

# **SUSTAINABLE DEVELOPMENT REPORT**

for the year ended 31 March 2017

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## MORE INFORMATION

This Sustainable Development Report is published as part of a set of reports by Mediclinic International plc (the “**Company**” or “**Mediclinic**”) in respect of the financial year ended 31 March 2017, all of which are available on the Company’s website at [www.mediclinic.com](http://www.mediclinic.com).



**Annual Report and Financial Statements 2017**



**Clinical Services Report 2017**



**Sustainable Development Report 2017**



**Notice of Annual General Meeting 2017**

## GLOSSARY



Please refer to the glossary of terms included in the **Annual Report and Financial Statements** of Mediclinic for the financial year ended 31 March 2017.

## CONTACT US

We welcome the opinions of our stakeholders. For any suggestions or enquiries relating to this report, please contact:

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## LETTER FROM THE CEO

Throughout its three-decade history, Mediclinic has always taken a long-term view on delivering growth and creating long-term value in all its business operations in Southern Africa, Switzerland and the United Arab Emirates. Mediclinic's growing international scale enables us to further unlock value, helping to share skills and best practice across the Group, bringing valuable synergies and cost-efficiencies.

While growth, profitability and creating shareholder value are certainly major strategic drivers in ensuring the sustainability of Mediclinic's business, this cannot be achieved unless the Group is also committed to: offer efficient, effective, appropriate and evidence-based clinical services to its patients; follow ethical business practices; value its employees by following fair labour practices and offering competitive remuneration, training and development opportunities; respect the communities within which the Group operates and contribute to the well-being of society; and carefully manage its impact on the environment by focusing on its carbon footprint, use of energy and water resources and waste management.

Mediclinic seeks to be the first choice for patient experience and to provide superior clinical outcomes across all its operating platforms. In support hereof, the Group continued to invest heavily in its people, their training, the facilities in which they operate and the technology they use.

The Group remains confident about its long-term prospects, despite some challenges, which include:

- *Affordability of healthcare remains a concern*  
A key challenge globally is to keep healthcare affordable and to demonstrate cost-efficient service delivery. We have a joint responsibility, working with governments, funders and patients, to offer affordable and cost-efficient services to ensure the long-term sustainability of healthcare provision in the countries in which we operate. The private sector can make a meaningful, cost-efficient contribution towards healthcare delivery. We believe that governments and the private healthcare sector should constructively co-operate to find a dual system of care delivery which is in the best interest of the broader community. 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. In South Africa, the cost of private healthcare is being examined by the Competition Commission through the Health Market Inquiry. Mediclinic is actively participating in the inquiry. In terms of the Competition Commission's latest timetable, the publication of their final report is due by the end of 2017.

- *Availability of high-quality clinical staff*  
Combined with our strong market position in our operating regions, Mediclinic benefits from a pool of skilled, knowledgeable and experienced employees. Mediclinic aims to be an employer of choice and continue to invest in the training and development of its human capital to ensure that it attracts and retains the necessary talent.
- *Regulatory uncertainty*  
Mediclinic pro-actively manages regulatory change and its health policy units conduct research and provide strategic input into reform processes. During the year, there have been various regulatory developments, particularly in Switzerland with the proposed levy on the proportion of privately insured patients in Zurich and the national outpatient tariff, TARMED; and in the Middle East, with the 20% co-payment for Emiratis who are members of the Thiqia insurance option when making use of private healthcare providers, which has subsequently been waived. Continued dialogue and engagement with the relevant public authorities remains key to ensuring that private healthcare plays a meaningful role in the broader healthcare delivery system.

In summary, Mediclinic is proud of its long-standing ethical track record, is investing in sustainable and high-quality healthcare, and is consistently looking for new ways to enhance its environmental performance.



**Danie Meintjes**  
Chief Executive Officer

## INTRODUCTION

Mediclinic takes a sustainable, long-term approach to business, putting patients at the heart of its operations and delivering consistently high-quality healthcare services. In order to deliver on these priorities, the Group upholds the highest standards of clinical governance and ethical behaviour across its platforms, invests significant time and resources in recruiting and retaining skilled staff, makes considerable investment into its facilities and equipment and respects the communities and environment in the areas in which it operates.

## REPORT OVERVIEW

This report is Mediclinic's 15th annual Sustainable Development Report. The purpose of this report is to inform Mediclinic's stakeholders of the five material sustainability issues faced across its operations; its progress in managing these issues; its performance during the year; and planned initiatives for the coming year.

Mediclinic reports against each of its material issues by platform, as this is the level at which its sustainability initiatives are implemented and performance data is collected. Group-level data and initiatives are also included, where information is available.

### SCOPE

This report covers Mediclinic's operations in Southern Africa, Switzerland and the United Arab Emirates for the year ended 31 March 2017. As explained in the relevant sections of this report, the clinical and environmental data reported on in this report is in respect of the calendar year 1 January 2016 to 31 December 2016.

The report does not cover Mediclinic's 29.9% interest in the LSE-listed Spire Healthcare Group plc, based in the United Kingdom.

### REPORTING GUIDELINES

Mediclinic reports in accordance with the core option of the Sustainability Reporting Standards developed by the Global Reporting Initiative ("**GRI Standards**"). The GRI Standards Disclosure Index, which identifies the location of the standard disclosures, is published on the Company's website at [www.mediclinic.com](http://www.mediclinic.com).



# CORPORATE OVERVIEW

## AT A GLANCE

### WHO WE ARE

Mediclinic is an international private healthcare group founded in 1983, with operations in Southern Africa (South Africa and Namibia), Switzerland and the United Arab Emirates. The Company's primary listing is on the LSE in the United Kingdom, with secondary listings on the JSE in South Africa and the NSX in Namibia. The Group's registered office is in London, United Kingdom. Mediclinic also holds a 29.9% interest in Spire Healthcare Group plc, a LSE-listed private healthcare group based in the United Kingdom.

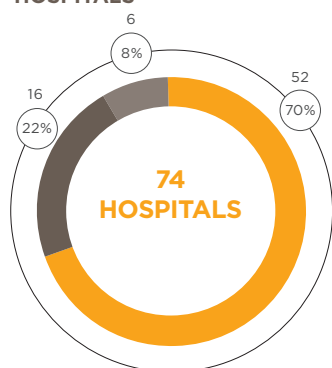
Mediclinic is focused on providing acute care, specialist-orientated, multi-disciplinary healthcare services. Our core purpose is to enhance the quality of life of our patients by providing comprehensive, high-quality healthcare services in such a way that the Group will be regarded as the most respected and trusted provider of healthcare services by patients, doctors and funders of healthcare in each of its markets.

During February 2016, the Combination of the Company (previously named Al Noor Hospitals Group plc), with

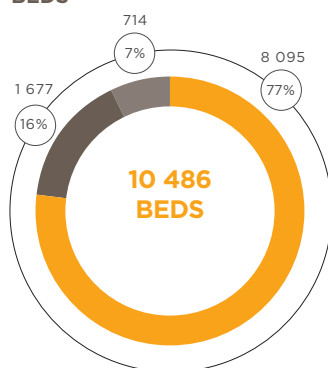
operations mainly in Abu Dhabi in the United Arab Emirates, and Mediclinic International Limited was completed. Mediclinic International Limited was a South African-based international private healthcare group founded in 1983 and listed on the JSE, the South African stock exchange, since 1986, with operations in South Africa, Namibia, Switzerland and the United Arab Emirates (mainly in Dubai). The combination resulted in the renaming of the Company to Mediclinic International plc.

At year end, the Mediclinic Group comprised 74 hospitals and 37 clinics. Mediclinic Southern Africa operates 49 hospitals and two day clinics throughout South Africa and three hospitals in Namibia with more than 8 000 inpatient beds in total; Hirslanden operates 16 private acute care facilities and four clinics in Switzerland with more than 1 600 inpatient beds; and Mediclinic Middle East operates six hospitals and 31 clinics with more than 700 inpatient beds in the United Arab Emirates.

