Transformation Committee is chaired by VLJ Lihlakanyane. Membership comprises two executive directors, certain Executive Committee members and other senior managers.

The terms of reference of the Operational Transformation Committee include *inter alia*:

- Participating in the development of the Health Sector Charter;
- Implementing transformation strategies at Netcare;
- Reviewing BEE legislation and regulations; and
- Liaising with relevant stakeholders regarding BEE targets.

Accountability and control

Financial statements

The Board is responsible for preparing the financial statements and other information presented in reports to shareholders in a manner that fairly presents the state of affairs and results of the Group's business operations. The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with International Standards on Auditing.

The annual financial statements are prepared in terms of the Companies Act, the JSE Limited Listings Requirements and International Financial Reporting Standards (IFRS).

The annual financial statements are based on appropriate accounting policies which have been consistently applied and are supported by reasonable and prudent judgements and estimates. The Board is satisfied that the annual financial statements fairly represent the state of affairs of the Group at the end of the financial year and the financial performance and cash flows for the financial year.

Going concern

The financial statements have been prepared on a going-concern basis. After making enquiries and at the time of approving the financial statements, the directors formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future. For this reason, the directors continue to adopt the going-concern basis in preparing the financial statements.

Internal control and internal audit

The Board is responsible for ensuring that appropriate systems of internal control are maintained to ensure that Group assets are safeguarded and managed, and losses arising from fraud and/or other illegal acts are minimised. Control systems are continually monitored and improved in accordance with generally accepted best practices.

The Internal Audit department is a function established at Group level, reporting to the Audit Committee, to assist executive management and the Audit Committee in the effective discharge of their respective responsibilities, by means of independent financial, internal control and operational systems reviews.

The Audit Committee's responsibility in this regard has been reported on in the Audit Committee report included in the financial statements on page 120.

The Board is confident that major business risks are being identified and managed appropriately and that the risk management and internal control framework is operating effectively. Nothing has come to the attention of the Board to indicate that any material breakdown in the functioning of the Group's internal controls and systems has occurred during the year under review.

Share dealings

The Company operates closed periods which commences two weeks before its interim and year-end reporting dates, and which ends 24 hours after the publication of its interim and final results, and also when cautionary notices are in effect.

During these periods, directors, officers and other designated members of Group management who may have access to price-sensitive information are precluded from dealing in the Company's shares.

Share dealings in the Company's shares by directors and designated managers require the prior approval of the Chairman.

Ethics

Netcare is committed to achieving the highest standards of ethical behaviour. The Group's values are core to its business philosophy and guide the way the Group conducts business and interacts with all stakeholders. A formalised policy details the Group's code of ethical and acceptable conduct and articulates the Group's policy with regard to conflicts of interest, gifts, confidentiality, fair dealing and protection and proper use of Group assets.

The Board of directors is committed to ensuring the consistent application of the Code of Ethics.

The Group is aware of the importance of Competition Law and the need to ensure that no collusive behaviour is tolerated. To this extent, the Group provided a seminar to senior management to enhance their understanding of the terms of the Competition Law and the Group policy in this regard. Senior management also acknowledged and agreed to comply in every manner with the rules governing Competition Law.

The Group is mindful of the professional codes which govern the conduct and ethics of health professionals in South Africa. The Group supports the Health Professional Council of South Africa in all its endeavours to enforce any breaches of its code, its principles and its values.

The Fraud and Ethics Hotline is a whistle blower mechanism made available to all Netcare employees to report fraudulent and unethical behaviour of any nature (including any unethical medical behaviour). The Hotline ensures the anonymity of all information received, and the protection of the employees reporting these incidents.

The Fraud and Ethics Hotline can also be used by the public, including suppliers and patients, and posters are positioned at all Netcare's business units.

The Netcare Group has a “zero tolerance” approach towards fraud and corruption. Accordingly, all identified cases are reported to the South African Police Services and any other appropriate bodies.

The Fraud and Ethics Hotline is only one of a number of mechanisms that employees, management and external parties utilise to report irregularities. All internal and external parties can contact the Forensics Department by telephone, email or meeting request. The Forensics Department resides within Group Audit Services and reports directly into the Head of Group Audit Services and Forensics.

All incidents reported on the Fraud and Ethics Hotline or from any other source are logged onto the defalcation register, and are investigated and a monthly report is provided to the Chief Executive Officer and Chief Financial Officer. The register is also included in every Audit Committee pack.

Fraud and Ethics Hotline: 0860FRAUD1 (0860372831).
If anonymity is not a concern, then the e-mail address fraud@netcare.co.za can be utilised.

Fraud and Ethics Hotline – statistics

	2009	2008	% change
Incidents reported via the hotline	11	31	(64.5)
Incidents reported by other means	102	85	20.0

Relations with shareholders

For Netcare, regular stakeholder communication about the Group’s activities is essential and we endeavour to timeously present appropriate information.

Investor relation activities include presentation of interim and annual results, participation in investor conferences, issuing regular updates of trading performance and arranging periodic site visits for major investors.

Netcare endeavours to periodically and regularly communicate with its shareholders and other members of the investment community about its business operations only through designated representatives. All new material and price-sensitive information is disseminated via a formal press release and on the JSE’s electronic news service (SENS) to ensure appropriate public disclosure.

During closed periods, no communication with the investor community by directors, officers and designated members of Group management with access to price-sensitive information is permitted.

Risk
report



Risk report

Introduction

The financial pressure experienced by companies and individuals as a result of the global economic slowdown reinforces the need for a robust risk management approach, crucial for an organisation to remain at the forefront of today's corporate landscape. As the Group works to achieve its vision, it is critical that the risk management process is embedded in the strategic and business processes of the company.

The Group strives to manage risk effectively to protect the Company's assets, primarily management, brand and reputation, to ensure that business objectives are achieved and stakeholder value is increased.

Risk management process

The Chief Executive Officer and the Board are responsible and accountable for the risk management process and are assisted by the Board Risk Committee. The Board Risk Committee operates under official terms of reference referred to on page 78 of this report.

The Board Risk Committee reports to the Board and evaluates any risks which it deems necessary for discussion and evaluation by all directors. The day-to-day responsibility for identifying, evaluating and managing risks resides with management.

The risk management approach considers:

- The nature and extent of the risks facing the Group;
- The extent and categories of risk which it regards as acceptable for the Group to bear;
- The likelihood of the risks concerned materialising;
- The Group's ability to reduce the incidence and impact on the business of risks that do materialise; and
- The costs of risk mitigation procedures relative to the benefit obtained.

The Board Risk Committee formalises and standardises this process by guiding management and assessing their effectiveness on risk management. Management information and metrics to objectively assess exposure to key risks are clearly defined and actual performance against these targets is appropriately monitored.

The Group has a Group Risk Management division which is involved in the implementation and monitoring of risk management processes in the day-to-day activities of the Group. This division ensures that risks are properly controlled and consistent with agreed risk appetite, and endeavours to ensure that relevant risk management policies are properly compiled and implemented in each business unit. These policies and procedures include the financing of residual risks as well as self-insurance.

The Group strives to manage risk effectively to protect the Company's assets, primarily management, brand and reputation, to ensure that business objectives are achieved and stakeholder value is increased.

The Board is satisfied that the Group's risk funding strategy and existing cover are adequate and appropriate in relation to the exposures identified. In addition, the Board has considered the effectiveness and efficiency of the risk management process and found it to be adequate, a determination that has been corroborated by appropriate compliance reports. Furthermore, in the event of a disastrous incident, there is a documented and tested major incident management plan and a disaster recovery programme that will allow for the continuity of critical business processes.

The Board is confident that:

- The risk management system in place is appropriate for the Group's model and strategy;
- The risk appetite inherent in the business model is appropriate;
- An appropriate risk culture has been imbedded in the Group's strategy; and
- The risk management system operates appropriately to inform the Board of the major risks facing the Group.

An ongoing process for identifying, evaluating and managing the key risks faced by the Group has been in place for the year under review and up to the date of approval of the annual financial statements.

Key risks

The major risks identified as being business critical for the sustainability of the South African operations are:

Risks	Risk mitigation
Industry regulations, legislative environment and funder regime	
Changes in healthcare industry regulation and general legislation impacts on the industry landscape and competitive environment, the most significant of which is pricing risk which incorporates: <ul style="list-style-type: none"> • Price regulation; • Collective bargaining; and • Designated service providers. 	The Group continuously monitors the regulatory and legislative environment. We engage with regulators on policy decisions to enable proactive amendments to the strategy and business model.
Additional risks relating to the funder regime include alternative reimbursement models and the consolidation of smaller schemes into larger schemes.	The Group continuously engages with medical schemes to negotiate outcomes which are mutually beneficial.
The impact of the proposed National Health Insurance (NHI) remains unclear.	The Group continues to participate in the NHI debate.
Availability and quality of skills	
Shortage of skilled healthcare professionals, including pharmacists, nurses, doctors, specialists, paramedics and emergency services doctors.	The Group has embarked on various recruitment and employee retention initiatives. Netcare Education provides nursing training and education to students and currently provides almost 25% of all newly qualified nurses countrywide.
Fire	
Fire poses a risk to the safety of patients and employees.	The Group continues to be proactive in ensuring compliance with fire safety regulations and Occupational Health and Safety standards.
Infection break-out	
A pandemic or widespread infection break-out that challenges the current infection prevention protocols.	The Group has a tested and documented major incident management plan, pandemic outbreak policy and pandemic plan to ensure business continuity and ongoing quality patient care. The Group has infection prevention protocols that are enforced and monitored daily to ensure compliance with the Group's Infection Prevention policies.

Risks	Risk mitigation
Information technology (IT)	
<p>The Group is dependent on the information technology environment which enables critical business processes.</p>	<p>The Group has appointed employees with the appropriate level of skill to maintain the stability and integrity of the current information technology environment.</p>
<p>The roll-out of the SAP Enterprise Resource Management application to replace current legacy systems is a large and complex project that needs to be appropriately managed for successful implementation.</p>	<p>A dedicated task team has been assigned to ensure the successful roll-out of the SAP Enterprise Resource Management application.</p>

The Group Risk Management division regularly engages with key stakeholders across our operations to identify key risks to specific business units and ensure that high risk exposures are appropriately managed.

