

MATERIAL ISSUES

As a result of its operations, Mediclinic has many economic, social and environmental impacts, including creating employment opportunities, training and developing employees, black economic empowerment in South Africa, investing in local communities and responsible use of natural resources.

In order to focus its reporting on material issues, the Group undertook a materiality assessment, which is reviewed annually, to identify those sustainable development issues which are most significant for the business, and directly affect the Group's ability to create value for our key stakeholders. The guidance on determining materiality contained in the GRI Sustainability Reporting Standards and the International Integrated Reporting Framework was used during the materiality assessment. The process was also informed by the views, concerns and expectations of the Group's key stakeholders.

The Group categorised these issues and the associated performance indicators according to the six capitals (financial, manufactured, intellectual, human, social and relationship, and natural) included in the International Integrated Reporting Framework, as illustrated in **Figure 1**.

The materiality assessment identified the following five material issues, which remain unchanged from last year's report and constitute the focus of the Group's sustainable development reporting:

- Provide quality healthcare services
- Address shortage of healthcare practitioners
- Create and sustain shareholder value
- Responsible use of natural resources
- Governance and corporate social responsibility

FIGURE 1: MATERIALITY ASSESSMENT MATRIX



MATERIAL ISSUE 1: PROVIDE QUALITY HEALTHCARE SERVICES

HIGHLIGHTS

- Strong clinical governance programme in place to measure clinical performance
- Continued with significant capital investments across all platforms
- Centralised procurement initiatives gaining momentum to achieve cost savings

WHY THIS IS IMPORTANT TO THE BUSINESS

Mediclinic's business is guided by its *Patients First* ethos, which aims to enhance the quality of life of its patients by providing comprehensive, high-quality healthcare services, and position the Group as the healthcare provider of choice for patients. Mediclinic's reputation as a respected and trusted provider of quality healthcare services helps it to attract and retain high-quality healthcare practitioners, including doctors and nurses.

To ensure that it is consistently delivering the maximum value to its patients, Mediclinic has a strong focus on improving and maintaining excellent clinical performance across its platforms. Clinical performance is measured and benchmarked to guarantee a standardised quality of care for all its patients, ensure patient safety and satisfaction, and identify opportunities to improve its healthcare services and facilities.

LINK TO GROUP STRATEGY

- Improve safe, quality clinical care
- Improve patient experience
- Deliver integrated and coordinated care

KEY STAKEHOLDERS

- Patients
- Doctors, nurses and other healthcare workers
- Healthcare funders
- Industry associations

RISKS TO THE BUSINESS

- Poor clinical outcomes and service
- Medical malpractice liability
- Reputational damage
- Inability to recruit and retain healthcare practitioners
- Inability to secure preferred provider/network agreements with funders
- Ineffective clinical care processes

SELECTED KEY PERFORMANCE INDICATORS

MORTALITY* (PER CALENDAR YEAR)		
Southern Africa	0.95 inpatient mortality index (2015: 1.02)	↓
Switzerland	0.95% weighted average mortality rate (2015: 1.02%)	↓
UAE	0.24% inpatient mortality rate (2015: 0.26%)	↓

* The results of the platforms are not directly comparable as the platforms differ significantly on the scope of services provided, burden of disease, units of measurement and definition of indicators.

While Mediclinic Southern Africa reports a mortality index, Mediclinic Middle East and Hirslanden report on the unadjusted mortality rate and not the standardised mortality index.

There are some minor differences in the reported rates due to definition changes in Mediclinic Southern Africa and Hirslanden, whilst the Combination resulted in larger differences in the reported numbers for Mediclinic Middle East.

RE-ADMISSION RATES* (PER CALENDAR YEAR)		
Southern Africa	12.5% 30-day re-admission rate (all causes) (2015: 12.3%)	↑
Switzerland	1.24% 15-day unscheduled re-admission rate (2015: 1.29%)	↓
UAE	1.0% 30-day related re-admission rate (2015: 1.9%)	↓

* The results of the platforms are not directly comparable as the platforms differ significantly on the scope of services provided, burden of disease, units of measurement and definition of indicators.

There was a change in the methodology for measuring the 30-day re-admission rate in Mediclinic Southern Africa resulting in a higher rate than previously reported. Whereas Mediclinic Southern Africa previously excluded a number of planned admissions from the calculation, it currently measures all-cause re-admissions.

The addition of data from Al Noor led to an increase in the 30-day related re-admission rate for Mediclinic Middle East.

MITIGATION OF RISKS

- Monitoring and management of clinical performance indicators
- A Group-wide clinical risk register is implemented and monitored per platform
- Accreditation and quality management processes
- Clinical governance processes
- Central coordination and standardisation of clinical performance across the Group
- Patient safety policy

Mediclinic manages and mitigates the clinical risk by providing a comprehensive set of policies and procedures to guide frontline staff during the care process. The adherence to the policies is measured by controlled self-assessment questionnaires to hospitals and by way of clinical indicators measured and reported on monthly.