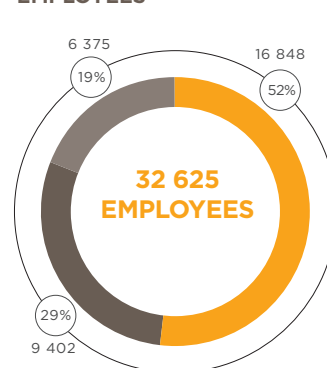
**DISTRIBUTION OF THE GROUP'S HOSPITALS**



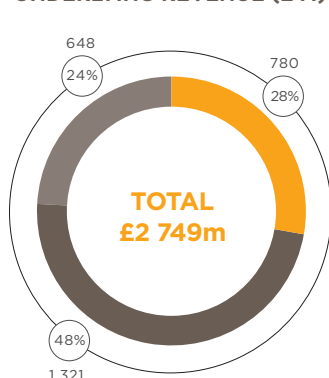
**DISTRIBUTION OF THE GROUP'S BEDS**



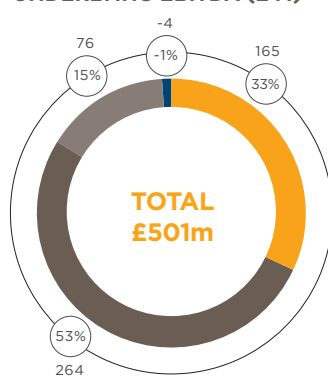
**DISTRIBUTION OF THE GROUP'S EMPLOYEES**



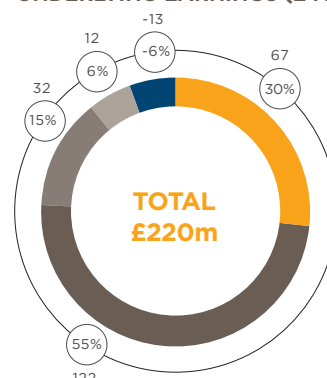
**CONTRIBUTION TO GROUP UNDERLYING REVENUE (£'M)**







**CONTRIBUTION TO GROUP UNDERLYING EBITDA (£'M)**



**CONTRIBUTION TO GROUP UNDERLYING EARNINGS (£'M)**



HOLDING COMPANY: MEDICLINIC INTERNATIONAL PLC			
			
OPERATING PLATFORMS			
	MEDICLINIC SOUTHERN AFRICA	HIRSLANDEN	MEDICLINIC MIDDLE EAST
<b>COUNTRIES OF OPERATION</b>	South Africa and Namibia	Switzerland	United Arab Emirates
<b>BRANDS</b>			
<b>WEBSITES</b>	<a href="http://www.mediclinic.co.za">www.mediclinic.co.za</a> <a href="http://www.mhr.co.za">www.mhr.co.za</a> <a href="http://www.medicalinnovations.co.za">www.medicalinnovations.co.za</a> <a href="http://www.er24.co.za">www.er24.co.za</a>	<a href="http://www.hirlanden.ch">www.hirlanden.ch</a>	<a href="http://www.mediclinic.ae">www.mediclinic.ae</a> <a href="http://www.alnoorhospital.com">www.alnoorhospital.com</a>
<b>HOSPITALS AND CLINICS IN OPERATION</b>	Operates 49 acute care private hospitals and two day clinics throughout South Africa and three hospitals in Namibia, with 8 095 beds in total. ER24 offers emergency transportation services from its 58 branches throughout South Africa.	Operates 16 acute care private hospitals with 1 677 beds and four clinics in Switzerland.	Mediclinic Middle East operates six acute care private hospitals and 31 clinics mainly in Abu Dhabi and Dubai, UAE with 714 beds in total.
<b>NUMBER OF EMPLOYEES</b>	16 848 (20 349 full-time equivalents, which includes 3 501 agency staff)  (16 347 permanent and 501 non-permanent)	9 402 permanent employees (which includes full-time and part-time permanent employees)  (6 722 full-time equivalents)	6 375 full-time employees/ full-time equivalents
<b>NATURE OF OWNERSHIP</b>	Mediclinic Southern Africa (Pty) Ltd, a company registered in South Africa, is the holding company of the Group's operating platform in Southern Africa. It is 100% owned through wholly-owned subsidiaries (with most group operating companies partly owned and doctor shareholding in hospital investment companies).	Hirlanden AG, a company registered in Switzerland, is the holding company of the Group's operating platform in Switzerland. It is 100% owned through wholly-owned subsidiaries.	The holding company for the Mediclinic Middle East operations is Emirates Healthcare Holdings Ltd, a company registered in the British Virgin Islands, which is 100% owned through wholly-owned subsidiaries.  The holding companies for the Al Noor operations are Al Noor Holdings Cayman Limited and ANMC Management Limited. These companies are registered in the Cayman Islands, which are 100% owned by the Company.

## UNITED KINGDOM

29.9% INVESTMENT IN  
SPIRE HEALTHCARE

## UNITED ARAB EMIRATES

FIND OUT MORE ABOUT  
OUR UAE OPERATIONS  
ON PAGE 50 OF THE **2017  
ANNUAL REPORT**



## SWITZERLAND



FIND OUT MORE ABOUT OUR  
SWISS OPERATIONS ON PAGE 44  
OF THE **2017 ANNUAL REPORT**

## SOUTHERN AFRICA

FIND OUT MORE ABOUT  
OUR SOUTHERN AFRICAN  
OPERATIONS ON PAGE 47  
OF THE **2017 ANNUAL REPORT**





## BUSINESS MODEL

Mediclinic's business model has resulted in quality service delivery, manageable risks, and generally a business that sustains growth and creates value for its stakeholders. The business model varies slightly in the three operating platforms. In Mediclinic Southern Africa, operations are supported by specialists who are not employed by the Group, but operate independently. This is a regulatory limitation in terms of the Health Professions Council of South Africa, which prohibits the employment of doctors by private hospitals, although permission has been obtained to appoint doctors in emergency units. In Hirslanden and Mediclinic Middle East, some doctors are employed, while other doctors are independent.

### OUR VISION

#### TO BE RESPECTED INTERNATIONALLY AND PREFERRED LOCALLY

##### WE WILL BE RESPECTED INTERNATIONALLY FOR:

- delivering measurable quality clinical outcomes
- continuing to grow as a successful international healthcare group
- enforcing good corporate governance
- acting as a responsible corporate citizen

##### WE WILL BE PREFERRED LOCALLY FOR:

- delivering excellent patient care
- ensuring aligned relationships with doctor communities
- being an employer of choice, appointing and retaining competent staff
- building constructive relationships with all stakeholders
- being a valued member of the community

**OUR RELENTLESS FOCUS ON PATIENT NEEDS WILL  
CREATE LONG-TERM SHAREHOLDER VALUE AND  
ESTABLISH MEDICLINIC INTERNATIONAL AS A LEADER  
IN THE GLOBAL HEALTHCARE INDUSTRY.**

## BUSINESS INPUTS/RESOURCES



### FINANCIAL<sup>1</sup>

Mediclinic has a strong financial profile, underpinned by an extensive property portfolio. The Group has good access to capital and invests for growth, generating positive cash flow and a track record of good returns on its capital investments.

### MANUFACTURED<sup>2</sup>

Mediclinic has a leading position in the key markets in which it operates. The Group owns, develops and operates 74 high-quality hospitals and 37 clinics, providing over 10 400 beds across three regions, utilising technology of an international standard.

### HUMAN

The Group employs over 32 600 employees across its three platforms. During the year, the Group invested 3.2% of Mediclinic Southern Africa's payroll, 4.8% of Hirslanden's payroll, and 0.1% of Mediclinic Middle East's payroll in training across all platforms, including extensive formal nurse training in Southern Africa.

### INTELLECTUAL

Mediclinic has an experienced Board and management team with deep industry knowledge. The continued growth of Mediclinic is testament to the strong management team and their ability to execute the Group's strategy. The expertise of the Group's clinical staff is a critical element of its business, allowing it to provide quality healthcare services<sup>2</sup>.

### SOCIAL AND RELATIONSHIPS<sup>3</sup>

Mediclinic has excellent relationships with key stakeholders, regularly engaging with employees, funders, patients, supporting doctors, suppliers, governments and communities. It has a proven commitment to ensure a high standard of ethics, social responsibility, accountability, cooperation and transparency.