Details on the Group's financial risk management are included in note 32 to the annual financial statements.

The Group will be enhancing its risk reporting in the 2010 annual report through separate disclosure of the key risks affecting the South African and United Kingdom operations.

Sustainability
report



Sustainability report

Introduction

Access to affordable, quality healthcare is fundamental to sustainable development. In 2009, Netcare continued to promote access and affordability by expanding its Primary care network in South Africa (SA), by partnering with government in Public Private Partnerships (PPPs), and through corporate social investment focused on broadening access to healthcare among poor communities. In the United Kingdom (UK), we expanded our services through the acquisition of two hospital facilities, a radiosurgery centre, and a consultation and general surgery centre. In terms of quality, Netcare made significant investments in skills development and training, and also continued to implement world-class governance standards.

Although Netcare's target market is the private healthcare sector, we recognise that sustainable development is undermined by the rift between those with access to affordable quality healthcare and those without. Netcare adopts a comprehensive approach to healthcare services in both SA and the UK, partnering with government in both regions to promote equity, access and to enhance quality outcomes.

In preparing this report, Netcare has taken cognisance of the Global Reporting Initiative (GRI) version 3 guidelines and has aimed to meet the requirements of an application Level C reporter. In line with best practice, an incremental approach is being followed to reporting on sustainability performance.

Sustainable development is not possible without a healthy population. In turn, a healthy population depends on economic development, robust preventative and curative healthcare systems, and the mitigation of environmental risk.

As a private healthcare provider our main purpose is to deliver shareholder value, but we recognise this can only be achieved over the long term if we respond positively to the needs of all our stakeholders. We are committed to playing a meaningful role in the equitable and sustainable development of both private and public healthcare in the markets in which we operate. By harnessing core competencies and resources, and in close cooperation with national and local government in both the UK and SA, Netcare is helping to improve and expand the delivery of affordable quality healthcare. This fundamentally benefits social and economic development.



Victor Litlhakanyane
Group Stakeholder Relations Director

Sustainable development is not possible without a healthy population. In turn, a healthy population depends on economic development, robust preventative and curative healthcare systems, and the mitigation of environmental risk.

Highlights

137

137 beds added to existing SA hospitals

425

Commenced construction of the 425-bed Lesotho Hospital PPP

3 800

Over 3 800 learners trained during the year in SA

4

Acquired four new sites in the UK – Thornbury Radiosurgery Centre, City Medical, Woodlands Hospital and Fitzroy Square Hospital

1

GHG consolidates position as the UK's number one independent healthcare provider

89%

89% of the UK population now live less than an hour from a BMI facility

External awards and ratings

Rated **most empowered company** in the JSE's health sector and 11th overall in the Top Empowerment Companies (TEC) 2009 survey

Ranked third overall in **skills development and training** in the TEC 2009 survey

Ranked fifth in the Large Companies category of the **2009 Deloitte Best Company** to Work For Survey in SA

Ranked **first in health sector** in the CRF Institute's BEST Employers™ South Africa 2009/10 survey

Attained 14th place in the **Carbon Disclosure Project** Carbon leadership Index in SA

Included on the JSE's **Socially Responsible Investment** (SRI) Index

Netcare Sunninghill Hospital awarded the **Diamond Arrow Award**

Netcare Milpark Hospital in SA voted **best private hospital** in The Star's Readers Choice 2009 awards

The Craniofacial programme, a joint initiative with the Vodacom Foundation based at Netcare Sunninghill Hospital, was the Hospital Association of SA's **national winner in the National Awards of Excellence**

Achieved an excellent rating in Ernst & Young's **Excellence in Corporate Reporting** 2009 survey

Overview

Selection of key performance parameters

		2009	2008	2007
BEE rating*	dti level	Level 3	Level 3	Level 4
Employees	Number	29 648	28 884	27 730
Employee turnover	%	18.0	21.2	18.1
ABC employee representation*	%	65.5	63.1	61.4
Unionised employees*	%	40.8	41.6	39.0
SA training expenditure	Rm	93	95	100
UK training expenditure	£m	1	1	1
Community investment*	Rm	37	25	37
Energy use*	GigaJoules	935 306	876 890	1 056 562
Water use*	Kilolitres	1 467 000	1 815 909	1 682 000

* SA operations only.

Economic performance

The value added statement summarised below reflects the distribution of economic value created for shareholders. A comprehensive value added statement is provided on page 91.

Value distribution for 2009



Social performance

Expanding access to healthcare underpins our approach to sustainable development. In 2009, we made strong progress through acquisitions, organic growth, broadening access at primary care level and by expanding our PPPs. We also provided extensive training. While we continue to deal with high levels of staff turnover, driven largely by nurses leaving to work overseas, there are positive signs that the numbers of nurses that are seeking work outside SA is decreasing. Our corporate social investment initiatives also contributed to increasing access to quality healthcare and uplifting communities.

Environmental performance

While Netcare is classified as a low-impact organisation in environmental terms, we focus on mitigating our environmental impact by reducing energy and water use, handling our hazardous waste in a responsible manner and reducing our carbon footprint in line with the drive to address global climate change.

Energy usage in SA grew during the year as a result of the increase in patient numbers at our facilities and higher aeromedical activity, while the supply of electricity to hospitals stabilised. We launched the "Switch it Off" campaign, challenging staff to reduce electricity consumption by switching off unused devices. We continued to explore the use of renewable energy and commissioned our second solar hot water generating plant during the year. The monthly tracking of the carbon footprint at our facilities continued.

In the UK, GHG launched EcoNomics, a carbon management programme that involves reducing our environmental impact by engaging staff and changing business practices across facilities. Adopted to turn ideas into reality, the "Big Turn Off" campaign was launched to reduce energy consumption and raise awareness about the programme.

Water usage in SA decreased, largely due to raising staff awareness.

Letter from the CEO

Netcare subscribes to the widely accepted definition of sustainable development as “development which meets the needs of the present generation without compromising the ability of future generations to meet their own” . This is challenging us all to re-evaluate how we do business; a narrow focus on shareholder value only is no longer viable.

As pointed out in the third King Report on Corporate Governance the value of a company extends further than its balance sheet, as it is impacted by a range of non-financial issues. These include brand and reputation, its people, stakeholder relations and goodwill, an evolving and forward looking strategy, environmental sustainability, social responsibility and quality of governance.

The evolving understanding of sustainable development requires action across all these interdependent issues. Leading corporate citizens are active in employee development and training, play a constructive role in the communities in which they operate and make prudent use of natural resources, to ensure a sustained licence to operate. This ultimately contributes to a better quality of life for everyone, both in the present and for future generations.

At Netcare we are playing a key role in broadening access to affordable healthcare in all our areas of operation. In the southern African region this is being achieved by promoting primary healthcare through our Primary care network and our success in Public Private Partnerships (PPPs). Our corporate social investment initiatives are also focused on increasing access to quality healthcare at community level.

In the United Kingdom (UK) we have broadened access by increasing the number of facilities we operate; an estimated 89% of the UK population now live less than one hour from a BMI facility.

Our people are critical to our success. Accordingly, I am pleased to report that we were ranked fifth in the Large Companies category of the 2009 Deloitte Best Company to Work For Survey in South Africa (SA) and first in the healthcare sector in the CRF Institute's BEST Employers™ South Africa 2009/10 Survey. Care for our employees translates directly into care for our patients, and also has positive impact on reducing absenteeism and voluntary turnover.

Over the years we have mitigated some of the risks associated with skills shortages through sustained investment in training and development. In 2009, Netcare trained over 3 800 learners in SA, which helps to ensure both the depth and quality of our staff base and that of the broader healthcare sector.

We continue working towards achieving the objectives of the draft Healthcare Sector Charter. Over the year Empowerdex rated Netcare as a Level 3 contributor in accordance with the Department of Trade and Industry Broad-based Black Economic Empowerment Codes of Good Practice.

The Copenhagen Summit in December 2009 is intensifying the focus on energy. While Netcare is classified as a low impact industry, we recognise our responsibility to move into the low-carbon economy. Our inclusion in the South African Carbon Disclosure Project (CDP) Leadership Index, where we were ranked 14th, is evidence of our commitment to this process.

Our people also remain key to mitigating our environmental impacts. In South Africa, staff have participated enthusiastically in our “Switch it Off” campaign, which challenges them to reduce electricity consumption. In the UK, GHG launched the “Big Turn Off” campaign as part of our carbon management programme. These initiatives are engaging staff and changing business practices across all facilities to help reduce our environmental impact.

With only five years to go before the 2015 Millennium Development Goals (MDGs) deadline, a recent United Nations' report warns that overall progress has been too slow. This requires renewed commitment from all stakeholders and Netcare will continue to contribute to social progress to assist in reaching these targets as soon as possible.

We are currently engaged in a managed process to define a sustainable development strategy and integrate financial, social and environmental performance into our operations and our culture. This will help ensure that we can stand proud as a responsible and engaged corporate citizen walking together with government to create a better more sustainable future for all.



Richard Friedland
Chief Executive Officer

Value added statement

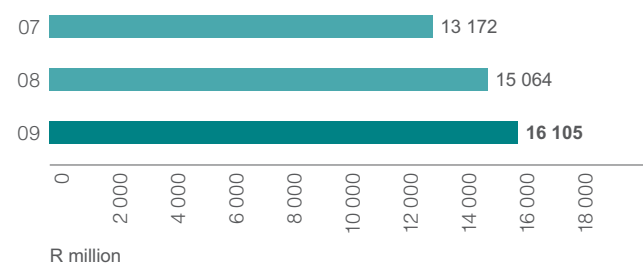
	Notes	2009 Rm	%	2008 Rm	%	2007 Rm	%
Revenue		23 232		21 735		18 607	
Payments to suppliers of materials and services		(7 304)		(6 807)		(5 625)	
		15 928		14 928		12 982	
Income from investments*		177		136		190	
Wealth created		16 105	100.0	15 064	100.0	13 172	100.0
Distributed as follows:							
Employees							
Salaries, wages and other benefits	1	7 782	48.3	7 313	48.6	6 155	46.7
Providers of capital							
Finance costs#		2 425	15.0	2 550	16.9	2 348	17.8
Capital reductions paid		430	2.7	406	2.7	347	2.6
Preference dividends paid		73	0.5	67	0.4	30	0.2
Ordinary dividends paid by subsidiaries		3		1			
Minority interest		(1 369)	(8.5)	(92)	(0.6)	451	3.4
Government	2	614	3.8	208	1.4	669	5.2
Reinvested in the Group to maintain and develop operations							
Retained earnings		4 991	31.0	3 418	22.7	2 165	16.5
Depreciation		1 156	7.2	1 193	7.9	1 007	7.6
Wealth distributed		16 105	100.0	15 064	100.0	13 172	100.0
NOTES							
1. Salaries, wages and other benefits							
Salaries, wages, overtime payments, bonuses and allowances		6 990		6 595		5 478	
Employer contributions^		792		718		677	
		7 782		7 313		6 155	
2. Government							
Direct taxes							
South African normal tax and CGT		398		255		329	
Foreign tax		55		(177)		217	
Secondary taxation on companies (STC)		11		6		6	
		464		84		552	
Indirect taxes							
Skills development levy		27		23		23	
Rates and taxes paid to authorities		123		101		101	
		150		124		124	
		614		208		208	

* Includes interest received and share of associates' retained profit.