SUMMARISED APPROACH AND PERFORMANCE DURING THE YEAR

PATIENT SAFETY, QUALITY CARE AND CLINICAL OUTCOMES

Across all its operating platforms, Mediclinic is focused on providing superior clinical outcomes, delivering a standardised quality of service and improving patient safety. To meet these objectives, Mediclinic adopted a Group-wide clinical performance programme which focuses on:

- clinical performance to ensure optimum value;
- clinical information management to enable clinical performance measurement to deal with systems which support the clinical care process, including electronic patient records; and

- clinical services development dealing with the development of new coordinated care models, investigating new service lines and keeping abreast of technological developments.

Key patient safety indicators are monitored across Mediclinic's operations. Patient safety surveys are regularly undertaken to measure and identify areas for improvement. Management is trained in the basic principles of patient safety and quality improvement.




Multi-disciplinary clinical committees at hospital level have been established throughout the Group to drive quality and safety and promote cooperation between doctors, nursing staff and management.

Checklists (including the Safe Surgery checklist) were implemented across the organisation in accordance with the recommendations from the World Health Organisation and the Joint Commission International ("JCI"), and are believed to significantly contribute to patient safety.



Additionally, structured clinical audits are undertaken across all platforms and aid in identifying opportunities for quality improvement going forward. Clinical outcomes are benchmarked internally as well as through participation in several external initiatives, including:

- the Vermont Oxford Network aimed at measuring and improving the quality of care in neonatal intensive care units (Southern Africa and the UAE); and
- the Simplified Acute Physiology Score ("SAPS"), a hospital mortality prediction methodology for adult intensive care patients, used to evaluate the quality of care in this complex setting. SAPS II is currently being used in Hirslanden, and Mediclinic Southern Africa and Mediclinic Middle East recently migrated to SAPS3.




SELECTED KEY PERFORMANCE INDICATORS

FALL RATE* (PER 1 000 PATIENT DAYS) (PER CALENDAR YEAR)		
Southern Africa	1.07 (2015: 1.14)	
Switzerland	2.4 (2015: 2.1)	
UAE	0.4 (2015: 0.3)	

* The results of the platforms are not directly comparable as the platforms differ significantly on the scope of services provided, burden of disease, units of measurement and definition of indicators.

PATIENT SATISFACTION AND EXPERIENCE*		
Southern Africa	81.9% (2016: 81.9%)	-
Switzerland	86.0% (2016: 94.0%)	
UAE	82.4% (2016: 80.3%)	

* The results of Hirslanden are not comparable with the results of Mediclinic Southern Africa and Mediclinic Middle East as the standardised Patient Experience Index has not been rolled out to Hirslanden. The results of Hirslanden are based on the ANQ (the Swiss National Association for Quality Development) satisfaction survey. The Hirslanden results for 2017 are not comparable to the 2016 results as the ANQ satisfaction survey has changed its questions and therefore the previous data used to determine patient satisfaction is no longer available. The 2017 results relate to the number of patients who would absolutely recommend Hirslanden to their family and friends.

CAPITAL INVESTMENTS ON PROJECTS, NEW EQUIPMENT AND REPLACEMENT OF EQUIPMENT		
Southern Africa	ZAR1 281m (2016: ZAR1 075m)	
Switzerland	CHF163m (2016: CHF144m)	
UAE	AED245m (2016: AED203m)	

Across all platforms staff are expected to maintain the confidentiality of all medical, financial and administrative patient information of which they may become aware during the course of their duties, and are required to sign a confidentiality agreement upon joining. Access to patient medical records is strictly controlled, and medical records are not released outside the relevant platform unless authorised by the patient.

For more information on the Company's approach and clinical performance, please refer to the **Clinical Services Overview** from page 37 and the **Clinical Services Report** available on the Company's website at www.mediclinic.com.



PATIENT SATISFACTION AND EXPERIENCE

In line with its *Patients First* ethos and to ensure operational excellence across all platforms, Mediclinic monitors its patients' experience across the Group.

In 2014, the Group created a single, standardised Patient Experience Index ("PEI") with the objective of achieving incremental and sustainable improvement of the patient experience over time. The entire survey process is managed by Press Ganey, an internationally recognised leader in patient experience research, providing an in-depth analysis of the data and advising on global best practices.

The PEI was implemented for inpatients at all Mediclinic Southern Africa hospitals and for both in- and outpatients at all Mediclinic Middle East facilities, where it will be introduced during 2017. The survey was implemented at Hirslanden from April 2017.

Refer to the table on page 57 for the patient satisfaction level of Hirslanden based on the ANQ (Swiss National Association for Quality Development); and the PEI of Mediclinic Southern Africa and Mediclinic Middle East.

PROVIDE AND MAINTAIN HIGH-QUALITY HOSPITAL INFRASTRUCTURE (FACILITIES AND EQUIPMENT)

To ensure a safe and user-friendly environment for both our patients and employees, we strive to provide high-quality healthcare facilities and technology, focusing on capital investments, maintenance of facilities and optimal use of facilities. As a result, the Group continuously invests in capital projects and new equipment to expand and refurbish our facilities and the replacement of existing equipment, as well as on the repair and maintenance of existing property and equipment. Refer to **Material Issue 3: Create and Sustain Shareholder Value** on pages 62 to 63 for further detail regarding the Group's investments in capital projects and new equipment; replacement of equipment; and repairs and maintenance.



PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

In order to deliver its services, Mediclinic is dependent on a large and diverse range of suppliers, who form an integral part of the Group's ability to provide

quality hospital care. Mediclinic believes in building long-term relationships with suitable suppliers and establishing a relationship of mutual trust and respect. Regular meetings are held with suppliers to ensure continuity of service. The Group relies on its suppliers to deliver products and services of the highest quality in line with Mediclinic's standards. Various other criteria play an important role in selecting suppliers, such as: compliance with applicable international and local quality standards, price, compliance with appropriate specifications suited for the Group's markets, stability of the organisation and the relevant equipment brand, good-quality and cost-effective solutions, support network, technical advice and training philosophy. In South Africa, the BBBEE status of a supplier is also a factor in the selection process. An enterprise and supplier development strategy specific to procurement is being developed in South Africa to enhance BBBEE reporting.

The availability of products and services is imperative in enabling the Group to deliver quality care to its patients, and therefore an important criterion in its supplier selection process. Though not always the case, this often leads to local suppliers being preferred, which adds to better and faster service delivery and knowledge of local laws and regulations, particularly with regard to pharmaceutical products.

COST OF HEALTHCARE

The Group contributes in various ways to a sustainable healthcare system by, *inter alia*, focussing on efficiency and cost-effectiveness, conducting tariff negotiations in a fair and transparent manner, expanding facilities based on need, and actively participating in healthcare reform.

The Group is focused on streamlining and centralising its procurement processes to improve efficiency and cost-effectiveness. During the reporting period, good progress was made on a range of international procurement initiatives including:

- the classification and matching of products used across all its operating platforms to compare prices and drive procurement strategies;
- better prices through pooling of capital equipment purchases across the three platforms;
- volume bonus agreements with key capital equipment suppliers; and
- direct importing and distribution of more cost-effective surgical and consumable products.

Refer to the **Chief Executive Officer's Review, Our Strategy, Progress and Aims**, as well as the **Divisional Reviews** included in this report, for various examples of initiatives to improve cost-effectiveness.



ACCREDITATION

Hospitals are high-risk environments in which complex treatment processes are executed using sophisticated equipment and techniques. The process of external accreditation ensures that international standards are adhered to in all aspects of hospital operations. For more details on accreditation, please refer to the **Clinical Services Report**, available on the Company's website at www.mediclinic.com.



MATERIAL ISSUE 2: ADDRESS SHORTAGE OF HEALTHCARE PRACTITIONERS

HIGHLIGHTS

- Remarkable progress in relation to internationalisation of human resources strategy
- Continued investment in training and skills development to maintain and improve quality service delivery
- Introduced standardised employee engagement survey across the Group

WHY THIS IS IMPORTANT TO THE BUSINESS

The attraction of suitably qualified healthcare professionals is essential in delivering the Group's *Patients First* strategy. For this reason, priority focus is given to a proactive sourcing approach aligned to workforce planning for the medium term. Nurses, pharmacists and doctors are categorised as critical skills and an integrated talent management strategy is tailored to each of these categories to ensure the support of the entire employee life cycle in these roles. A definite strength is the available talent analytics which indicate patterns in candidate and employee behaviour over time. These provide a strong predictive advantage and these insights are incorporated into the talent management strategy for each of these categories.

The focus of attracting and utilising talent in a challenging healthcare market continues to be nurses, emergency room doctors and pharmacists. Proactive initiatives are implemented in the specific categories and geographical areas of concern.

LINK TO GROUP STRATEGY

- Invest in employees
- Improve safe, quality clinical care
- Improve patient experience

KEY STAKEHOLDERS

- Doctors
- Employee and trade unions
- Governments and authorities
- Industry associations

RISKS TO THE BUSINESS

- Inability to recruit healthcare practitioners to meet business demand
- Limited growth and loss of revenue
- Poor clinical outcomes and services
- Medical malpractice liability
- Reputational damage
- Delayed new nursing qualifications, as well as the anticipated gap in the education pipeline
- Ageing nursing workforce and noticeable trend of earlier retirement of nursing professionals

SELECTED KEY PERFORMANCE INDICATORS

CONTROLLABLE EMPLOYEE TURNOVER RATE		
Southern Africa	6.3% (2016: 6.8%)	↓
Switzerland	7.2% (2016: 5.2%)	↑
UAE*	19.8% (2016: 12.4%)	↑

PERCENTAGE OF PAYROLL INVESTED IN TRAINING AND SKILLS DEVELOPMENT		
Southern Africa	3.2% (2016: 3.6%)	↓
Switzerland	4.8% (2016: 5.0%)	↓
UAE	0.1% (2016: 0.3%)	↓

* The turnover rate of Mediclinic Middle East has increased from the previous reporting period due to series of retrenchments following the Combination.