### NATURAL<sup>3</sup>

The Group is committed to efficient energy use in all its hospitals and continuously strives to reduce its water consumption and carbon emissions, with an increasing number of its hospitals certified to the ISO 14001 standard.

<sup>1</sup> Please see the **Financial Review** from page 14 of the **2017 Annual Report**.

<sup>2</sup> Please see the **Clinical Services Overview** from page 37 of the **2017 Annual Report** and the **2017 Clinical Services Report** available on the Company's website at [www.mediclinic.com](http://www.mediclinic.com).

<sup>3</sup> Please see the **Stakeholder Engagement** on pages 10 to 18 and **Material issue 4: Responsible use of natural resources** on pages 47 to 56.



## HOW WE GENERATE VALUE

### INVESTING IN



#### GROWTH AND EXPANSION OF THE GROUP'S WORLD CLASS FACILITIES

The Group has a track record of investing in carefully selected capital projects that deliver satisfactory returns and has demonstrated the ability to integrate and extract value from acquisitions and expansions. Mediclinic builds and continuously improves its facilities across its platforms, investing in medical technology of an international standard to offer the best care possible.



#### HIGHLY QUALIFIED STAFF

Continuous investment in the training and development of staff creates a highly-trained workforce and talent pipeline. Our Global Reward Centre of Excellence ensures optimal remuneration practices across the Group. Integrated talent strategies are deployed to ensure proactive attraction and retention of scarce skills.



#### IMPROVING EFFICIENCIES

A relentless focus on extracting efficiencies from key business processes, using resources as effectively as possible and driving cost savings and synergies across the Group, are critical to ensure that it delivers cost-efficient services.

### PROVIDING



#### CARE

The Group's main business activity is caring for patients. Deep operational expertise delivers a seamless patient experience, underpinned by high-quality nursing care.

### DELIVERING VALUE TO



#### PATIENTS

Through superior clinical performance in a safe clinical environment and through providing the best possible patient experience in an increasingly integrated and coordinated manner.



#### SHAREHOLDERS

Through growth in capitalisation and shareholders returns, with the balance of funds retained for investment in expansion.

## BUSINESS OUTCOMES

### SHAREHOLDER VALUE

A focus on disciplined cost management and improving efficiencies has delivered a strong track record of growth in revenue and EBITDA with a total dividend to shareholders of 7.90 pence per share (refer to the **Directors' Report** on page 128 of the **2017 Annual Report** for a record of dividends for the year).

### QUALITY HEALTHCARE SERVICES

All three platforms have seen an increase in inpatient admissions, benefiting from superior clinical performance through the skill of Mediclinic's staff and supporting doctors and the standard of its facilities, as well as high levels of patient experience. During the year, £303m (2016: £264m) was retained for future growth and to maintain and replace assets.

### HIGHLY SKILLED WORKFORCE

During the year, £1 231m (2016: £934m) was paid to employees as remuneration and other benefits, alongside investment in the training and well-being of staff, creating a motivated and engaged workforce, both in clinical and business services.

### GOVERNMENT

The Mediclinic Group contributed £75m (2016: £63m) in taxes and other state and local authority levies to the economies where it operates during the year.

### SOCIETY

Mediclinic makes an economic and social contribution to the communities where it operates with a corporate social investment of ZAR12.3m (2016: ZAR11.8m) by Mediclinic Southern Africa, CHF2.5m (2016: CHF2.5m) by Hirslanden and AED1.0m (2016: AED0.8m) by Mediclinic Middle East during the year.

### ENVIRONMENT

The Company was included in the CDP's global 2016 Climate A List recognising companies for their actions in mitigating climate change, focusing mainly on Mediclinic Southern Africa's environmental management.

# GOVERNANCE OF SUSTAINABLE DEVELOPMENT

## MANAGEMENT APPROACH

The Mediclinic Group is committed to being a good corporate citizen. This commitment is reflected in its business strategy, which focuses not only on its financial performance, but also on managing its social and environmental impacts and conducting its business fairly and ethically to ensure the business operates on a long-term, sustainable basis.

The Group aims to embed high ethical standards and responsible business practices in the Company through its corporate values, principles and policies. The Group's Code of Business Conduct and Ethics, Sustainable Development Policy and Group Environmental Policy codify Mediclinic's commitment to conducting business responsibly and set out its approach to managing its resources in a sustainable manner.

These policies are reviewed annually by the Clinical Performance and Sustainability Committee, with recommendations to the Board as part of the annual policy review.

To view the Group's policies, visit the governance section of the website at [www.mediclinic.com](http://www.mediclinic.com).

## GOVERNANCE STRUCTURE

The Clinical Performance and Sustainability Committee assists the Board in:

- promoting a culture of excellence in patient safety, quality of care and patient experience, by, *inter alia*, monitoring the clinical performance of the Group; and
- ensuring that the Group is, and remains, a good and responsible corporate citizen by monitoring the sustainable development performance of the Group.

A report by the Clinical Performance and Sustainability Committee on its role, composition and activities during the year under review is included in the **2017 Annual Report**.



Additionally, as part of its role to oversee audit, internal control and risk management, the Audit and Risk Committee is responsible for reviewing the principal risks to the Group, including those related to material sustainability issues. The Audit and Risk Committee is also responsible for ensuring that a combined assurance model is applied to provide a coordinated approach to all assurance activities.

The most senior executive manager responsible for coordinating sustainable development throughout the Group is Gert Hattingh, Chief Corporate Services Officer.

## STAKEHOLDER ENGAGEMENT

Mediclinic recognises its accountability to its stakeholders and is committed to effective and regular engagement with them, and to publicly report on its sustainability performance. Mediclinic's key stakeholders are those groups who have a material impact on, or are materially impacted by, Mediclinic and its operations. Its key stakeholders, methods of engagement, topics discussed or concerns raised are outlined in the stakeholder engagement table (Figure 1).

Effective communication with stakeholders is fundamental in maintaining Mediclinic's corporate reputation as a trusted and respected provider of healthcare services and positioning itself as a leading international private healthcare group. Mediclinic's commitment to its stakeholders to conduct its business in a responsible and sustainable way, and to respond to stakeholder needs, is entrenched in the Group's values and supported by the Group Code of Business Conduct and Ethics. A wide variety of communication vehicles are used to engage with stakeholders, which serve as an impact assessment to assess stakeholders' needs and to effectively respond thereto. Stakeholders' legitimate expectations have been taken into account in setting the Group's key sustainability priorities, as reported on throughout this report. The Group continually looks for ways to improve its use of online channels to communicate with its stakeholders through the corporate website and webcasting.