Includes interest paid.

^ In respect of pension funds, provident funds, medical aid and insurance.

Wealth distributed



Sustainability at a glance

Key issues and engagement channels

Netcare recognises that to create long-term shareholder value, we must respond positively to the needs of all our stakeholders.

pp 94 – 95

This is contingent on listening to and understanding the unique concerns of different stakeholder groups through ongoing engagement and by means of appropriate communication channels. The feedback that is gathered through these mechanisms is then translated into practical responses, whether through Company policy directives and protocols, development interventions or the appropriate allocation of capital and resources.

Finally, our success in each of these is monitored, measured and modified on an ongoing basis to ensure we continue to meet the evolving needs of our stakeholders.

Human capital

Netcare's core value of care can only be realised if our people are engaged, motivated and fulfilled.



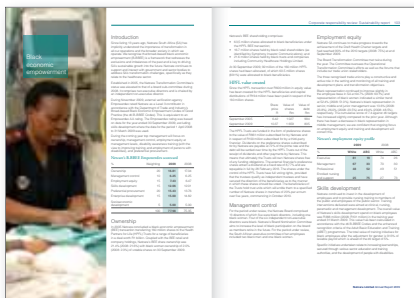
pp 98 – 101

Similarly, to be an employer of choice that is able to attract and retain talented staff that will enable us to realise our strategic objectives, especially in an industry that faces significant skills shortages, requires that we invest holistically in our people. This investment covers a broad range of best practice people management interventions, including competitive reward and recognition, meaningful training and career development, ongoing communication and engagement, employee wellness and support, all the way through to a safe working environment.

We are proud that our effectiveness in these areas have been recognised by the excellent result achieved in the most recent Deloitte Best Company to Work For Survey and our own internal Staff Survey.

Black economic empowerment

Netcare has always understood the importance of broad-based black economic empowerment (B-BBEE) as a framework to redress the imbalances of the past, without which the country's potential to succeed in the future is impeded.



pp 102 – 104

As such, we have adopted B-BBEE not as an expectation or obligation but as a means to transform our organisation and, more broadly, the socioeconomic fabric of our home country. To reflect its diversity and harness its strength is to normalise South African society, and it is this imperative that has driven Netcare's steady progress in B-BBEE and earned us the accolade of being the most empowered JSE-listed company in the healthcare sector, according to independent evaluation.

Corporate social investment

Employee involvement is a central feature of our CSI contributions.



pp 105 – 109

The CSI projects we support and corporate sponsorships we undertake are carefully selected and managed to ensure maximum social value is realised from the resources we commit, and that we maintain strong ties with local communities and organisations.

Netcare promotes the sustainable development of communities in which we operate through our corporate social investment (CSI) initiatives. Our CSI policy is aligned with our core business – to provide quality healthcare – and our initiatives aim to increase access to quality healthcare and uplift communities.

Environment

Netcare has made a long-term commitment to minimise our environmental impact.



pp 110 – 115

As a responsible corporate citizen, we acknowledge the need to manage our consumption of natural resources in a sustainable manner. This includes energy, water and waste management, and reducing our carbon footprint in line with the drive to address global climate change.

Key issues and engagement channels

The table below sets our strategic approach to engaging with our stakeholders.

	Patients	Doctors	Employees	Funders
Key issues for stakeholder group	<ul style="list-style-type: none"> • Safe environment with low infection rates. • Quality of nursing staff. • Understanding medical procedures and processes. • Facilities that are up-to-date with developments in healthcare. 	<ul style="list-style-type: none"> • Access to quality nursing support. • Access to the best equipment, instruments, medicines and support staff. • Convenience of access to multi-disciplinary health services. • Availability of beds and theatre slates. • Support services including administration and marketing, and opportunities to develop a successful practice. 	<ul style="list-style-type: none"> • Opportunities for growth and development. • Recognition of contribution to the Group. • Right to freedom of association and collective bargaining. 	<ul style="list-style-type: none"> • Establish good working relations based on transparency and cooperation. • Cost-effective healthcare.
Key issues for Netcare	<ul style="list-style-type: none"> • Actively address patient complaints. • Partner with physicians and healthcare service providers to enhance patient care. • Operate according to a stringent clinical governance framework. • Provide highly trained and qualified nursing staff. • Invest in new facilities and upgrade existing facilities. • Provide patients with adequate information. • Comply with the Patient Rights Charter. 	<ul style="list-style-type: none"> • Facilitate superior doctor care through uncompromising quality of nursing care and comprehensive medical infrastructure. • Focused relationship building programme for specialists and GPs. • Retaining doctors in SA. 	<ul style="list-style-type: none"> • Attracting and retaining the best skills. • Being recognised as an employer of choice. • Providing employee wellness facilities. • Accelerating transformation of the workforce. 	<ul style="list-style-type: none"> • SA medical scheme industry is financially stable with solvency levels of 36% (prescribed solvency level is 25%). • Maintain positive relationships with medical schemes and medical scheme administrators who account for the majority of our revenue.
Engagement channels	<ul style="list-style-type: none"> • Web-based and telephonic pre-admission facility. • Paper-based patient evaluation forms. • Hello Peter and Cirmat system. • Discharge SMSs. • Patient focus groups. • Brochures. • Netcare and related websites. • Listening forums. 	<ul style="list-style-type: none"> • Doctors communicate with hospital management at each Netcare facility through the Excellence Programme, an interactive feedback mechanism. • Physician Advisory Board at each Netcare hospital provides peer review and helps maintain high standards of clinical governance. • At national level the Medical Advisory and Ethics Committee, which includes external academic ethics experts and clinical governance representatives from Netcare management, is responsible for: <ul style="list-style-type: none"> – Maintaining the highest standards of care in relation to international research and best clinical practice; – Ensuring that clinical risks are investigated and minimised; – Advising on a range of ethical issues from patient care to patient confidentiality; – Overseeing the management of professional conduct and professional practice of doctors within Netcare facilities; – Determining the continuing professional development needs of doctors and ensuring that doctors utilising Netcare facilities are suitably qualified and registered; and – Assisting with the development and implementation of cost-effective care including alternative reimbursement models. 	<ul style="list-style-type: none"> • Annual employee satisfaction survey. • Site-specific staff magazines and newsletters. • Currently, 40.8% of Netcare employees in SA are unionised. In addition to ongoing executive and operational interaction with unions, Netcare funds three full-time shop stewards to assist in employee relations. 	<ul style="list-style-type: none"> • Regular liaison meetings and interaction related to operational issues. • Annual hospital tariff negotiations.

	Government	Investors	Suppliers	Communities
	<ul style="list-style-type: none"> • SA – promotion of access and affordability. • UK – the goal of the NHS is to become a world-class, patient-centred public healthcare provider. • Safe and correct disposal of medical waste. 	<ul style="list-style-type: none"> • Enhanced shareholder value. • Corporate governance. • Transformation. • Regulatory uncertainty surrounding healthcare provision in SA and the UK. • Quality of management and their ability to execute Netcare's strategy. • Management succession planning. • Timeous, adequate information. 	<ul style="list-style-type: none"> • Fair payment terms. • Mutual respect. 	<ul style="list-style-type: none"> • Dependent on the specific issues facing the community. • Corporate social investment.
	<ul style="list-style-type: none"> • Drafting of Regulations on Certificate of Need¹. • Contribute to the SA and UK government's national health priorities. • Continue to grow as a trusted and reliable partner to both governments. • Regulation on cost benchmarking. 	<ul style="list-style-type: none"> • Delivering shareholder value. • Maintaining corporate governance. • Accelerating transformation. • Regulatory uncertainty surrounding healthcare provision in SA and the UK. • Maintaining and enhancing quality of management to best execute Netcare's strategy. • Ensuring continuity through a formal succession planning process. • Providing timeous, adequate information. • Promoting understanding of the SA and UK businesses and healthcare environments. 	<ul style="list-style-type: none"> • Fair pricing. • Timeous delivery. • Ethical behaviour. • Preference is given to ISO or internationally accredited companies over non-accredited companies. • As a key sponsor and strategic partner of the Proudly South African campaign we aim to make all purchases, where logistically possible and commercially viable, from local suppliers. • Compliance to B-BBEE standards and accreditation. 	<ul style="list-style-type: none"> • Make a meaningful difference. • Support developmental community projects.
	<ul style="list-style-type: none"> • Interaction takes places on an ongoing basis. • In SA, Netcare has established a dedicated policy unit tasked with informing health reform debates and partnering government to find solutions to healthcare problems. • In SA, Netcare interacts with government through several industry associations including the Hospital Association of South Africa (HASA) and the 2010 World Cup Forum. 	<ul style="list-style-type: none"> • Active engagement with investors via: <ul style="list-style-type: none"> – Results presentations; – Roadshows; – Analysts' days; – Participation in investor conferences; – Updating investors on latest developments, material information and price-sensitive information; and – Maintaining access and interactive engagement between the investment community and management. • General communication also includes: <ul style="list-style-type: none"> – Online reporting; – Annual reports; – Emails; and – Telephonic communication. 	<ul style="list-style-type: none"> • Quarterly meetings with selected strategic suppliers focus on delivery and quality performance, demand forecasting, pricing and continual improvement. • Annual meetings with other suppliers. • Both parties commit to the highest ethical standards. The Netcare Fraud and Ethics Hotline is available for reporting unethical behaviour. • Entering into agreed terms and conditions for top 80% spend suppliers. • Online surveys. 	<ul style="list-style-type: none"> • Providing medical services to indigent patients. • Initiatives to broaden healthcare access such as The Sight for You and The Craniofacial programmes. • Community health and welfare sponsorships run on a national basis. • Hospital initiatives which meet the needs of the immediate community; these range from establishing vegetable gardens to free medical assessments.