MITIGATION OF RISKS

- Extensive training and skills development programmes
- Governance of suitable selection processes with focus on skills assessments, employment references and verification of credentials
- Targeted sourcing and recruitment initiatives, with a strong focus on agile sourcing techniques ensuring that best fit candidate talent is channelled to appropriate vacancies, supported by a seamless hiring process
- Proactive international recruitment programme supplementing anticipated medium-term skills gaps
- Tailored retention strategies, supporting the retention of priority audiences within each business unit
- Succession planning and/or career management initiatives within scarce skills disciplines, ensuring proactive development of high-performing employees with potential to supervisory and leadership roles
- Deployment of integrated talent strategies in support of core business areas
- Monitoring of doctor satisfaction

SUMMARISED APPROACH AND PERFORMANCE DURING THE YEAR

EMPLOYEE RECRUITMENT AND RETENTION

The human resources policies and supporting good practice protocols at each platform provide governance guidelines to ensure consistent practices in support of the entire employee life cycle. Good progress was made during the period under review in terms of the internationalisation of the human resources strategy. The focus remains to address local challenges through tailored human resources strategies at platform level, but to also share global expertise and best practices to the benefit of all.

International and local processes have been defined and priority is given to longer-term system enablement through the implementation of an integrated human resources management system. The value of comparable and quality data, which is made accessible to all stakeholders will become evident in the medium to longer term. Talent analytics have always been an important focus and the value of comparable quality Group data will provide a competitive edge in terms of trend and risk identification and the input to proactive strategy.

LABOUR RELATIONS AND REMUNERATION

Employee remuneration

The Group remunerates employees in a manner that supports the achievement of the Group's vision and strategic objectives, while attracting and retaining scarce skills and rewarding high levels of performance. This is achieved through establishing remuneration practices that are fair, reasonable and market-related while at the same time maintaining an appropriate balance between employee and shareholder interest. To encourage a performance-driven organisation, the Group rewards employees for achieving strategic objectives as well as individual personal performance targets. Benefits for all employees include a retirement fund, medical aid scheme, performance-related incentives and bonuses and liability insurance for medical staff. Those managers who receive variable remuneration have a combination of short- and long-term incentives. During 2015, the Group introduced a Reward Centre of Expertise, specialising in the design and delivery of global reward initiatives.

Labour relations

The Group believes in building sound long-term relations with its employees and employee representatives, which supports its goal of being the employer of choice in the healthcare industry. This is measured by the Your Voice employee engagement survey and continuous assessment of the Group's employment conditions.

The Group respects and complies with the labour legislation in the countries in which it operates, and ensures that the internal policies and procedures are evaluated regularly to accommodate continual amendments to relevant legislation. The Group continuously strives to ensure that all its employees are informed of their benefits, and this information is communicated to staff via the intranet, staff newsletters, staff consultation meetings and various other forms of communication media.

TRAINING AND SKILLS DEVELOPMENT

The Group continues to invest significantly in training and skills development to maintain and improve quality service delivery. The percentage of payroll invested in training and skills development by each of the Group's operating platforms is provided on page 59.



The Group's commitment to provide quality care for its patients can only be ensured if its staff has appropriate, evolving skill sets, which is reflected in the number of learning initiatives undertaken each year. A consistent performance management system is applied throughout the Group, which allows us to identify and manage training needs of individual employees, and to discuss career development. Succession planning is standardised on an organisational level in all three operating platforms and a Group talent review is performed annually. Critical talent (such as nurses and pharmacists) as well as high-performing individuals with potential are identified and supported through tailored development initiatives. An inter-platform development programme which offers a series of secondments across platforms has been designed to help these individuals excel at Mediclinic. The programme is currently implemented at organisational level for talent with the potential to be successors to a key position in their own platform or across platforms within the larger Mediclinic Group. The aim of the programme is to provide priority talent (either critical talent or high performers with potential), the opportunity to gain cross-platform exposure. All platforms have received the programme with great enthusiasm and the Group is proud to continue to grow this amazing development opportunity to the benefit of all.

SUPPORT OF EXTERNAL TRAINING INSTITUTIONS

The Group is committed to educational development in all three of its operating platforms and provides financial and other support towards healthcare education.

EMPLOYEE HEALTH AND SAFETY

Health and safety policies and procedures are in place across the Group to ensure a safe working environment for the Group's employees, patients and its visitors. The health and safety of the Group's employees are essential and contribute to the sustainability of quality care to patients. The programmes and procedures implemented by the various business units to mitigate health and safety risks are outlined in the **Sustainable Development Report**.



During the year, there were no incidents of material non-compliance with any laws, regulations, accepted standards or codes applicable to the Group, with no significant fines being imposed, concerning the health and safety impact of the Group's services.

EMPLOYEE SATISFACTION AND ENGAGEMENT

In 2015, Mediclinic, in partnership with Gallup, introduced the Your Voice employee engagement programme across all operating platforms to measure levels of engagement, identify gaps at a departmental level and support line managers in developing action plans to address concerns.

Overall, the Group achieved a 71% (2016: 65%) participation rate in the Your Voice survey and 36% (2016: 32%) of employees showed high levels of engagement.

Strengths which the survey highlighted include employees knowing what is expected of them and having the appropriate materials and equipment to perform at work. Areas for improvement highlighted by the survey include recognition and praise for good work and valuing the opinions of employees.