**FIGURE 1: STAKEHOLDER ENGAGEMENT**

PATIENTS			
STAKEHOLDER RELEVANCE	METHODS OF ENGAGEMENT	KEY TOPICS AND CONCERNS	GROUP'S RESPONSE TO STAKEHOLDER EXPECTATIONS
The well-being of the Group's patients forms the cornerstone of its business. Mediclinic's core purpose is to enhance the quality of life of patients by providing comprehensive high-quality healthcare services in such a way that the Group will be regarded as the most respected and trusted provider of healthcare services by, among others, its patients.	<ul style="list-style-type: none"> <li>• Patient Experience Index – during the year, Mediclinic Southern Africa has also commenced with the publication of its patient experience results on the platform's website at <a href="http://www.mediclinic.co.za">www.mediclinic.co.za</a></li> <li>• Systematic patient rounds during hospital stay</li> <li>• Websites and blogs</li> <li>• Comprehensive integrated social media</li> <li>• Hospital magazines with health-related information, such as the <i>Mediclinic Family</i> magazine in Southern Africa</li> <li>• Client alliance programmes aimed at increasing the value-added offering to patients. Examples include the <i>Mediclinic Baby</i> and <i>Mediclinic Prime</i> programmes in Southern Africa, and the <i>Hirslanden Baby</i>, <i>Hirslanden Healthline</i> and <i>Hirslanden Privé</i> programmes in Switzerland.</li> <li>• Patient experience programmes, such as the <i>Patient Journey</i> in Southern Africa</li> <li>• 24-hour helplines for medical and facility enquiries</li> <li>• Health awareness days with free health checks</li> <li>• Brochures with hospital-specific information</li> </ul>	<ul style="list-style-type: none"> <li>• Delivery of quality healthcare</li> <li>• Best possible clinical outcomes</li> <li>• Facilities and technology of international standard</li> <li>• Patient experience</li> <li>• Respecting the needs and satisfaction levels of patients</li> <li>• Access to facilities and affordability of healthcare</li> <li>• Health awareness and information</li> <li>• Patient and family engagement during the recovery process</li> </ul>	<ul style="list-style-type: none"> <li>• The quality and safety of patient care is a material issue for Mediclinic. See <b>Material Issue 1: Provide quality healthcare services</b> on pages 21 to 28, as well as the <b>2017 Clinical Services Report</b> available on the Company's website at <a href="http://www.mediclinic.com">www.mediclinic.com</a>.</li> <li>• Standardised Patient Experience Index (see pages 23 to 24), that will enable comparative measurement of patient satisfaction between the three operating platforms and benchmark them against international norms.</li> <li>• The Group contributes towards a sustainable healthcare system with improved access and affordability through continuously focusing on efficiencies and cost-effectiveness, conducting tariff negotiations with funders in a fair and transparent manner, expanding facilities based on need, pursuing joint initiatives with government, and actively participating in healthcare reform.</li> <li>• Health information is communicated to patients through various media, such as the 24-hour helpline, health awareness days, assisting the South African Department of Health on heart and stroke, and diabetes campaigns.</li> </ul>



**FIGURE 1: STAKEHOLDER ENGAGEMENT (continued)**

DOCTORS			
STAKEHOLDER RELEVANCE	METHODS OF ENGAGEMENT	KEY TOPICS AND CONCERNS	GROUP'S RESPONSE TO STAKEHOLDER EXPECTATIONS
Supporting doctors are significant stakeholders in the Group and play a vital role in Mediclinic's commitment to quality care, while their freedom of association and clinical independence are acknowledged. Any initiative to improve the quality of clinical care needs the support and engagement of the treating doctors. For this reason, the Group is actively involved with various programmes to engage with its supporting doctors.	<ul style="list-style-type: none"> <li>Regular meetings with doctors</li> <li>Doctor satisfaction surveys</li> <li>Newsletters</li> <li>Participation in hospital clinical committees</li> <li>Dedicated doctor portals in Southern Africa and Switzerland, with continuous professional education and patient demographics functionality being piloted</li> <li>Continuous professional education events</li> <li>Doctor participation in hospital management through the boards of various hospital subsidiary companies in South Africa</li> </ul>	<ul style="list-style-type: none"> <li>Quality of and access to facilities and equipment</li> <li>Patient safety</li> <li>Quality nursing care</li> <li>Technology of international standard</li> <li>Involvement in strategic clinical issues</li> <li>Recruitment and retention of skilled doctors</li> <li>Shortage of doctors</li> </ul>	<ul style="list-style-type: none"> <li>A referral network model is in place where Group representatives meet regularly with doctors and their staff to discuss their needs and build the relationship between the hospital and the supporting specialists, as well as between the supporting specialists and the referring general practitioner.</li> <li>The continued focus on clinical quality, provision and maintenance of high-quality hospital infrastructure, excellent patient and doctor satisfaction levels, the development and training of staff to maintain and improve quality service delivery, support of external training institutions, and the recruitment and retention of staff are elements of the key priorities set by the Group. Refer to <b>Material Issue 1: Provide quality healthcare services</b> on pages 21 to 28, <b>Material Issue 2: Address shortage of healthcare practitioners</b> on pages 29 to 44, as well as the <b>Clinical Services Report</b> available on the Company's website at <a href="http://www.mediclinic.com">www.mediclinic.com</a>.</li> </ul>





**FIGURE 1: STAKEHOLDER ENGAGEMENT (continued)**

EMPLOYEE AND TRADE UNIONS			
STAKEHOLDER RELEVANCE	METHODS OF ENGAGEMENT	KEY TOPICS AND CONCERNS	GROUP'S RESPONSE TO STAKEHOLDER EXPECTATIONS
<p>The Group's employees are a highly-valued asset. The employees' trust and respect are vital to Mediclinic's success. Listening and responding to the Group's employee needs through effective communication and sound relations are important components of being regarded as an employer of choice among existing and prospective employees and vital to maintain an engaged, loyal workforce. It is further aimed at achieving a common awareness among employees, of the financial and economic factors affecting the performance of the Company.</p>	<ul style="list-style-type: none"> <li>• Regular <i>Your Voice</i> employee engagement surveys through Gallup, an internationally recognised service provider</li> <li>• Internal communication audits, as required</li> <li>• Staff magazines and newsletters, such as <i>Our World</i> in Southern Africa and <i>Apropos</i> in Switzerland</li> <li>• Intranet and social media</li> <li>• Annual employee performance reviews</li> <li>• Leadership video conferences</li> <li>• Annual trade union salary negotiations with recognised unions</li> <li>• Staff wellness and recognition programmes</li> <li>• Locality forum meetings to address employee concerns</li> </ul>	<ul style="list-style-type: none"> <li>• Training and development of employees</li> <li>• Recognition and competitive remuneration</li> <li>• Freedom of association</li> <li>• Ethical leadership</li> <li>• Fair working conditions</li> <li>• Recruitment and retention of skilled staff</li> <li>• Shortage of nurses and skilled staff</li> <li>• For Mediclinic Middle East, the integration of Al Noor</li> </ul>	<ul style="list-style-type: none"> <li>• Employee recruitment and retention, the development and training of staff, remuneration, and employee satisfaction and engagement are all elements of the material sustainability issues of the Group. See <b>Material Issue 2: Address shortage of healthcare practitioners</b> on pages 29 to 44.</li> <li>• Market-related salaries and benefits are offered to employees, based on the principles of internal equity, external equity and affordability.</li> <li>• <i>Your Voice</i> employee engagement survey across all operating platforms to measure levels of engagement, identify gaps at a departmental level and support line managers to implement action plans to address concerns.</li> </ul>