¹ Chapter 6 of the National Health Act of 2003.

Our response to stakeholder issues

Patients

Key issue: facilities that are up-to-date with developments in healthcare.

Our response

In addition to our standard healthcare facilities, we offer specialised divisions that include:

- Bariatrics;
- Centres of Excellence that focus on niche areas including endometriosis, fertility, oncology, paediatric cardiac care and oncology care;
- Genetic services;
- HIV services;
- Renal services;
- Sports medicine and orthopaedics; and
- Transplant services.

In 2009, we expanded our specialised facilities with the acquisition of Thornbury Radiosurgery Centre in the UK, which provides cutting edge non-invasive brain surgery for a range of conditions.

Doctors

Key issue: Access to the best equipment, instruments, medicines and support staff.

Our response

- In 2009, we invested R780 million in equipment (R468 million in SA, R312 million in the UK). In SA, a new electrophysiology laboratory was built at Netcare Milpark Hospital and emergency generator plants were upgraded to dual redundancy at The Bay, Umhlanga and Greenacres hospitals. In the UK, four MRI scanners, four CT scanners and one of only four gamma knives in the country were acquired.
- In SA, which is experiencing an acute skills shortage, we maintained our commitment to intensive investment in training. This is evinced by the fact that, although Netcare manages 7% of the total number of beds in the private and public sector, we train approximately 25% of the nurses that graduate in SA and a significant portion of all the paramedics that qualify.

Employees

Key issue: Recognition of contribution to the company.

Our response

- Self-funded incentives remain in place for middle managers and above, based on individual performance and corporate, divisional and business unit targets in place for Netcare SA and UK.
- In SA, issuing of share options to categories of staff engaged in driving the business serves as a medium- to long-term retention and recognition mechanism.
- Netcare SA's new staff recognition scheme, NETrewards, will have the benefit of ongoing development during the year.
- Netcare UK has a recognition scheme for non-managerial employees and teams at business unit level.
- In SA, 75,5% of all staff are on Netcare's medical scheme. This represents one of the highest penetration rates for medical aid cover among large employers in SA. In the UK, staff may opt to belong to private medical insurance schemes. Company contributions are included in the cost of employment at middle and senior management levels.
- In SA, the annual Netcare Night of the Stars Awards recognises employees who go above and beyond the call of duty. This initiative has been adopted by the UK and will be in effect from 2010.

Further detail can be found in our Human capital report on page 98.

Funders

Key issue: Cost consciousness.

Our response

We acknowledge that access to quality private healthcare is expensive. Netcare remains firmly committed to containing medical inflation, through training, partnerships, increasing primary care coverage, and well-managed and efficient healthcare delivery.

Further detail on this issue can be found in the Health policy and regulation report on page 40.

Government

Key issues: Establish PPPs, promote access and affordability and ensure quality outcomes.

Our response

- Our two new PPP hospitals, the Settlers Hospital in Grahamstown and the Port Alfred Hospital, were opened during the year. Residents from the communities now have greatly improved access to medical specialists and private healthcare. The PPPs have the additional objective of transferring skills and embedding management and clinical policies that will ensure the delivery of quality care.
- Our PPP in Lesotho, which includes the building of a 425-bed hospital in Maseru, refurbishing four primary care clinics and providing clinical services, is a model for promoting access and affordability.
- Netcare is contributing to increased access through:
 - Training of nurses; and
 - Continued investment in health infrastructure.
- In SA, government is focusing on promoting access and affordability. We are committed to partnering with government in this strategic drive, and remain equally committed to quality, which is integral to maintaining standards and attracting investment.

Investors

Key issues: transformation and regulatory environment.

Our response

- We maintained our Level 3 B-BBEE dti rating and our Empowerdex AA rating.
- We have already met 90% of the 2010 targets set out in the Draft Health Sector Charter and are confident of meeting all by 2010.
- Netcare operates in a highly regulated environment where the interests and expectations of stakeholders are complex and inter-related. We have been active participants in the industry process, providing constructive input for all proposed legislation.

Suppliers

Key issue: Mutual respect.

Our response

- Netcare Rating Questionnaires assess Netcare interactions with suppliers from procurement to payment.
- Annual joint audits are conducted with selected suppliers to evaluate their performance against criteria ranging from fair pricing and timeous delivery to additional value added services.

Communities

Key issue: Specific to the needs of each community.

Our response

Netcare is an active and engaged member of the communities in which we operate. Our corporate social investment (CSI) policy is aligned with our core business competency – to provide quality healthcare. Accordingly, our initiatives aim to increase access to quality healthcare and uplift communities.

CSI focus areas in SA include:

- Emergency medical services for indigent patients;
- Healthcare accessibility initiatives;
- Community health and welfare sponsorships; and
- Bursaries.

In the UK, CSI takes the form of corporate sponsorships, including the Royal College of Surgeons, the Royal College of General Practitioners, Wellbeing of Women and health education websites. Initiatives at hospital level include national health days, patient support groups, fundraising events and support for research initiatives.

Our CSI response is extensively detailed in our Corporate social investment report on page 105.



Human capital

Much of the success of this year has been directly due to the incredible efforts of our staff; we operate in the most acute of service industries, looking after the physical and emotional health of our patients and their families. We rely enormously on the care and compassion of the wonderful people that we work alongside to ensure that the patient experience is a positive one.

During the year under review Netcare relaunched the use of Patient Evaluation forms at our hospitals and emergency units and re-energised the Carer of the Month programme which culminates in our Night of the Stars award ceremony. Receiving positive patient feedback and the opportunity it presents to provide recognition to staff has been well received throughout the business. The Patient Evaluation feedback has been pleasing and the results will be linked to the tangible reward and recognition of individuals and teams during 2010.

The self-development, coaching and mentoring programmes for managers and executives has paid dividends, with perceptions of the leadership culture steadily improving.

These and other efforts were acknowledged by Netcare attaining fifth place in the Large Companies category of the 2009 Deloitte Best Company to Work For Survey. This ranking is the best result we have achieved over the six years that we have participated in the survey.

Employee distribution

Employee numbers in South Africa (SA) have grown by 4.3% from the prior year, due to additional staff being hired at the two new hospitals which are operating at higher occupancies. However, the number of permanent staff in the United Kingdom (UK) has contracted whereas temporary staff numbers have increased. This is due to the UK developing more flexible staffing models that are closely aligned to occupancy levels.

Group employee turnover

	2009	2008
Permanent employees at the beginning of the year	28 884	27 730
Increased through:	6 108	7 281
– Appointments	5 979	5 869
– Additions due to acquisitions	129	1 412
Decreased through:	5 344	6 127
– Resignations	4 004	5 012
– Retirements	296	257
– Dismissals	287	222
– Deaths	61	84
– Other	696	552
Permanent employees at the end of the year	29 648	28 884
South Africa	20 518	19 681
United Kingdom	9 130	9 203
Annual employee turnover (%)	18.0	21.2

Equal opportunity

Netcare's commitment to affording equal opportunities to all employees is reflected in our staff profile; 82.2% of our staff are female (2008: 82.6%) and 65.5% (2008: 63.1%) of staff in SA are black.

In SA, we strive to diversify our employee base and have placed significant emphasis on the identification and development of black talent. Specific expenditure for developing our talent pool has been earmarked for the year ahead. Refer to page 103 for further details on employment equity (EE).

In the UK, programmes are continuing to promote equal opportunity for all employees and reinforce Netcare's values. Recent recruitment campaigns have also been updated to present a more diverse representation of the Group.

Specific initiatives introduced during 2009 in SA include the Disability Awareness programme, CEO presentations, values-based culture interventions in Netcare 911 and the extension of Netcare's values to specialists working in our hospitals. We have also implemented formal monitoring of EE targets within the operating divisions through an active Operational Transformation Committee.

We have succeeded in increasing the number of people with disabilities employed by Netcare from 0.4% to 0.6%. We intend to maintain momentum in 2010 and will focus on increasing the numbers of black disabled employees.

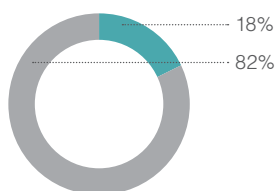


Peter Warrener
Group Human Resources Director

Group employee statistics at 30 September 2009

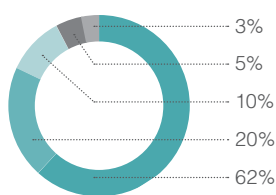
Gender

- Male
- Female



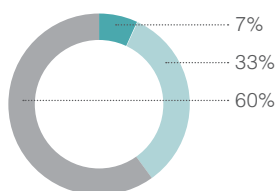
Length of service

- 0-5 years
- 6-10 years
- 11-15 years
- 16-20 years
- > 20 years



Employee type

- Management
- Professional
- Enrolled nursing and support



Employee attraction and retention

Recruitment of skilled staff

The shortage of qualified staff remains a challenge for the SA and UK operations. Netcare SA's initiative to recruit qualified nurses from India has proven to be more difficult than originally envisaged, but the first arrivals are expected early in 2010. In the UK, trained theatre staff have been recruited from Portugal, the Philippines and the Czech Republic.

We continued to refine staffing models and provide in-house training to counter the shortage.

Retention

Netcare has enjoyed a reduction of staff turnover of nearly 18.0%, primarily driven by 22.4% less resignations than in the previous year. This is attributed partly to the economic downturn and partly to higher levels of staff engagement, as reflected in the internal SA staff survey and the Deloitte Best Company To Work For Survey results.

Challenges remain with limited numbers of pharmacists and paramedics, but there are signs that the numbers of nurses that are seeking work outside of SA is decreasing.