During 2017, Mediclinic aims to follow a more focused approach by driving central engagement themes and ensuring adequate feedback and action planning takes place at all localities and departments. Champions have been trained to support line managers in facilitating workshops to address concerns at the departmental level. Champions and line managers will work towards developing a better understanding of the engagement needs of the Mediclinic workforce and addressing concerns according to the engagement hierarchy.

MATERIAL ISSUE 3: CREATE AND SUSTAIN SHAREHOLDER VALUE

HIGHLIGHTS

- Total dividend per share of 7.90 pence
- Continued progress in significant investments to grow capacity at each of the operating platforms
- Underlying EBITDA margin stable at 18.2% for the Group

WHY THIS IS IMPORTANT TO THE BUSINESS

As can be seen from its business model on pages 22 to 23, the Group is only able to offer the best possible care to its patients with support and investment from its shareholders. The Group believes that identifying and realising suitable growth opportunities is key to create and sustain shareholder value over the longer term, as these opportunities enable it to realise tangible benefits. Such benefits include: reduced costs through procurement on a greater scale; the creation of shared operations teams; the combination of existing corporate functions; and the transfer of knowledge and best practices across the Group.

LINK TO GROUP STRATEGY

- Improve safe, quality clinical care
- Improve efficiencies
- Continue to grow
- Invest in employees

KEY STAKEHOLDER

- Investors

RISKS TO THE BUSINESS

- Failure to identify suitable growth opportunities
- Unattractive investment propositions
- Poor shareholder relations
- Unavailability of capital and financing for growth
- Solvency and liquidity

MITIGATION OF RISKS

- Implementing systems to monitor developments in the economic and business environment of trends and early warning indicators
- Strategic planning and due diligence processes
- Long-term planning of capital requirements and cash-flow forecasting
- Scrutiny of cash-generating capacity within the Group
- Proactive and long-term agreements with banks and other funders relating to funding facilities
- Monitoring of compliance with requirements of debt covenants

SELECTED KEY PERFORMANCE INDICATORS

TOTAL DIVIDEND PER SHARE (IN PENCE)	
7.90 (2016: 7.90)	-
REVENUE	
£2 749m (2016: £2 107m)	↑
EBITDA	
£509m (2016: £382m)	↑
UNDERLYING EBITDA	
£501m (2016: £428m)	↑

UNDERLYING EBITDA MARGINS		
Group	18.2% (2016: 20.3%)	↓
Southern Africa	21.2% (2016: 21.4%)	↓
Switzerland	20.0% (2016: 19.7%)	↑
UAE	11.7% (2016: 22.3%)	↓

SUMMARISED APPROACH AND PERFORMANCE DURING THE YEAR

ACCEPTABLE SHAREHOLDER RETURNS

The total dividend per share for the period under review is 7.90 pence (2016: 7.90 pence).



The Group's dividend policy is set out in **Financial Review** on page 18.

PROFITABILITY

The Group's strong focus on efficiencies has ensured that the underlying EBITDA margin remained stable at 18.2%.



For more information, please refer to the **Financial Review** included from page 14.

GROWING THE BUSINESS

During the year, the Group continued to make significant investments to grow capacity at each of the operating platforms. The Group is continuously pursuing opportunities and initiatives to improve the occupancy of existing facilities, expand existing facilities and acquire or establish new facilities. Refer to the **Chief Executive Officer's Review**, the platforms' **Divisional Reviews** and **Our Strategy, Progress and Aims** included in the Annual Report.



SELECTED KEY PERFORMANCE INDICATORS

INVESTMENT IN CAPITAL PROJECTS AND NEW EQUIPMENT (PLATFORMS)		
Southern Africa	R766m (2016: R758m)	↑
Switzerland	CHF74m (2016: CHF68m)	↑
UAE	AED188m (2016: AED171m)	↑

EXPENDITURE ON REPAIRS AND MAINTENANCE (PLATFORMS)		
Southern Africa	R234m (2016: R275m)	↓
Switzerland	CHF37m (2016: CHF38m)	↓
UAE	AED39m (2016: AED24m)	↑

INVESTMENT IN REPLACEMENT OF EQUIPMENT (PLATFORMS)		
Southern Africa	R515m (2016: R317m)	↑
Switzerland	CHF89m (2016: CHF76m)	↑
UAE	AED57m (2016: AED32m)	↑

MATERIAL ISSUE 4: RESPONSIBLE USE OF NATURAL RESOURCES

HIGHLIGHTS

- Mediclinic Southern Africa included in Global A list for performance in the Carbon Disclosure Project
- Since January 2014, the entire Hirslanden electricity supply has been generated from 100% sustainable electricity
- Total energy consumption per bed day reduced in Mediclinic Southern Africa, with Mediclinic Middle East and Hirslanden's consumption remaining stable
- Total water usage decreased throughout the Group

WHY THIS IS IMPORTANT TO THE BUSINESS

The Group's main environmental impacts are the utilisation of resources, predominantly energy, through electricity consumption and water, and the disposal of healthcare risk waste. The Group is fully aware of the need to use resources responsibly and is committed to minimising its environmental impacts to the extent possible.