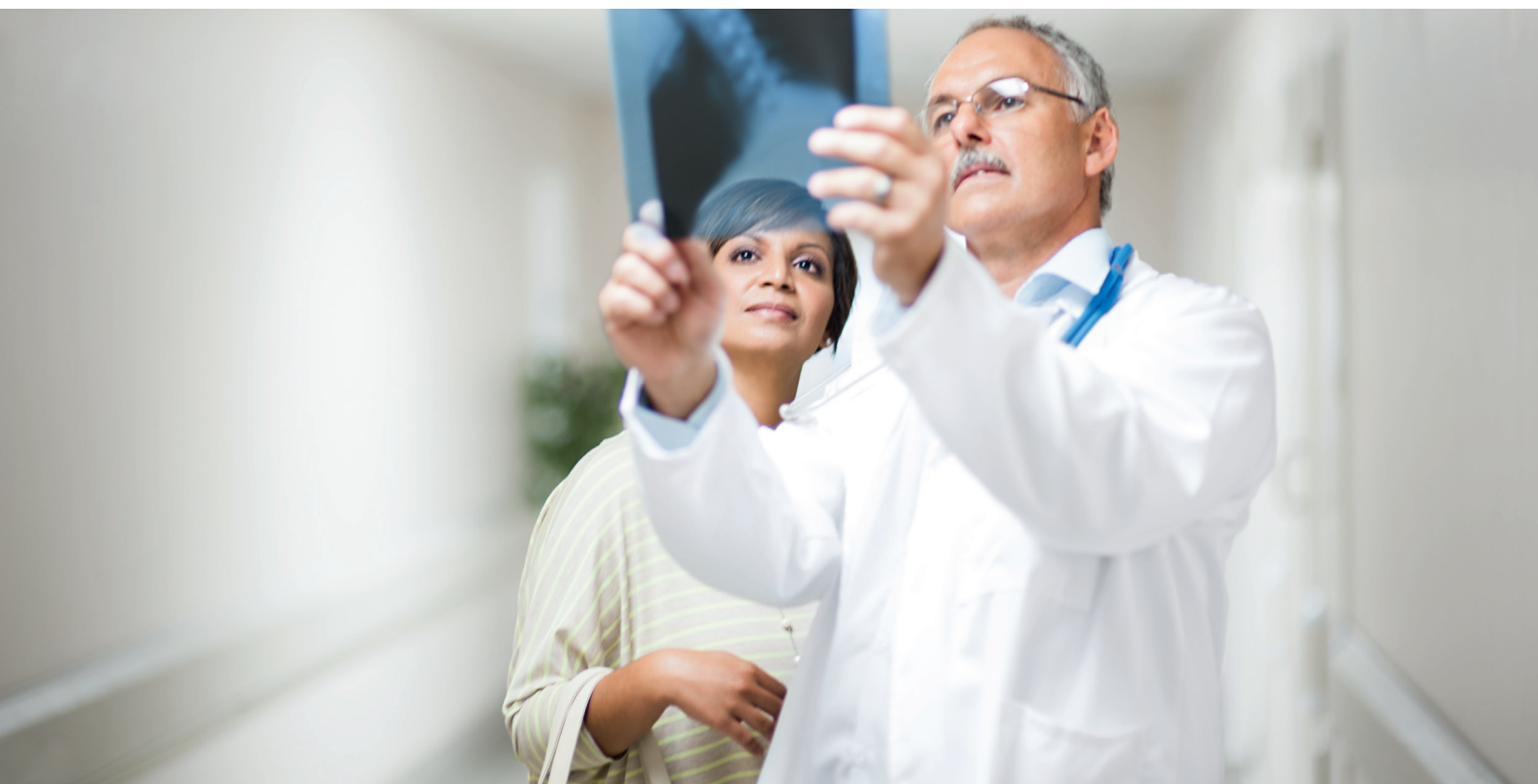


FIGURE 1: STAKEHOLDER ENGAGEMENT (continued)

SUPPLIERS			
STAKEHOLDER RELEVANCE	METHODS OF ENGAGEMENT	KEY TOPICS AND CONCERNS	GROUP'S RESPONSE TO STAKEHOLDER EXPECTATIONS
<p>In order for Mediclinic to deliver its services it is dependent on a large and diverse range of suppliers, who form an integral part of the Group's ability to provide quality healthcare. Mediclinic believes in building long-term relationships with suitable suppliers, to establish a relationship of mutual trust and respect. The Group relies on its suppliers to deliver products and services of the highest quality in line with Mediclinic's standards.</p>	<ul style="list-style-type: none"> <li>• Regular meetings with suppliers</li> <li>• Contract negotiations and management post-signature</li> <li>• Electronic product approval processes for existing suppliers</li> <li>• Service awards and annual supplier of the year ceremonies</li> <li>• Product demonstrations and evaluations</li> <li>• Training on product specifications</li> <li>• Visits to local and international trade fairs</li> <li>• Visits to and inspection of supplier and manufacturer facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Mediclinic procurement philosophy and code of conduct</li> <li>• Quality of products</li> <li>• Cost-effectiveness</li> <li>• Availability of products and services and ability to provide support</li> <li>• Compliance with applicable regulatory requirements and quality standards</li> <li>• Fair and transparent negotiations</li> <li>• Timeous payments</li> <li>• Appropriate technology relevant to the operating platform or facility</li> <li>• Training of staff and users</li> <li>• Broad-based black economic empowerment discussions on improvement of supplier scorecard (in South Africa)</li> </ul>	<ul style="list-style-type: none"> <li>• The Group is focused on streamlining and centralising its procurement processes to improve efficiency and cost-effectiveness. Refer to <b>Material Issue 1: Provide quality healthcare services</b> on pages 21 to 28.</li> <li>• Formal procurement processes apply regarding tenders, contracting and preferred supplier agreements.</li> <li>• Mediclinic's international procurement initiatives are aimed at unlocking synergies and implementing standardisation for the greater benefit of the Group.</li> <li>• A Group purchasing organisation was established to support global sourcing and unlocking more cost-effective supply chains.</li> <li>• The Group continues to implement its strategy to rationalise the number of suppliers to enable growth with selected key partners and thereby strengthen negotiations.</li> <li>• Product and supplier selection is guided by, <i>inter alia</i>, the provisions of the UK Modern Slavery Act 2015. The Company conducts business mainly with major international suppliers, who are also publicly committed to protecting human rights. None of the Group's services is seasonal, which would lead to possible risk of human trafficking. Although the Group is confident that the risk is minimal, key manufacturing facilities are visited regularly to verify compliance. A link to the Company's slavery and human trafficking statement can be found on the home page of the Company's website at <a href="http://www.mediclinic.com">www.mediclinic.com</a>.</li> </ul>



FIGURE 1: STAKEHOLDER ENGAGEMENT (continued)

HEALTHCARE FUNDERS			
STAKEHOLDER RELEVANCE	METHODS OF ENGAGEMENT	KEY TOPICS AND CONCERNS	GROUP'S RESPONSE TO STAKEHOLDER EXPECTATIONS
All role players in healthcare funding, such as the medical schemes, administrators and managed care companies, play a key role in Mediclinic's business, with privately insured patients remaining the Group's largest client base.	<ul style="list-style-type: none"> <li>Regular meetings regarding possible cost savings, clinical quality and healthcare delivery improvements</li> <li>Annual tariff negotiations</li> </ul>	<ul style="list-style-type: none"> <li>The quality of care rendered in hospitals and patient satisfaction with the service rendered</li> <li>Integrated clinical services</li> <li>The price/cost of healthcare in private hospitals</li> <li>Hospital network arrangements, which limit the members' choice of hospitals in exchange for a reduced tariff from the hospitals</li> <li>Healthcare provider price regulation in the UAE</li> <li>Regulatory channelling of Abu Dhabi nationals to government facilities</li> <li>Regulated eHealth initiatives in the UAE</li> <li>The introduction by the Abu Dhabi authorities of a 20% co-payment for Emiratis, who are members of the Thiqa insurance option when they make use of private healthcare providers, had a material impact on the Abu Dhabi business and may affect the volume of Thiqa patients visiting its facilities.</li> </ul>	<ul style="list-style-type: none"> <li>Refer to <b>Material Issue 1: Provide quality healthcare services</b> on pages 21 to 28, as well as the <b>2017 Clinical Services Report</b> available on the Company's website.</li> <li>Various initiatives on transforming from an infrastructure provider to a healthcare systems provider have been implemented by all operating platforms, as further detailed in the <b>Our Strategy, Progress and Aims</b> section included in the <b>2017 Annual Report</b> and the <b>2017 Clinical Services Report</b> available on the Company's website at <a href="http://www.mediclinic.com">www.mediclinic.com</a>.</li> <li><i>Care Expert</i> is a Mediclinic Southern Africa integrated care product that drives value by further optimising overall hospital efficiency and clinical quality, while reducing overall costs.</li> <li>This will see healthcare providers align more closely and move from a fee-for-service environment to a value-based model of care.</li> <li>Hip and knee replacement surgeries are the first of the <i>Care Expert</i> products and have been successfully contracted with a number of key stakeholders in the reporting period.</li> <li>Tariff negotiations with funders are conducted in a transparent and fair manner.</li> <li>In terms of quality and patient safety, Mediclinic shares relevant studies and information to address healthcare funder concerns.</li> </ul>



FIGURE 1: STAKEHOLDER ENGAGEMENT (continued)