The severity of the recession in the UK has impacted staff numbers, with a slight decrease from 9 203 to 9 130 during the year under review.

Reward and recognition

The NETrewards recognition programme was introduced in SA. A number of changes and refinements will be incorporated into a broader programme over the coming year. The annual Night of the Stars gala evening, celebrating the Carer of the Month and Carer of the Year from across the Group, saw four cars being awarded to regional and divisional winners. The calibre of the nominees again testified to the outstanding care and service that our staff provide on a daily basis.

Short-term incentive plans are in place for all management categories in SA and the UK. These plans are self-funded and employees are incentivised based on individual, team and business unit objectives. This is managed via six-monthly evaluations of progress made against specific targets as outlined in balanced scorecards.

Training and development

Our success is inextricably linked to the expertise and competence of our staff and consequently training and development remains key in SA and the UK. Supervisors and managers continue to undergo training through a full spectrum of tailor made development programmes. Plans are being developed to implement leadership development programmes in the UK that have been developed in SA.

Clinical training activity has increased, focusing on shorter and more flexible programmes that facilitate the acquisition of specific skills.

Number of nurses and paramedics trained – SA



Number of training days – UK



Training spend

	2009	2008
South Africa (Rm)	93	95
United Kingdom (£m)	1	1

Training remains an area of significant spend which will be maintained during the year ahead.

The successful development and implementation of various management programmes tailored to healthcare puts us in a good position to partner with the public sector in providing crucial training to improve hospital management skills.

New nursing staffing model

Probably the most significant event in nursing this year has been the development of a new sustainable nursing staffing model for Netcare. This has been driven by the scarcity of registered nurses (RN), high RN turnover and vacancy rates, as well as the welcome changes pending in nursing legislation in SA.

The existing RN corps will, over the next few years, be bolstered by a substantially increased group of enrolled/staff nurses. They will become a key component of the nursing workforce, and their skills will be enhanced by internal speciality training programmes, such as intensive care, theatre, paediatrics, maternity and general nursing.

This will have the positive impact of enabling the dedicated, highly competent but scarce RNs to focus on supervising and overseeing best practice quality nursing care in all our units.

New curricula to enable this process are in place, and Netcare is participating in a task team implementing similar nursing staffing model in the public sector in SA, as part of the "Strategy for Health" initiatives of the Department of Health.

Employee engagement, communication and relations

The excellent results achieved in the Deloitte Best Company to Work For Survey and the internal Staff Survey, as well as the significant reduction in resignations, indicate that our efforts at improving staff engagement are gaining traction.

Our leadership development initiatives have been positively received and will be further developed during the year ahead.

Communication

Ongoing leadership communication included several Group CEO presentations aimed at addressing issues within the sector and country with management teams and specialist groups. The GHG CEO also embarked on roadshows aimed at maintaining and uplifting morale over this challenging period.

Employee stakeholder relations

It has been a positive year of engagement with all trade unions on a number of substantive issues. Constructive engagement has helped to ensure that no industrial action occurred.

Trade union membership has remained stable at 40.8% (2008: 41.6%), although a shift of members between trade unions and the introduction of a new trade union, Solidarity, has occurred.

Union membership – South Africa

	2009	2008
DENOSA	2 308	2 372
HOSPERSA	3 402	3 929
NEHAWU	2 217	1 839
SOLIDARITY	420	
Other	25	44
Non-unionised	12 146	11 497
	20 518	19 681

Health and safety

Group policies and an integrated system of committees and reporting forums ensure that health and safety is properly managed. The training of committee members at site level has also facilitated consistent focus on related matters.

The following terms of reference for the Health and Safety Committees remain in place:

- Instigate, develop and implement measures designed to ensure workplace health and safety;
- Monitor compliance with Occupational Health and Safety legislation, regulations and codes of practice;
- Formulate, review and disseminate policies and procedure relating to health and safety, which are to be carried out or complied with within the workplace;
- Monitor incident statistics and specific reports as necessary;
- Provide risk assessments of major safety hazards and develop appropriate mitigation of exposure to risks; and
- Ensure readiness for fire and allied peril exposures.

Management's response to isolated incidents during the year has demonstrated our preparedness and ability to deal with untoward incidents.

Best practice disaster recovery and business resumption procedures are in place to ensure that the appropriate action is initiated if necessary.

Employee wellness

The full spectrum of employee wellness services continue to be well utilised by staff and reports indicate slightly higher utilisation compared with the previous year. This is attributed to sustained communication regarding the services available and staff experiencing pressures relating to the economic situation.

Sick leave hours

The utilisation of sick leave has increased slightly in both SA (0.6%) and the UK (3.6%). The year has seen a higher prevalence of mild illnesses such as influenza, with extreme weather conditions experienced in the UK during February and March 2009.

Absenteeism

The reduction in absenteeism has continued from a 12-month average in September 2008 of 2.7% to a 12-month average of 2.5% for the year ending September 2009.

This can be linked to the reduction in the number of resignations and improvements shown by positive staff feedback, and is a tangible sign of higher levels of staff engagement throughout the business.

HIV/Aids

In line with best practice, we have revised our approach and have incorporated all chronic illnesses, including HIV and Aids, into one Employee Wellness Policy. Netcare SA has partnered with the Netcare Medical Aid Scheme to absorb the costs associated with testing for all members of the scheme.

The Company will continue to pay for tests for employees not on the Scheme, and to absorb all costs relating to education and training initiatives.

Medical aid membership

In SA, Netcare Medical Scheme membership has increased from 73.5% in 2008 to 75.5% in 2009. This increase has been facilitated by ensuring that the premiums for lower earners are subsidised by higher earners.

Looking ahead

Training in SA and the UK remains a significant focus area. In SA, we aim to take in over 3 500 learners to study various basic, post-basic and short nursing programmes during the 2010 financial year.

In the UK, the delivery of a portfolio of national nursing training programmes will continue. Specific training on diversity, in conjunction with enhanced tracking of equal opportunity data, as well training in customer care skills, operating standards and care pathways for all hospital based staff will also be launched. At senior levels, a leadership development programme will be launched within two years.

We will increase our focus on providing a seamless voluntary counselling and testing intervention, enrolment onto the in-house medical aid and, where appropriate, the proactive management and monitoring of staff members identified as requiring support and assistance.



Black economic empowerment

Introduction

Since listing 13 years ago, Netcare South Africa (SA) has implicitly understood the importance of transformation in all our operations and the broader society in which we operate. We recognise that broad-based black economic empowerment (B-BBEE) is a framework that redresses the exclusions and imbalances of the past and is key to driving SA's sustainable growth into the future. Netcare continues to support and interact with government and sector bodies to address SA's transformation challenges, specifically as they relate to the healthcare sector.

Established in 2005, the Netcare Transformation Committee's status was elevated to that of a board sub-committee during 2008. It comprises two executive directors and is chaired by an independent non-executive director.

During November 2009, external verification agency Empowerdex rated Netcare as a Level 3 contributor in accordance with the Department of Trade and Industry's Broad-based Black Economic Empowerment Codes of Good Practice (the dti B-BBEE Codes). This is equivalent to an Empowerdex AA rating. The Empowerdex rating was based on data for the year ended 30 September 2009, excluding skills development where the data for the period 1 April 2008 to 31 March 2009 was used.

During the coming year top management will focus on ownership, management control, employment equity at management levels, disability awareness training (with the view to improving training and employment of persons with disabilities), and preferential procurement.

Netcare's B-BBEE Empowerdex scorecard

%	Weighting	2009	2008
Ownership	20	16.81	17.04
Management control	10	6.25	6.25
Employment equity	15	7.43	6.47
Skills development	15	12.06	12.01
Preferential procurement	20	15.43	13.76
Enterprise development	15	15.00	14.82
Socioeconomic development	5	5.00	5.00
	100	77.98	75.35

Ownership

In 2005 Netcare concluded a black economic empowerment (BEE) transaction transferring 160 million shares to the Health Partners for Life (HPFL) Trusts for a range of beneficiaries in a deal worth R1 billion. Coupled with the BEE retail and company holdings, Netcare's BEE share ownership was 21.4% (2008: 21.6%) with black women ownership of 2.0% (2008: 2.3%) of votable shares on 30 September 2009.

Netcare's BEE shareholding comprises:

- 63,5 million shares allocated to black beneficiaries under the HPFL BEE transaction;
- 16.7 million shares held by black retail shareholders (as identified by Symphony Investor Communications); and
- 21.6 million shares held by black trusts and companies including Community Healthcare Holdings Limited.

At 30 September 2009, 92 million of the 160 million HPFL shares had been allocated, of which 63.5 million shares (69.1%) were allocated to black beneficiaries.

HPFL value created

Since the HPFL transaction over R600 million in equity value has been created for the HPFL beneficiaries and capital distributions of R194 million have been paid in respect of the 160 million shares.

	Share price R	Value of shares Rm	Value of debt Rm
September 2005	6.42	1 027	994
September 2009	10.37	1 659	835

The HPFL Trusts are funded in the form of preference shares to the value of R861 million subscribed for by Netcare and in respect of R100 million subscribed for by a third-party financier. Dividends on the preference shares subscribed for by Netcare are payable at 72% of the prime rate and the debt will be settled over time by the HPFL Trusts out of the receipt of dividends and other payments by Netcare. This means that ultimately the Trusts will own Netcare shares free of any funding obligations. The external financier's preference shares attract a dividend at a fixed rate of 8,77% and are repayable in full by 28 February 2013. The shares under the control of the HPFL Trusts have full voting rights, provided that the trustees qualify as independent trustees and have secured the direction of the beneficiaries as to the manner in which these shares should be voted. The beneficiaries of the Trusts hold trust units which will entitle them to a specified number of Netcare shares in tranches of 20% per annum over five years, commencing in October 2010.

Management control

For the period under review, the Netcare Board comprised 13 directors of which five were black directors, including one black woman. Four of the six independent non-executive directors were black. Netcare's Board Nomination Committee aims to increase the level of black participation on the board as members retire in the future. For the period under review, the South African executive committee of ten employees included two black men and one black woman.

Employment equity

Netcare SA continues to make progress towards the achievement of the Draft Health Charter targets and had reached 90% of the 2010 targets (2008: 75%) at end September 2009.