The Group recognises the risks that regulatory changes, environmental constraints and climate change present to its operations. Potential impacts include rising costs, reduced access to facilities, interruptions in service, and incidents of extreme weather events as a result of climate change placing additional stress on operations. Additionally, climate change can lead to water shortages (especially in the UAE and in Southern Africa) and weather-induced pandemics and disease outbreaks which can cause high mortality rates.

However, the Group also believes that using resources responsibly can be a source of strategic advantage for the Group, allowing it to manage and contain its operating costs and to ensure ongoing access to water and energy supplies.

Mediclinic's patients are always its first priority, but without natural resources, especially water, Mediclinic would not be able to provide a service to its patients. The Group takes its policies to reduce its impact on the environment very seriously and its Natural Resources Committee is constantly investigating new opportunities to reduce its impact on the environment.

RISKS TO THE BUSINESS

- Business interruptions due to water shortages
- Business interruption due to electricity supply
- Increased operational costs due to cost of electricity
- Healthcare risk waste disposal
- Reputational damage

LINK TO GROUP STRATEGY

- Improve efficiencies

KEY STAKEHOLDERS

- Employees and doctors
- Suppliers
- Governments and authorities
- Community

RISK MITIGATION

- Implementation of appropriate environmental management systems (certified by an internationally recognised body, where appropriate)
- Corporate Sustainable Water Management Strategy was implemented
- Expansion of the Energy Initiative Committee function to the Natural Resources Committee to include all natural resources
- Introduction of renewable energy sources, such as solar photovoltaic systems, in order to reduce energy consumption and costs

SELECTED KEY PERFORMANCE INDICATORS

TOTAL CO ₂ EMISSIONS (KG/BED DAY)			WATER USAGE (KL/BED DAY)		
Southern Africa	117kg (per CDP 2017) (CDP 2016: 111kg)	↑	Southern Africa	0.652kl (2016 calendar year) (FY 2015/16: 0.694kl)	↓
Switzerland (per calendar year)	13kg (2015: 13kg)	-	Switzerland (per calendar year)	0.629kl (2015: 0.664kl)	↓
UAE*	178kg (per CDP 2017) (CDP 2016: 226kg)	↓	UAE*	0.654kl (2016 calendar year) (FY 2015/16: 1.125kl)	↓

* The intensity measures of CO₂ emissions, water usage and energy consumption per day are not appropriate for the UAE, and not comparable with that of Southern Africa and Switzerland, as the total emissions, water usage and energy consumption include only five hospitals, with outpatient consultations and 25 clinics with only outpatient consultation (i.e. no bed days). During the year ahead, a more appropriate intensity measure will be determined for the Group.

SUMMARISED APPROACH AND PERFORMANCE DURING THE YEAR

ENVIRONMENTAL MANAGEMENT

The Group Environmental Policy, available on the Company's website at www.mediclinic.com, aims to minimise Mediclinic's environmental impacts and guides the identification and management of all risks and opportunities relating to water use and recycling, energy use and conservation, emissions and climate change, and waste management and recycling.

CARBON EMISSIONS

The CDP (formerly known as the Carbon Disclosure Project) is a global initiative measuring companies around the world and their reporting on greenhouse gas emissions and climate change strategies. It is regarded as a global leader in capturing and analysing data that record the business response to climate change, including management of risks and opportunities, absolute emissions levels, performance over time and governance. Participation and disclosure of the results are voluntary. The project was launched in South Africa in 2007 in partnership with the National Business Initiative in which JSE-listed companies are measured. Mediclinic has participated in the project since 2008, initially only in respect of Mediclinic Southern Africa. Limited information in respect of Mediclinic Middle East has also been included since 2010, although it still remains an initiative focusing mainly on Mediclinic Southern Africa's data. Mediclinic's CDP reports can be accessed on the CDP website at www.cdp.net, with the most recent reports also available on the Company's website at www.mediclinic.com.

The Group's platforms measure, with the assistance of external consultants, its carbon footprint using the GHG Protocol and includes, still in varying degrees:

- direct emissions, which in the healthcare industry will refer mainly to the emissions of anaesthetics gases (scope 1 emissions);
- indirect emissions from the consumption of electricity (scope 2 emissions);
- indirect emissions from suppliers, which in the healthcare industry will refer mainly to pharmaceutical, bulk oxygen and waste-removal suppliers (scope 3 emissions); and
- non-Kyoto Protocol greenhouse gas emissions such as Freon, which is used in air-conditioning and refrigerant equipment. With the assistance of external consultants, these emissions data were converted into a carbon dioxide equivalent

("CO₂e") using recognised calculation methods, emission factors and stating assumptions made, where relevant.

The Group's main environmental impacts are the utilisation of resources and waste which have a direct effect on carbon emissions. Items listed in the aspect register relating to regulatory compliance, healthcare risk waste, water, electricity, paper, hazardous waste and gases not only could have a significant impact on the environment, but also informs strategy on climate change related risks and opportunities.

The carbon emissions per platform, for the periods as specified therein, are reported in the **Sustainable Development Report**.