GOVERNMENT AND AUTHORITIES			
STAKEHOLDER RELEVANCE	METHODS OF ENGAGEMENT	KEY TOPICS AND CONCERNS	GROUP'S RESPONSE TO STAKEHOLDER EXPECTATIONS
<p>Mediclinic's business model relies on full compliance with healthcare and other regulations. The Group engages with various government bodies on a continuous basis.</p> <ul style="list-style-type: none"> <li>In Southern Africa, key government bodies include the national and provincial Departments of Health ("DoH"), the Department of Higher Education and Training, the South African Nursing Council, Council for Medical Schemes, the Health Professions Council of South Africa, South African Pharmacy Council, South African Federation of Hospital Engineering, and the Clinical Engineering Association of South Africa.</li> <li>In Switzerland, key government bodies include the federal and cantonal government and healthcare authorities.</li> <li>In the UAE key government bodies include the Ministry of Health, Dubai Healthcare City, Dubai Health Authority, Health Authority of Abu Dhabi, Occupational Safety and Health Centre of Abu Dhabi, Abu Dhabi Centre of Waste Management, Ministry of Climate Change and Environment, Environmental Agency of Abu Dhabi, and the Nursing and Midwifery Council.</li> </ul>	<ul style="list-style-type: none"> <li>License applications</li> <li>Inspection of facilities</li> <li>Approval of building plans</li> <li>Active engagement on healthcare legislation</li> <li>Regular meetings</li> <li>Representation on government bodies, e.g. Mediclinic Southern Africa's Nursing Executive serves on the Nursing Council and the Pharmacy Executive serves as vice-president of the Pharmacy Council</li> <li>Hirslanden maintains good relationships with government bodies. Several employees are members of cantonal parliaments and members of Hirslanden are regularly represented on <i>ad hoc</i> expert boards</li> <li>Mediclinic Middle East is represented on the newly established industry committees on clinical quality and price regulation established by the Dubai Health Authority</li> </ul>	<ul style="list-style-type: none"> <li>Cost of private healthcare</li> <li>National Health Insurance in South Africa</li> <li>Addressing training needs and skills shortage</li> <li>Collaborative initiatives to improve patient safety</li> <li>Regulatory reform relating to hospital planning, highly specialised medicine and health insurance in Switzerland</li> <li>Healthcare provider price regulation in the UAE</li> <li>Regulated eHealth initiatives in the UAE</li> <li>Legal compliance</li> </ul>	<ul style="list-style-type: none"> <li>The year under review has seen many regulatory developments, particularly regarding tariffs. An overview of the market and regulatory environment in each operating platform is included in the <b>Divisional Reviews</b> included in the <b>2017 Annual Report</b>.</li> <li>No financial assistance is received from government by any of the Group's operating platforms.</li> <li>Political donations are prohibited in terms of our Code of Business Conduct and Ethics, unless pre-approved by the Board or Executive Committee. Refer to the <b>Directors' Report</b> included in the <b>2017 Annual Report</b>.</li> <li>Mediclinic Southern Africa is assisting the DoH with several of its initiatives, including the development of staffing norms for all categories of staff in public hospitals, the roll-out of the National Nursing Strategy and the <i>Best Care... Always!</i> initiative, a collaborative quality initiative to promote patient safety between the public and private sector.</li> <li>Mediclinic Southern Africa is engaging in and actively assessing all publications related to the South African Competition Commission's ongoing Health Market Inquiry with the aim of encouraging consideration of appropriate and accurate information for analysing the cost and competitive dynamics of private healthcare in South Africa. The inquiry is expected to publish recommendations in December 2017.</li> <li>All available information pertaining to the government's planned implementation of a National Health Insurance ("NHI") to provide healthcare to all citizens in an equitable manner is monitored closely. Mediclinic participates in relevant working groups tasked with refining the concepts outlined in the NHI draft White Paper and continues to support the underlying principle of universal coverage.</li> <li>Mediclinic Southern Africa participates in working groups through various associations to develop health technology regulations relating to the management of healthcare.</li> <li>The nursing directors at Mediclinic Middle East's hospitals are part of the UAE Chief Nursing Officers group, which reviews strategic direction and planning for UAE nursing.</li> </ul>





**FIGURE 1: STAKEHOLDER ENGAGEMENT (continued)**

INDUSTRY ASSOCIATIONS			
STAKEHOLDER RELEVANCE	METHODS OF ENGAGEMENT	KEY TOPICS AND CONCERNS	GROUP'S RESPONSE TO STAKEHOLDER EXPECTATIONS
<p>Mediclinic Southern Africa is a member of the Hospital Association of South Africa ("HASA"), with two representatives serving on its board. HASA is an industry association that represents the collective interests of the more than 200 private hospitals, thereby representing over 70% of the private hospital industry in South Africa. Mediclinic Southern Africa's Chief Marketing Officer, Dr Biren Valodia, serves as the vice-chair of HASA.</p> <p>Hirslanden is an active member of PKS (Privatkliniken Schweiz), the association of Swiss private hospitals, as well as H+ (H+ Die Spitäler der Schweiz), the hospital association for public and private hospitals in Switzerland. A senior Hirslanden management member serves on the board of PKS. Further, Hirslanden CEO, Dr Ole Wiesinger, serves on the board of directors of Economiesuisse, and CCO, Dr Christian Westerhoff serves on the Quality Committee for Acute Medicine of ANQ.</p> <p>There are currently no relevant industry associations in the UAE.</p>	<ul style="list-style-type: none"> <li>• Membership of industry associations and representation on governing bodies</li> <li>• Participation in research commissioned by associations</li> <li>• Participation in conferences</li> </ul>	<ul style="list-style-type: none"> <li>• Addressing the gap in public knowledge regarding the realities and challenges facing private healthcare</li> </ul>	<ul style="list-style-type: none"> <li>• HASA regularly commissions research, which ensures that the information communicated to the public is accurate and thoroughly investigated by credible independent specialists.</li> <li>• Through industry association membership in Switzerland, Hirslanden plays an active role in shaping the Swiss hospital industry as well as associated legislation and regulation.</li> </ul>

FIGURE 1: STAKEHOLDER ENGAGEMENT (continued)

INVESTORS			
STAKEHOLDER RELEVANCE	METHODS OF ENGAGEMENT	KEY TOPICS AND CONCERNS	GROUP'S RESPONSE TO STAKEHOLDER EXPECTATIONS
<p>Mediclinic's primary objective is to create value for its shareholders as the owners and providers of equity capital to the business. The Group is accountable to its stakeholders, and reporting to shareholders and the public is aimed at providing a clear understanding of the Company's financial, economic, social and environmental performance, both positive and negative.</p> <p>Responsibility for shareholder relations rests with the Chairman, CEO, CFO, Senior Independent Director and Head of Investor Relations. Collectively, they ensure that there is effective, regular and clear communication with shareholders on matters such as operational performance, regulatory changes, governance and strategy. In addition, they are responsible for ensuring that the Board understands the views of shareholders on matters such as governance and strategy. The Board is supported by the Company's corporate brokers, with whom it is in constant dialogue.</p>	<ul style="list-style-type: none"> <li>Financial results reporting</li> <li>Results presentations</li> <li>RNS and SENS announcements</li> <li>Corporate website</li> <li>Analyst meetings</li> <li>Shareholder meetings</li> <li>Investor roadshows and conferences</li> <li>During the year, following the appointment of the Group's Head of Investor Relations in London, a formal programme was established for engaging with the capital markets. This programme included regular investor meetings, attendance at investor conferences, roadshows, presentations and <i>ad hoc</i> events with investors, sell-side analysts and sales teams. Over the year, senior management and the Head of Investor Relations met some 200 institutions and participated in 18 roadshows, investor conferences and <i>ad hoc</i> capital market events across the UK, South Africa, North America, the UAE and Asia.</li> </ul>	<ul style="list-style-type: none"> <li>Financial performance of the Company, in particular relating to regulatory challenges in Switzerland and the UAE during the year</li> <li>Continued growth and financial sustainability</li> <li>Responsible investment proposition</li> <li>Clear and transparent reporting</li> <li>Competent leadership with ethical culture</li> </ul>	<ul style="list-style-type: none"> <li>Responsible investment proposition. Refer to the <b>Investment Case</b> included in the <b>2017 Annual Report</b>.</li> <li>Solid financial position. Refer to the <b>Financial Review</b> and the <b>financial statements</b> included in the <b>2017 Annual Report</b>.</li> <li>Ethical leadership. Refer to the report on ethics and compliance included in the <b>Corporate Governance Statement</b> of the <b>2017 Annual Report</b>.</li> <li>Firm protocols are in place to control the nature, extent and frequency of communication with the investment community, and to ensure that shareholder information is made available to all parties timeously and simultaneously. Relevant information is published via the regulatory news services in the UK and South Africa and on the Company's website at <a href="http://www.mediclinic.com">www.mediclinic.com</a>.</li> <li>The Group ensures shareholders and analysts are kept informed of key issues and regulatory matters.</li> <li>Remgro, as a principal shareholder, is represented on the Company's Board of Directors in terms a Relationship Agreement. Refer to the <b>Directors' Report</b> included in the <b>2017 Annual Report</b>.</li> <li>Refer to the shareholder engagement section in the <b>Corporate Governance Statement</b> included in the <b>2017 Annual Report</b>.</li> </ul>