The Board Transformation Committee met twice during the year. The Committee oversees the Operational Transformation Committee's efforts as well as the forums that include our trade union stakeholders.

The three recognised trade unions play a constructive and active role in the setting and monitoring of all training and development plans and transformation objectives.

Black representation continued to improve slightly in the employee base in SA at 64.7% (2008: 63.1%) and representation of black women indicated a similar trend at 52.4% (2008: 51.0%). Netcare's black representation in senior, middle and junior management was 13.6% (2008: 23.8%), 26.0% (2008: 23.5%) and 49.4% (2008: 48.5%), respectively. The cumulative score of 7.4 against dti targets has increased slightly compared to the prior year. Although there has been a decrease in black representation in middle management, we are confident that ongoing focus on employment equity and training and development will correct this.

Netcare's employment equity profile

%	2009		2008	
	White	ABC	White	ABC
Executive	81	19	74	26
Management	67	33	70	30
Professional	48	52	49	51
Enrolled nursing and support	25	75	27	73

Skills development

Netcare continued to invest in the development of employees and to provide nursing training to members of the public and employees of the public sector. Training interventions delivered were aimed at clinical, nursing, paramedic and management development. The overall value of Netcare's skills development spend on black employees was R388 million (2008: R101 million) in the training year ended 31 March 2009. This value has been calculated in accordance with the dti B-BBEE Codes and the enhanced recognition criteria of the Adult Basic Education and Training (ABET) programmes. The total value of training initiatives for black employees after the adjustment for gender is 9.13% of leviably payroll which is ahead of the dti target of 5%.

Specific initiatives undertaken relate to increasing learnerships, secured through various sector education and training authorities, and the development of people with disabilities.

Preferential procurement

Netcare improved its preferential procurement results through various initiatives during the course of the year. For the year ended 30 September 2009, Netcare's BEE procurement spend from all suppliers with a recognition level in accordance with the dti B-BBEE Codes was R5 894 million (2008: R4 694 million), or 80.7% (2008: 70.9%) of the total measured procurement spend of R7 300 million. This compares favourably with the dti target of 50%.

Our focus for preferential procurement will be on increasing the money spent with black-owned and black-women-owned suppliers. This will be achieved through the identification of new suppliers and through guiding existing suppliers towards meeting these requirements.

Enterprise development

Netcare has been involved in numerous partnerships with black-owned healthcare groups through the provision of financial support, investment and skills transfer.

Netcare's partnership in Community Hospital Group (CHG) with Community Healthcare Holdings Limited (CHHL), a 100% black-owned healthcare investment company, is one of the most successful enterprise development case studies in the healthcare sector. In 2002, Netcare acquired a 50% interest in CHG, the Hospital division borne out of the Macmed liquidation, which owned five hospitals with 682 beds. In August 2007, the Competition Tribunal approved the Netcare's acquisition of the remaining interest in CHG from CHHL for 14,2 million Netcare shares. Today CHHL is one of the leading empowerment companies with interests in several segments of the healthcare sector.

Netcare has a 45% investment in KOPM Investments, the company that owns Lesedi Hospital, a black-owned hospital based in Soweto. Netcare, through our Public Private Partnership (PPP) initiatives, has supported new entrants in the market in both Nalithemba Hospitals and Community Hospital Management. Netcare has a 50% investment in Nalithemba Hospitals, which consists of the Port Alfred and Grahamstown hospital PPPs and forms part of a collaborative effort between the Eastern Cape Department of Health and Netcare. The Group also has a 25% investment in Community Hospital Management which is the holding company for the Universitas/Pelonomi Hospital PPP.

Netcare's cumulative enterprise development spend for the five years ended 30 September 2009 was R179 million, or 4.6% of the cumulative South African net profit after taxation for the five years ended 30 September 2009.

Socioeconomic development

Netcare's cumulative socioeconomic development spend over the four years ended 30 September 2009 was R82 million, which was 2.7% of the cumulative South African net profit after taxation for the four years ended 30 September 2009, and therefore above the dti's target of 1.0%.

Netcare's socioeconomic development is focused on increasing accessibility to private healthcare and supporting local communities where hospitals and clinics are located. At the heart of Netcare's commitment to providing greater accessibility is Netcare 911's response to all requests for critical emergency assistance regardless of the patient's financial standing. Netcare 911 attended to approximately 2 847 indigent patients during the 12 months ending 30 September 2009.

Working with other corporate partners, Netcare has several programmes to support the provision of private healthcare services to indigent and rural patients. These programmes include Sight for You (cataract operations), Netcare Vodacom Smiles for You (cleft lip and palate), Hear for Life (cochlear implants), the Craniofacial programme (correction of craniofacial disorders) and the Walter Sisulu Paediatric Cardiac Centre for Africa (cardiac operations). Refer to the Corporate social investment report on page 105 for further details.

Netcare believes that meaningful partnerships with government will go a long way to ensure that inequities in the provision of healthcare are addressed. Two new PPP hospitals, Settlers Hospital in Grahamstown and Port Alfred Hospital in the Eastern Cape, opened during the year. Construction of the Lesotho Hospital PPP and the refurbishment of four primary care clinics commenced in March 2009. In addition, Netcare has participated in several Public Private Initiatives in training healthcare professionals.

Corporate social investment – SA

Corporate social investment (CSI) programmes in South Africa (SA) are generally based on the principles of partnerships with communities and government, and focus on reducing poverty to ensure the achievement of the Millennium Development Goals.

Netcare SA's approach to community development is informed by national development priorities and ongoing research, based on close interaction with the communities that benefit from our programmes. Our involvement in the social development of SA is also linked to the adoption of a long-term strategic view to social investment. As a result, the CSI strategy is aligned to the Group's long-term business objectives.

During the year Netcare SA spent R37 million (2008: R25 million) on CSI, including R13 million (2008: R4 million) on pre-hospital Netcare 911 emergency medical services. This figure includes cash contributions and pro bono health services.

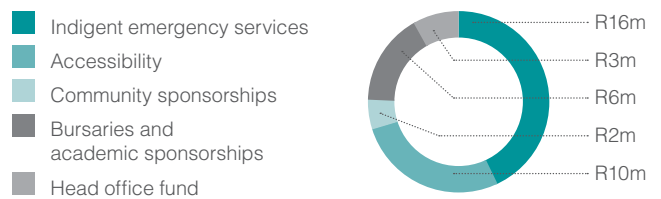
Netcare's CSI spend in SA, which is largely allocated to black beneficiaries, represents 4.2% (2008: 3.9%) of SA profit after taxation from continuing operations, well ahead of the 1% target set by the dti's Codes of Good Practice for Broad-based Black Economic Empowerment.

The major projects supported by Netcare SA are carefully selected and actively managed to ensure that the resources we commit have maximum impact.

Our CSI focus areas include:

- Indigent emergency medical services;
- Healthcare accessibility initiatives;
- Community health and welfare sponsorships; and
- Academic grants and bursaries.

Netcare SA CSI spend 30 September 2009



Part of our CSI contribution is the Head Office Fund (previously the Chairman's Fund), which provides funding to charities and healthcare services for disadvantaged individuals.

Providing emergency medical services to indigent patients

Netcare 911 responds to all life threatening emergencies based on the belief that people deserve access to basic emergency services. Following emergency care and resuscitation, patients are transferred to provincial care facilities. Netcare 911 assisted more than 2 800 indigent patients during the year.

Accident and Emergency units at Netcare hospitals frequently provide emergency medical care to patients who require financial assistance. This includes stabilising patients, treatment in theatre and admission to intensive care, depending on the patient's condition. We assisted 305 patients during the year at a cost of R3 million.

Initiatives to broaden healthcare access

The Netcare Rape Crisis Centres operate within the Accident and Emergency units at 35 Netcare hospitals (2008: 30), providing professional and compassionate treatment to survivors of rape or sexual abuse. The service is offered free of charge, whether the patient has medical cover or not. The service is managed according to best practice protocols incorporating counselling services, the provision of antiretroviral therapy, and pregnancy and sexually transmitted diseases prevention. These support services may continue for up to a year after the initial incident. A total of 851 (2008: 734) patients were given support during the year.

The Walter Sisulu Paediatric Centre for Africa, based at Netcare's Sunninghill Hospital, is the largest paediatric cardiac unit on the African continent. The centre has performed 285 sponsored paediatric cardiac corrective procedures since its inception, many for indigent patients within SA and other African countries. Netcare provides discounts on the procedures performed and also sponsored staff salaries during the year.

The Sight for You programme, a joint initiative funded by Netcare and the Vodacom Foundation, provides cataract procedures to economically disadvantaged patients. The programme has performed over 3 500 procedures since its inception and 1 467 (2008: 614) in the year under review.

The Netcare Vodacom Smiles for You programme, a joint initiative funded by Netcare and the Vodacom Foundation, sponsors surgical procedures to repair cleft lip and palate deformities affecting economically disadvantaged patients. These operations are conducted at Netcare Park Lane, Netcare Sunninghill and Netcare Christiaan Barnard Memorial Hospitals. The programme has performed over 320 procedures since its inception and 33 in 2009 (2008: 93).

The Craniofacial programme was initiated in November 2008 and is another joint initiative funded by Netcare and the Vodacom Foundation. The programme is based at Netcare Sunninghill Hospital and aims to provide craniofacial surgery for the correction of craniofacial disorders for indigent patients in SA and other African countries. The programme was the Hospital Association of South Africa's (HASA) national winner in the 2009 National Awards of Excellence. A total of 13 surgeries have been performed this year.

The Hear for Life programme, funded by Netcare, 94.7 Highveld Stereo and Bidvest, offers cochlear implants to economically disadvantaged patients. The programme is currently being run by the Netcare Linksfield Hospital's Audiology Institute where patients benefit from the latest technological advances and facilities in audiology and expert treatment. During 2009, three procedures (2008: four) were completed.

The Red Cross War Memorial Children's Hospital in Cape Town is the only specialist children's hospital in sub-Saharan Africa. The 51 year-old hospital was in need of an extensive upgrade, including eight new operating theatres to replace the existing four units that no longer met the requirements of modern theatre practice. Netcare contributed R2 million to the Operation Theatre project, paid in tranches of R500 000 over four years, to assist in building a new operating theatre. The final tranche was paid in 2009 and Netcare participated in the official opening of the theatres in September 2009.