ENERGY EFFICIENCY

Electricity is the main contributor to our carbon footprint and all our platforms are taking steps to reduce their electricity consumption intensity through the adoption of ISO 14001 management standards, leading to improved operational efficiency of technical installations, introduction of various new energy-efficient and renewable technologies and changes in staff behaviour regarding energy use.

The direct and indirect energy consumption per platform, for the periods as specified therein, is reported in the **Sustainable Development Report**.



WATER USAGE

The Group's platforms in Southern Africa and in the UAE can suffer from significant water shortages so it is critical for the Group to monitor water consumption closely. There are various measures in place to minimise water consumption; including reclaiming water, monitoring hot water consumption and installing water meters and control sensors.

The total water usage has decreased throughout the Group. The total volume of water withdrawn from water utilities throughout the Group, for the periods as specified therein, is reported in the **Sustainable Development Report**.



WASTE MANAGEMENT

Stringent protocols are followed to ensure that refuse removal within the Group complies with all legislation, regulations and by-laws. The Group regards the handling of waste in an environmentally sound, legal and safe manner as its ethical, moral and professional duty. During the reporting period, there were no incidents at the Group's facilities or offices leading to significant spills.

SELECTED KEY PERFORMANCE INDICATORS

ENERGY CONSUMPTION (GJ/BED DAY)		
Southern Africa	0.327gj (2016 calendar year) (FY 2015/16 0.333gj/bed day)	↓
Switzerland (per calendar year)	0.474gj (2015: 0.447gj/bed day)	↑
UAE*	0.991gj (2016 calendar year) (FY 2015/16 0.842gj/bed day)	↑

WASTE RECYCLED		
Southern Africa	1 283 tonnes (2016 calendar year) (FY 2015/16: 1 197 tonnes)	↑
Switzerland (per calendar year)	550 tonnes (2015: 630 tonnes)	↓
UAE	72 tonnes (2016 calendar year) (FY 2015/16: 87 tonnes)	↓

MATERIAL ISSUE 5: GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

HIGHLIGHTS

- Anonymous ethics lines at all platforms
- A three-year compliance monitoring programme was developed to enhance the existing compliance culture
- Group-wide Code of Business Conduct and Ethics
- Contributed R11m to the South African Department of Health's Public Health Enhancement Fund

WHY THIS IS IMPORTANT TO THE BUSINESS

Governance and CSR are integral to Mediclinic's approach of running a sustainable, long-term business. In line with the Group's vision statement "to be respected internationally and preferred locally", it:

- enforces good corporate governance standards throughout the organisation;
- acts as a responsible corporate citizen;
- builds constructive relationships with its local stakeholders; and
- acts as a valued member of the community in the regions where it operates.

The Group put in place a range of policies, processes and standards to support the Group's governance and corporate social investment programmes and provide a framework of the standards of business conduct and ethics that are required of all business divisions, directors and employees within the Group.

LINK TO STRATEGY

- Although not directly linked to any particular Group strategic priority, governance and corporate social responsibility are regarded as key enablers and the basis from which the Group conducts its business.

KEY STAKEHOLDERS

- Suppliers
- Healthcare funders
- Governments and authorities
- Community

RISKS TO THE BUSINESS

- Fines, prosecution or reputational damage
- Inability to continue business due to legal and regulatory non-compliance or changes in regulatory environment
- Financial and reputational damage caused by poor governance and ethical practices and inadequate risk management
- Reputational damage at local community level due to inadequate community involvement

SELECTED KEY PERFORMANCE INDICATORS

CALLS TO ETHICS LINES	
Southern Africa*	202 (2016: 104)
Switzerland	20 (2016: 17)
UAE	6 (2016: 1)

CONTRIBUTION TO CSI INITIATIVES		
Southern Africa	ZAR12.3m (2016: ZAR11.8m)	↑
Switzerland	CHF2.5m (2016: CHF2.5m)	-
UAE	AED992 000 (2016: AED814 000)	↑

* In relation to Mediclinic Southern Africa, it should be noted that nine of the reported incidents related to fraud or ethics, eleven incidents reported were given high priority, and the majority of incidents reported related to human resources, service or accounts complaints.

MITIGATION OF RISKS

- Visible ethical leadership
- Regular fraud and ethics feedback to management, the Board and relevant Board committees
- Ethics lines available to all employees and external parties, with reported incidents monitored and investigated
- Established Group Risk Management department and outsourced Group internal audit function
- Compliance risks assessed as part of risk management process, with regular internal self-assessments, with necessary advice and support by the Company Secretarial and Legal departments
- Compliance consultant appointed to implement compliance framework and monitor compliance maturity
- Monitoring of corporate social investment initiatives by senior management, with feedback to the Clinical Performance and Sustainability Committee

The following policies are in place:

- Enterprise-wide Risk Management Policy and Risk Appetite
- Fraud Risk Management Policy
- Regulatory Compliance Policy
- Code of Business Conduct and Ethics
- Anti-bribery Policy

Adherence to these policies are monitored through the various Risk Management and Assurance initiatives implemented throughout the Group. Non-adherence to these policies is immediately highlighted as a corrective action and addressed accordingly. The Group Risk Management department regularly monitors the status of these corrective actions.