**FIGURE 1: STAKEHOLDER ENGAGEMENT (continued)**

COMMUNITY			
STAKEHOLDER RELEVANCE	METHODS OF ENGAGEMENT	KEY TOPICS AND CONCERNS	GROUP'S RESPONSE TO STAKEHOLDER EXPECTATIONS
Mediclinic is committed to long-term relations with the communities within which it operates, and follows a policy based on mutual understanding, trust and reliability. Significant investments in healthcare education are made annually.	<ul style="list-style-type: none"> <li>Public Health Enhancement Fund in South Africa</li> <li>Training and education</li> <li>Sponsorships and donations</li> <li>Staff volunteering</li> <li>Public-private initiatives and joint ventures</li> </ul>	<ul style="list-style-type: none"> <li>Improvement of public healthcare training in South Africa</li> <li>Development and upliftment of communities within which the Group operates</li> <li>Health awareness</li> </ul>	<ul style="list-style-type: none"> <li>Refer to <b>Material Issue 2: Address shortage of healthcare practitioners</b> (in particular relating to training and development) on pages 29 to 44; and <b>Material Issue 5: Governance and corporate social responsibility</b> on pages 57 to 61.</li> </ul>
MEDIA			
The media acts as an intermediary between the Mediclinic and its stakeholders on company and industry developments and helps to position Mediclinic as the opinion leader in private healthcare.	<ul style="list-style-type: none"> <li>Media releases</li> <li>Press conferences</li> <li>Interviews and responses to media enquiries</li> <li>Paid advertisements</li> <li>Monitoring of industry-related news and proactive response</li> <li>Social media – Twitter and YouTube</li> <li>The <i>Future of Healthcare</i> blog</li> </ul>	<ul style="list-style-type: none"> <li>Availability of accurate information</li> <li>Response to media enquiries</li> </ul>	<ul style="list-style-type: none"> <li>The blogsite, <i>The Future of Healthcare</i>, which is an integral part of the Group's social media strategy, contains media statements and other material pertaining to the NHI and other healthcare-related issues. It also serves to inform the media of innovative treatments and procedures that take place at Mediclinic's hospitals.</li> <li>Dedicated communication strategies developed for major industry affairs issues.</li> <li>A range of active media events were held during the reporting period by each operating platform.</li> <li>Hirslanden's media ticketing system implemented at Group level assists with the management and organising of media contacts and media enquiries.</li> </ul>



## OUR 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 its 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 as set out in the stakeholder engagement table on pages 10 to 18 (**Figure 1**).

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 2**.

**FIGURE 2: MATERIALITY ASSESSMENT MATRIX**





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

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

The Group's strategy, performance, risks and sustainability are inseparable. The link between the Group's five material issues, which constitute the focus of this report, and the Group's strategy is indicated in this report. The Group's strategic priorities, which are further detailed in the **Our Strategy, Progress and Aims** section of the **2017 Annual Report**, are:

- *Improve safe, quality clinical care*  
Focus on providing superior clinical outcomes in a safe clinical environment across the Group

- *Improve patient experience*  
Focus on providing the patient, family member and visitor with the best possible patient experience across the Group
- *Deliver integrated and co-ordinated care*  
Further develop structures to encourage integrated and co-ordinated care across the Group
- *Leverage international group benefits*  
Continue to seek opportunities to leverage benefits of an international Group
- *Improve efficiencies*  
Improve efficiencies through standardisation, Group scale and data analytics
- *Continue to grow*  
Grow through capacity and footprint expansion across the portfolio at attractive returns
- *Invest in employees*  
Invest in the Group's employee base by continuing to develop clinical competencies, address scarce skills, and improve employee engagement



## 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

### SELECTED KEY PERFORMANCE INDICATORS

MORTALITY* (PER CALENDAR YEAR)			RE-ADMISSION RATES* (PER CALENDAR YEAR)		
<b>Southern Africa</b>	<b>0.95</b> inpatient mortality index (2015: 1.02)	↓	<b>Southern Africa</b>	<b>12.5%</b> 30-day re-admission rate (all causes) (2015: 12.3%)	↑
<b>Switzerland</b>	<b>0.95%</b> weighted average mortality rate (2015: 1.02%)	↓	<b>Switzerland</b>	<b>1.24%</b> 15-day unscheduled re-admission rate (2015: 1.29%)	↓
<b>UAE</b>	<b>0.24%</b> inpatient mortality rate (2015: 0.26%)	↓	<b>UAE</b>	<b>1.0%</b> 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.

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.

\* 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.

## 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

## 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 front-line 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.

### SELECTED KEY PERFORMANCE INDICATORS

FALL RATE* (PER 1 000 PATIENT DAYS) (PER CALENDAR YEAR)		
<b>Southern Africa</b>	<b>1.07</b> (2015: 1.14)	↓
<b>Switzerland</b>	<b>2.4</b> (2015: 2.1)	↑
<b>UAE</b>	<b>0.4</b> (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.

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

PATIENT SATISFACTION AND EXPERIENCE*		
<b>Southern Africa</b>	<b>81.9%</b> (2016: 81.9%)	-
<b>Switzerland</b>	<b>86.0%</b> (2016: 94.0%)	↓
<b>UAE</b>	<b>82.4%</b> (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.

## APPROACH AND PERFORMANCE DURING THE YEAR

### PATIENT SAFETY, QUALITY CARE AND CLINICAL OUTCOMES

**(focusing on: patient safety, clinical effectiveness, clinical cost efficiency, value-based care and confidentiality of patient information)**

#### Group

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 United Arab Emirates); 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.

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 **2017 Clinical Services Report** available on the Company's website at [www.mediclinic.com](http://www.mediclinic.com).



### PATIENT SATISFACTION AND EXPERIENCE

#### Group

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 page 22 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.



### **Southern Africa**

Significant information was gathered from Mediclinic Southern Africa's patients through the completion of the assessments and important trends are being uncovered, which provide focus for improvement initiatives.

Hospital management teams underwent a *Leading the Patient Experience* skills development intervention, which is currently being implemented at the Corporate Office. A large portion of Mediclinic Southern Africa's staff at hospitals and at Corporate Office (approximately 16 000 staff members, including some contracted services) attended a *Managing the Patient Experience* skills development intervention, which empowers staff to contextualise what they do from the patient's perspective and as a result understand their role in the patient's experience.

A *Food Services* project is drawing to completion in the selected pilot hospitals and the collaboration between Clinical and Patient Experience departments is extremely beneficial. The project has included many facets of the current food process in the hospitals, from changing meal serving times, standardising diet definitions, changing the diet sheets, focusing on nutritionally challenged patients to changing the food services process to provide for more nursing control and involvement. The focus included streamlining the serving process and an intense audit of meal orders and added attention to safety aspects of meal service. The implementation of a new process should see great improvements in both patient safety and the hospitality experience.

Mediclinic Southern Africa's focus is currently on the three priority focus areas common to all its hospitals, as identified by the PEI, namely:

- the degree to which nurses kept patients informed;
- the response to concerns and complaints raised during hospital stay; and
- the extent to which patients are involved in the decisions regarding their treatment.

### **Switzerland**

Hirslanden's patient satisfaction survey is currently based on the ANQ (Swiss National Association for Quality Development) satisfaction survey and a set of HCAPS questions.