The Organ Donor Foundation is a not-for-profit organisation, established to address the critical shortage of organ and tissue donors in SA through awareness and education campaigns. Netcare again contributed towards the costs of its toll-free line and two offices in the year. Netcare has financially supported organ transplantation in the public sector by covering donor costs for all organs allocated to the public sector from the private sector, to the value of R500 000.

Community health and welfare sponsorships

The Feed For Life initiative, run by the South African Breast Milk Reserve (SABR), aims to educate mothers about infant feeding options relevant to the mother's socioeconomic circumstances, and ultimately to promote breastfeeding. Its main objectives are to decrease infant mortality and morbidity due to inadequate formula feeding, and prevent HIV infection through the avoidance of mixed feeding, breastfeeding and substitute feeding by HIV-positive mothers.

Netcare has established breast milk banks at selected Netcare hospitals. Breast milk is donated by willing donors who give birth at Netcare hospitals. It is banked at our Stork's Nest clinics and distributed to public sector clinics or hospitals. Netcare currently has breast milk banks at four hospitals.

The Netcare Cuyler Hospital breast milk bank in the Eastern Cape was the HASA runner up in the 2009 National Awards of Excellence.

The Netcare Atlanta Football Club is based in Soweto and has been funded by Netcare since 2000. The club started as an initiative to provide extramural activities for boys under 17, and has grown to support a fully fledged team who have been playing in the promotional division of the local soccer league. The club provides a safe environment for approximately 65 boys, some of whom have been identified by professional sides and have secured a career in football.

The Mother and Child Trust, established in terms of the Health Partners For Life initiative in October 2005, provided funds to the Lusikisiki Child Abuse Research Centre for a youth development project in the 10 villages of Lusikisiki in the Eastern Cape.

Local community involvement by hospitals, trauma units and primary care include activities that address the needs of specific communities. These range in scope and include:

- Providing pro bono treatment to children living in homes and orphanages, and indigent, elderly and individual special cases;
- Providing consumables for the outbreak of cholera and malaria in Zimbabwe;
- Sponsoring cell phone contracts for the Child Protection Unit of SAPS in Randburg;
- Participating in the Cell C Take a Child to Work Day in May 2009, which aims to provide knowledge of different work environments to girl children;
- Providing free annual medical assessments for the National Sea Rescue Institute staff, to support them in providing their services to the public in rescue situations at sea, rivers and dams in SA;
- Planting vegetable gardens to support homes for abandoned children;
- Hosting CANSA Shave-a-thon events; and
- The volunteering of the services of nurses, pharmacists and administrative staff at special events, as standby medical personnel.

Community healthcare education is provided through open days held at hospitals and primary care facilities throughout the country, coinciding with the health calendar. These include:

- Diabetes screening;
- Heart awareness;
- Breast cancer awareness;
- Malaria awareness;
- Eye health;
- Asthma testing;
- Cholesterol and hypertension screening; and
- Pregnancy education.

Bursaries

Netcare Education's joint initiative with the marketing department and Hospital division, to position nursing as a stimulating and exciting career choice among the general public, is supported by a proactive bursary programme and is now in its ninth year. In 2009, Netcare funded 180 bursaries (2008: 182) for learners at South African tertiary training institutions.

The Physician Partnership Trust, established in terms of the Health Partners For Life initiative in 2005, established the Hamilton Naki Scholarship in 2007. This scholarship is named in honour of the surgical assistant and technician who played an instrumental, but largely unrecognised role, in the pioneering of cardiac transplantation in SA and the training of several hundred surgical registrars at Groote Schuur Hospital in Cape Town. The Trust sponsored a PhD scholar in 2009.



Corporate social investment – UK

Our United Kingdom (UK) business sponsors a range of healthcare education and outreach programmes, charities and fundraising events throughout the year. We also run a volunteer programme for our staff to participate in these events.

Our responsibility extends beyond providing a safe and secure environment for our employees and patients, to ensuring we have a positive impact on the economy and infrastructure in the communities in which we operate. We maintain strong ties with local communities, and work closely with them in charity events that are locally focused. Again, staff are encouraged to be actively involved in these events.

Corporate sponsorships

At a corporate level, BMI Healthcare (BMI) supported the following organisations and campaigns during the year:

The Royal College of Surgeons is England's leading surgical and educational organisation, which has received worldwide recognition. More than 6 000 delegates attend training courses at the college each year. The college is involved in surgical, hospital and patient audits to ensure that standards are maintained, and also supports research by awarding research fellowships.

BMI is in the second year of providing sponsorship to the college for a three-year period to support training and development programmes for the next generation of consultant surgeons. BMI's sponsorship focuses on funding the College's Educational Tutor in Orthopaedics, who is responsible for implementing a programme of skills development from basic surgical training to continuing professional development, and five bursaries for clinical training in orthopaedics.

Royal College of General Practitioners (RCGP) is an academic organisation for general practitioners in the UK. It aims to encourage and maintain the highest standards of general medical practice and represents general practitioners on education, training and standards issues. RCGP membership currently stands at just over 34 000.

BMI works with the RCGP to support a series of educational events for newly qualified general practitioners, with consultants from our hospitals lecturing at these evening events.

Wellbeing of Women (WoW) raises money to invest in medical research to support the development of specialist doctors and nurses working in the field of reproductive and gynaecological health. WoW was BMI's official charity partner this year.

BMI is funding a one-year research programme to better understand the underlying causes of overactive bladder (also known as detrusor overactivity).

The **MOSAIC Talent Awards** are held to celebrate the achievements and positive contributions made by young Muslim individuals and groups. In 2008 BMI sponsored the Volunteer of the Year at the 2008 awards, which was presented to 15-year old hospice volunteer Gulistan Aksahin.

Hospital initiatives

The main initiatives supported at a hospital level focused on:

National health calendar

BMI hospitals support events on the national healthcare calendar that raise awareness about specific illnesses or health conditions, and often provide early diagnosis screening opportunities. These include hypertension, hip replacement therapy, stress, allergies, prostate cancer, coronary artery calcium, cervical and breast cancers, and moles and other skin blemishes.

Patient support groups

BMI hospitals organise and host support groups for patients who have undergone cancer treatments, and cosmetic and obesity surgery.

Cancer research

The cancer initiatives supported by employees and hospitals during the year include:

- Breast Cancer Awareness charities;
- Breast Cancer Campaign;
- Breast Cancer Care;
- Breakthrough Breast Cancer;
- Cancer Research UK;
- Children with Cancer Fund;
- Macmillan Cancer Support;
- Maggie's Cancer Centres;
- Jo's Trust Fighting Cervical Cancer; and
- Upfront, the Chiltern Breast Cancer Support Group run by breast cancer survivors at the Chiltern Hospital.

Heart health

All BMI hospital employees participate in fundraising events organised by the British Heart Foundation every year.

Other sponsorships and fundraising events

Our hospitals also provide ongoing and ad hoc support to schools, children's hospices and associations for the disabled.



Environment – SA

Netcare has made a long-term commitment to minimise our environmental impact. As a responsible corporate citizen, we acknowledge the need to manage our consumption of natural resources in a sustainable manner. This includes energy, water and waste management, and reducing our carbon footprint in line with the drive to address global climate change. We have implemented systems to monitor and manage utility consumption in the Hospital and Emergency Services divisions, which are now actively used to manage our carbon footprint. This not only helps us to operate more sustainably, it also helps to reduce operating costs.

In addition to the annual report, the Group reports on its environmental performance through its participation in the JSE SRI Index and the UK-based Carbon Disclosure Project (CDP). Our continued commitment to environmental performance was recognised by attaining 14th position in the CDP Carbon Leadership Index (CLI), indicating clear leadership on environmental issues in the South African private healthcare market.

In South Africa (SA), our environmental focus is on the Hospital division, which is the largest contributor to our environmental impact. To ensure adequate measurement, standard hospital reporting now includes monthly tracking of the carbon footprint of all facilities. The process is managed by Technical Services, our in-house engineering department, where professional engineers and engineering technicians are deployed to assist in effectively managing resources. Netcare participated at the 2009 South African Federation of Healthcare Engineering (SAFHE) conference by presenting two papers – one on renewable energy in hospitals and the other on carbon footprint disclosure.

Energy usage

Electricity remains the primary form of energy used in the Hospital division.

Participation in Eskom's Demand Side Management (DSM)¹ project during 2008 continues to benefit hospitals where the initiative was implemented. Electricity savings are still actively monitored and verified.

The supply of electricity to hospitals in SA stabilised during the year. This reduced the consumption of diesel for the on-site generation of emergency power. Consumption dropped from 386 000 in 2008 to 298 557 litres, which has had a material impact on the total direct carbon emissions.

A number of initiatives were launched to manage the consumption of utilities, including electricity and water. The "Switch it Off" campaign is challenging our staff to reduce electricity consumption by actively switching off unused devices.

We are cognisant of the strained electricity supply and its likely impact on energy costs. We intend to mitigate these risks as far as possible by increasing adoption of renewable energy sources. Netcare is testing the benefits of solar technology, in terms of energy security and independence, cost savings and environmental benefits.

¹ A programme initiated by Eskom to reduce peak electricity demand, in terms of which they contribute to the capital expenditure necessary to participate in the project, on a tiered basis.

We have already commissioned a second solar hot water generating plant at Netcare Union Hospital. In partnership with Luft Technik, we are trialling a solar powered absorption chiller at the Netcare Moot Hospital, a first in SA. This revolutionary system combines solar collectors with the proven technology of absorption chillers, providing virtually free cooling in theatre air-conditioning by using the sun. The outcome of this trial will provide direction as to whether or not Netcare will roll out solar plants to other hospitals nationwide.

Total energy usage in the period for Netcare SA

	2009 GigaJoules	2008 ² GigaJoules
Energy usage		
Direct	136 224	129 255
Indirect	799 082	747 635
Total energy usage	935 306	876 890

The increase in energy consumption is attributable to an increase in the number of patients at our facilities and an increase in aeromedical activity by Netcare 911.

Energy usage per fuel type



Carbon emissions

Netcare continues to monitor and report on environmental performance based on our carbon footprint.