These policies are intended to create a culture within the Group where ethical values are displayed on a day-to-day basis. It further encourages staff to be vigilant and transparent for any suspicious or unethical behaviour. Finally, these policies provide clear guidelines and frameworks to assist in achieving set objectives, for example, compliance with applicable laws and regulations.

SUMMARISED APPROACH AND PERFORMANCE DURING THE YEAR

ETHICS AND GOVERNANCE

The Group's commitment to ethical standards is set out in the Group's values, and is supported by the Group Code of Business Conduct and Ethics (the "**Code**"), available on the Company's website. The Code provides a framework for the standards of business conduct and ethics that are required of all business divisions, directors and employees. The Code is available to all staff and is included in new employee inductions.

Further details regarding the Group's ethics management, risk management process and corporate governance practices are discussed in detail in the report on **Risk Management, Principal Risks and Uncertainties** and the **Corporate Governance Statement**.



EFFECTIVE RISK MANAGEMENT

The Group's Enterprise-wide Risk Management ("**ERM**") policy follows the international Committee of Sponsoring Organisations of the Treadway Commission ("**COSO**") framework and defines the risk management objectives, methodology, risk appetite, risk identification, assessment and treatment processes and the responsibilities of the various risk management role-players in the Group. The ERM policy is subject to annual review and any amendments are submitted to the Audit and Risk Committee for approval.

The objective of risk management in the Group is to establish an integrated and effective risk management framework where important and emerging risks are identified, quantified and managed. An ERM software application supports the Group's risk management process in all three operating platforms.

Further details on the Group's risk management approach, as well as principal risks and uncertainties are included in the report on **Risk Management, Principal Risks and Uncertainties**.



COMPLIANCE WITH LAWS AND REGULATIONS

Compliance risk was identified as an integral risk management focus area for the year across the Group. In light of the large volume of legislative and regulatory requirements applicable to the Group in each of the jurisdictions in which it operates, as well as various industry standards that the platforms should comply with, compliance risk requires specific focus. A three-year compliance monitoring programme was developed to enhance the existing compliance culture and approach to compliance risk in the Group. Good progress was made to define and integrate relevant laws and potential risks in the risk registers of the various platforms and departments during the year.

Further details on the Group's compliance management are included in the report on **Risk Management, Principal Risks and Uncertainties**, and in the **Audit and Risk Committee Report**.



HUMAN RIGHTS AND RIGHTS OF INDIGENOUS PEOPLE

During the year, no material incidents of discrimination, violations involving rights of indigenous people and/or human rights reviews or impact assessments were observed or reported throughout the Group.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT ("BBBEE") (SOUTH AFRICA ONLY)

Mediclinic Southern Africa forms an integral part of the political, social and economic community in South Africa and is committed to sustainable transformation as part of its business strategy. Mediclinic Southern Africa's Executive Committee is responsible to ensure that the appropriate focus is placed on the group's commitment to the development and implementation of sustainable BBBEE initiatives.

Mediclinic Southern Africa is assessed annually by an accredited verification agency against the generic scorecard criteria set by the Department of Trade and Industry ("dti"). During the period under review, Mediclinic Southern Africa was assessed in terms of the new BBBEE Codes of Good Practice, gazetted in 2013, for the first time. As anticipated, this resulted in Mediclinic Southern Africa's total BBBEE score, as measured with regards to ownership, management and control, skills development, enterprise and supplier development and socio-economic development, declining from 73.06 to 51.73 during the year, which score is currently being reviewed. Mediclinic Southern Africa is further reviewing its BBBEE strategy with a view to increase its BBBEE score in future.

The number of black employees increased year-on-year from 70.5% to 71.22% of total employees. Black management representation increased from 11% in 2006 to 27.7% (2016: 25.7%) at year end.

During the year, Mediclinic Southern Africa's transformation department continued with the diversity management interventions through workshops and presentations for employees throughout the group. The workshops are designed to help employees have a better understanding of diversity to embrace and celebrate diversity and be able to recruit, manage and retain talented employees from diverse backgrounds.

Mediclinic Southern Africa's current employment equity plan expires in October 2017. The company is currently in the process of compiling a new plan which will expire in 2022. A summarised employment equity report (EEA2), as submitted to the Department of Labour in November 2016, is included in the **Sustainable Development Report**.



CORPORATE SOCIAL INVESTMENT ("CSI")

The Group contributes to the well-being of the communities within which it operates by investing in ongoing initiatives that address socio-economic problems or risks, and it has established Mediclinic as an integral member of these communities, enriching the lives of many communities throughout Southern Africa, Switzerland and the UAE.

The Group's CSI activities are structured around the improvement of healthcare through training and education, sponsorships, donations, staff volunteerism, public private initiatives and joint ventures. Many of the Group's initiatives relate to providing training and to financial support of training. Due to the socio-economic conditions in Southern Africa, the majority of our CSI contributions are by Mediclinic Southern Africa.

The CSI spend per platform is provided on page 66.