The carbon footprint resulting from direct emissions has remained constant despite the increase in patient numbers. A dramatic increase in aircraft fuel consumption was offset by a reduction in petrol and diesel consumption in Netcare 911.

Emissions due to burning natural gas have stabilised at around 1 800 tons of carbon dioxide equivalent (CO₂e), the internationally recognised measure of greenhouse gas (GHG) emissions.

We continue to acknowledge the impact that nitrous oxide, used in anaesthesia, has on direct carbon emissions, and have decreased usage slightly from 62.6 to 61.9 tonnes. As a matter of urgency, we intend to introduce modern anaesthesia techniques as they become available to help to reduce our CO₂e footprint significantly.

² The 2008 figures have been restated, replacing estimated numbers with actual usage.

Relative contribution of direct emissions to carbon footprint



Carbon footprint for the South African operations

	2009 Metric tons	2008 ³ Metric tons
Carbon emissions ⁴		
Direct (Scope 1) ⁵	27 906	27 602
Indirect (Scope 2) ⁶	266 361	249 211
Indirect (Scope 3) ⁷	2 720	2 088
Total emissions CO₂e	296 987	278 901

Key environmental performance indicators

Netcare has elected to manage energy utilisation based on carbon footprint per R1 million revenue generated⁸ and per patients admitted⁸. Although total carbon emissions have increased slightly due to increased activity, Netcare SA has succeeded in reducing its ton CO₂e per R1 million revenue generated.

	2009	2008	% change
Ton CO₂e per R1m EBITDA			
Scope 1: Ton CO ₂ e per R1 million revenue	2.36	2.66	(11.3)
Scope 2: Ton CO ₂ e per R1 million revenue	22.51	24.00	(6.2)
Scope 3: Ton CO ₂ e per R1 million revenue	0.23	0.20	15.0
Total ton CO₂e per R1 million revenue	25.10	26.86	(6.6)
Total kilogram CO₂e per patients admitted	252.9	247.7	2.1

³ The comparative figures have been restated due to more accurate data being available as a result of improved reporting.

⁴ Carbon emissions are reported as per the GHG Protocol, based on the guiding principles established by "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)" developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

⁵ Direct carbon emissions (Scope 1) are as defined by the GHG Protocol and includes all "direct" emissions from greenhouse gas sources such as combustion facilities (including boilers, heaters and engines).

⁶ Indirect carbon emissions (Scope 2) are indirectly caused through the consumption of electricity, heating and cooling, commonly referred as "purchased electricity" as this represents the most common source of Scope 2 emissions.

⁷ Indirect carbon emissions (Scope 3) are indirectly caused through services provided on behalf of a company. Air travel and the incineration of medical waste is regarded as the most common source of Scope 3 emissions in hospitals.

⁸ Based on key performance indicators suggested by the CDP.

Water usage

Hospitals reported a reduction in water consumption of 19.2% to 1 467 000 kilolitre. This was largely attributed to increasing staff awareness due to water saving initiatives. Further water saving strategies will be implemented in 2010.

Our facilities continued to experience water supply disruptions. Existing on-site water storage capacity was increased considerably to mitigate the risk of longer water interruptions being experienced by our hospitals. All facilities now have substantial on-site water reserves. The increase in disruptions is attributed to ageing local council infrastructure requiring frequent repairs. Water quality concerns in rural areas are addressed through selective use of on-site water purification equipment.

Waste management

Netcare continues to monitor and manage waste disposal across the Group. As in the past, accurate measurement of landfill waste remains a challenge. Fluctuations in disclosed landfill waste compared to last year are attributed to better reporting rather than dramatic changes. According to current monitoring systems, it is estimated that the hospital division created close to 25 000 tons of landfill waste over the year.

We are sensitive to the possible impact that medical waste may have on the environment if not safely disposed of. All medical waste is disposed of and certified by specialist waste disposal contractors, as the Group has ceased incinerating its waste. A rigorous process is followed to ensure that our waste disposal contractors meet all legislative requirements. The need for third-party medical waste incineration has increased by 12.8%, from 3 240 tons to 3 654 tons. The calculated carbon footprint is 1 516 ton CO₂e⁹. To offset the impact of medical waste, Netcare is engaging in various recycling initiatives which have resulted in more than 765 000 kilograms (up by 23.4% from 620 000 kilograms in 2008) of waste being recycled.

Looking forward

Netcare will continue to explore alternative energy sources to reduce our impact on the environment.

The performance of the new solar water heating initiative and the solar powered absorption cooling system will be evaluated to determine their viability for our facilities.

Energy reduction strategies are three tiered: they focus on human behavioural changes (driven through the "Switch it Off" campaign); the deployment of alternative engineering and technology solutions; and, continued monitoring and improvements in monitoring systems.

Successful implementation will be monitored through the two carbon footprint key performance indicators – that of CO₂e emitted per R1 million revenue generated and per patients admitted.

⁹ Using a conversion factor of 1 ton medical waste is equivalent to 415 kg CO₂e.



Environment –
UK



During the year, the United Kingdom (UK) continued to expand on its efforts to managing the direct and indirect impact of the business on the environment. EcoNomics, a carbon management programme, was launched. It involves reducing our environmental impact by engaging staff, and changing business practices across hospitals and offices.

The initial focus has been on energy, but the full programme will be expanded to comprise:

- Energy;
- Waste;
- Water;
- Purchasing and logistics; and
- Asset management and capital investment.

The Carbon Trust, commissioned last year to review General Healthcare Group's (GHG) carbon emissions, estimated the total carbon footprint at 42 419 tons per year. This is primarily attributed to the energy used by our hospitals. This measurement provided a clear short-term focus to reduce energy consumption through "The Big Turn Off" initiative, our main environmental activity undertaken during the year. We continue with planning and research to shape a broader strategy for next year and beyond.

Energy usage

In December 2008, a conference was held in London for engineering managers from all our hospitals. The engineering managers generated a list of ideas to reduce our carbon footprint that were used to produce a workplan. The plan is being implemented by local teams on all our estates.

The conference has provided the momentum to drive essential changes in attitude, behaviour and practice to reduce energy consumption. To raise awareness about the carbon management programme, a campaign was adopted to support the implementation of the workplan at each site.

"The Big Turn Off" was launched in February 2009. To date, all sites have established Green Teams that are led by Green Champions and comprise staff from engineering, housekeeping, catering and theatres. The teams meet each month to assess progress against the work plan. A project board was also established to monitor progress in addition to monitoring local governance, and the board will actively provide support throughout the campaign.

Measuring and reporting is an established and effective approach in reducing energy use. Every week the Green Champion at each site receives a "dashboard" report displaying day-on-day and weekly usage which highlights progress and helps teams to focus on where they can further reduce consumption. Results are communicated monthly by email showing changes in consumption over time, and highlighting trends and year-on-year movement.

The results are also presented in a "league table" format to encourage competition between the sites. Progress has been encouraging; by May 2009, 17 hospitals had reduced year-on-year consumption by between 7% and 20%.

Looking ahead

Although GHG has focused on reducing energy consumption over the past year, we recognise that part of our carbon footprint is also attributed to other activities. Over the course of next year and beyond we aim to implement a broader programme of work in waste, water, purchasing and logistics, and asset management and capital investment. We will be promoting the concept that small changes in our day-to-day activities can make a big difference to our impact on the environment.

Waste

After energy consumption, waste management (whether sending waste to an incinerator or a landfill) represents the highest carbon emitting activity for the business. Waste management is a highly visible area for all our staff and we will be engaging their help in changing how waste is managed at our facilities. Our focus for next year will be on:

- Reducing the amount of waste that is currently incinerated or sent to landfills;
- Increasing recycling at offices and hospitals;
- Providing clearer guidance and management of segregated waste streams to ensure compliance; and
- Providing guidance for contractors on disposal of building waste.

Water

Water usage is a relatively small contributor to GHG's carbon emissions but water scarcity remains a major concern in the face of climate change. To further improve managing this scarce resource, our programme will address:

- Water saving shower fittings;
- Water saving toilet flush fittings;
- Rainwater collection systems; and
- Leak detection.

Purchasing and logistics

Business travel only accounts for 3% of GHG's known carbon emissions. However, this measurement is based on a narrow assessment of the BMI logistics fleet (based at Heston) and the use of company cars. In addition, carbon emissions are not measured for the supply chain that delivers directly to hospitals in the same way that, for example, food miles are derived. More work is required in this key area to assess its impact on our indirect carbon footprint.

We will be considering the following initiatives over the next year:

- "Series" or distributed delivery, where stock is moved from hospital to hospital rather than through central distribution;
- Use of dual fuel, liquid petroleum gas, diesel and compressed natural gas powered vehicles;

- Reduction in suppliers' delivery schedules;
- Freight best practice guidance;
- Supplier rationalisation to reduce the number of site deliveries;
- Specification of goods and services to reflect our environmental policies, such as reusable drapes and gowns for theatres; and
- Decreasing business travel through the use of video and web conferencing.

Corporate asset management and capital investment strategy

The maintenance standards for GHG's properties needs to be upgraded to include carbon management, specifically regarding energy and water usage. We are reviewing the operation of heating and cooling systems as part of a long-term strategy to progressively replace them with more energy efficient systems and renewable energy sources.

The overarching intention is to incorporate carbon reduction measures into corporate asset management and capital strategy. The key objectives are to:

- Develop a capital replacement programme to support the objectives of the carbon management programme;
- Build carbon assessment into the lifecycle costs for the acquisition or replacement of plant or equipment;
- Ensure buildings operate to at least the minimum standards in carbon efficiency;
- Ensure buildings meet current environmental legislative requirements;
- Ensure new buildings and refurbishments are carried out according to BREEAM¹ 'excellent' criteria to minimise carbon impact; and
- Provide sufficient funding for specific investments in technology that support the carbon management programme under the control of the Project Manager for Green Policy.

"The Big Turn Off" has provided initial focus and encouraged action across our facilities. To meet targets and future legislation, and significantly reduce our impact on the environment, our focus for this year will be on delivering on the broader strategy. Positive change in the behaviour of all staff will continue to be fundamental to the success of the carbon management programme.

¹ BREEAM (BRE Environmental Assessment Method) is the leading and most widely used environmental assessment method for buildings. It sets the standard for best practice in sustainable design and has become the de facto method for measuring a building's environmental performance.