There are standard outcome measures in place (overall mortality, re-admission, re-operation, rehospitalisation, falls rate and skin ulcer rate). In addition, Hirslanden is a member of the initiative on quality medicine with indication specific mortality rates and an integrated peer review process. Infection data are collected on indicator procedures and device-associated infections.

The Press Ganey survey was piloted at Klinik Im Park in January 2017 and rolled out to all the other Hirslanden hospitals with effect from April 2017, which collects patient satisfaction data on an ongoing basis rather than once or twice a year as was previously the case. This new and extensive system of data collection enables Hirslanden to identify potential areas for improvement faster and act on them by implementing appropriate measures.

### **UAE**

Results of the company-wide patient experience survey show that Mediclinic Middle East is focusing on improving even further in this area with overall inpatient satisfaction increasing by 2.1% from the previous year to 82.4%, with outpatient satisfaction increasing by 2.7% to 81.6%. There has also been an increased focus on clinical outcomes across the platform, as well as the reiteration of Mediclinic's commitment to providing ethical healthcare. Further strategies to improve the patient experience will be implemented during the next financial year, including staff training programmes directly related to the outcomes of the patient experience survey and the implementation of best practices and knowledge acquired from each platform during the integration of Mediclinic Middle East and Al Noor pursuant to the Combination. Patient satisfaction surveys are carried out in all Dubai-based Mediclinic Middle East facilities using the PEI, which will be rolled out to all Abu Dhabi-based facilities during the next financial year. Individual red flag patient surveys are also carried out in various departments at Mediclinic Welcare Hospital, Mediclinic City Hospital and Mediclinic Airport Road Hospital in order to identify and rectify immediate issues.

## PROVIDE AND MAINTAIN HIGH-QUALITY HOSPITAL INFRASTRUCTURE (facilities and equipment)

### Group

To ensure a safe and user-friendly environment for both its patients and employees, the Group strives 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 its 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 45 to 46 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

### Group

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.

In Southern Africa, 96% of procurement is done with local suppliers or the local agents of international suppliers. Similarly, in Switzerland approximately 90% of procurement is from local suppliers or agents of international suppliers. In Dubai, all international suppliers and manufacturers are required by law to operate through local agents. As such, Mediclinic Middle East is legally required to procure from local suppliers or agents, except in instances where a product is not available in the UAE, in which case permission to import from foreign vendors is granted. Mediclinic Middle East procures approximately 97% of its supplies from local agents.

Hirslanden's central logistics platform, Zenlop, which is now in full operation, will enable the increase of the portion of direct imports on a more cost-effective basis and the distribution to the hospitals based on their daily needs.

As a result of the geographic spread of the Group's operations, the potential of possible cost savings, less administration and improved efficiency, Mediclinic has initiated international procurement initiatives with the aim of unlocking synergies and implementing standardisation for the greater benefit of the Group. The international procurement initiatives related to capital and surgical investments have gained momentum, which include:

- better prices through pooling of capital equipment purchases across the three platforms;
- volume bonus agreements with key capital equipment suppliers;
- price comparisons to ensure similar value is achieved by all platforms;
- direct importing of a selected range of capital equipment; and
- direct importing and distribution of more cost-effective surgical and consumable products.

A Group purchasing organisation was established to increase direct access to the global market and supply chain. It provides products to the platforms at reduced prices through the following initiatives:

- dedicated resources with the right expertise to source new products and uncover cost reduction opportunities at a faster rate;
- improved governance to ensure the cost reduction strategies do not create risks to the business or patients. Due diligence investigations are performed in relation to manufacturers to ensure product quality and safety; and
- opportunities are presented to the platforms and the supply chain streamlined, thereby significantly increasing the volumes.

The Group is making good progress with its strategy to rationalise the number of suppliers to enable growth with selected key partners, and thereby strengthen negotiations.

International consolidated data comparisons and spend pattern analysis remain a key driver of international procurement. Mediclinic implemented an information management strategy to support the key strategic objective of international procurement.

Any form of perverse incentives is prohibited and the Group's ethics lines are available to all suppliers. Centralised procurement decision at the Corporate Office further prevents staff and doctors at hospital level from perversely influencing procurement decisions. Staff members involved in the purchasing of equipment or consumables are bound to strict ethical principles and corporate policies related to gifts and invitations ensuring that an impeccable standard of integrity is maintained in the Group's supplier relationships.

Annual supplier of the year award ceremonies are established in Southern Africa and the Middle East, recognising the important role of suppliers in the Group's business and honouring their service excellence.

### ***Southern Africa***

Formal and uniform procurement processes apply with regard to tenders, contracting and preferred supplier agreements to promote a transparent procurement process and the application of sound supplier selection criteria. Mediclinic Southern Africa completed the process of encapsulating the full spectrum of procurement services, consisting of pharmaceutical, capital and support services into one department with effect from April 2015. A fully supportive function was established in this new procurement department. The focus is to drive standardisation of the procurement systems, efficiency, service delivery and cost savings.

The third-party electronic tender system that previously focused on pharmaceutical products (excluding medicine) was expanded to other procurement projects within the greater department. This system provides more accurate tender scoring and promotes transparency in the procurement process.

A centralised warehousing and logistics project relevant to surgical products was initiated with a pilot study currently in progress. This will support their ability to maximise alternative supply chains.

### ***Switzerland***

Hirslanden's procurement and logistics department is investing in new resources, such as product group managers, to drive product standardisation, and cooperates with specialist buyers to make use of the global market possibilities and increase Group-wide cooperation. In addition, the department strengthened the team with a medical information scientist to improve the standardisation of products and interfaces to the IT infrastructure.

Product standardisation shows further positive results. The number of stock items has been reduced by 20% and the cost thereof has been reduced by 10%. Hirslanden's logistics partner invested in an automated storage system, AutoStore, which will reduce the current footprint in the warehouse and guarantee productivity gains.

To improve the maintenance and service costs, the department outsourced maintenance and services for complex medical equipment such as MRI, CT and X-ray to an international service provider. This led to substantial cost reduction, increased quality and improved documentation in the platform's maintenance tool, Waveware.

### ***UAE***

Mediclinic Middle East facilitates interaction between suppliers and doctors by offering suppliers the opportunity to co-host Continuous Medical Education ("CME") events. Mediclinic Middle East maintains high levels of communication and professional working relationships by formalising its supplier evaluations in a detailed and structured manner.

The Federal Ministry of Health regulates the profit margins on local registered medication by centrally controlling the cost price and selling price of medication. Mediclinic Middle East's central medical store and central pharmaceutical store serves as a central logistics platform for the operational units and supplies them with their daily medical material and medication needs. The centralised stores realise efficiencies and savings related to the supply chain in the UAE. The medical stores have commenced with and will further explore import opportunities and medical agencies for the Mediclinic Middle East operations.

The procurement operations of Mediclinic Middle East align with the Group's international procurement initiatives to ensure that international projects achieve the best cost saving outcomes through local participation.

## COST OF HEALTHCARE

### Group

The Group contributes in various ways to a sustainable healthcare system by, *inter alia*, focusing 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 the **2017 Annual Report**, for various examples of initiatives to improve cost-effectiveness.



### Southern Africa

Mediclinic Southern Africa has embarked on various initiatives to ensure the ongoing affordability and sustainability of private healthcare, this despite the fact that the input costs of providing hospital services increase in excess of the consumer price index annually. These initiatives are aimed at responsibly lowering the total cost of healthcare experienced by the funders of hospital services.

Private healthcare funding in South Africa is principally provided through medical schemes and a consolidation in the medical schemes market over time has led to an increase in their bargaining power. Growth in the medical scheme market has slowed down in recent years with the number of new lives joining medical schemes decreasing from approximately 250 000 in 2010 (growth rate of 3.1%) to approximately 31 000 in 2014 (growth rate of 0.4%). Year-on-year, the total number of lives decreased by approximately 5 000 in 2015 (decrease of 0.06%), from 8.814 million in December 2014 to 8.810 million in December 2015. This decrease marks the first contraction in the medical scheme industry since 2004. Based on the latest quarterly report of the Council for Medical Schemes the total number of lives increased by 0.6% from 8.810 million as at 31 December 2015 to 8.860 million as at 30 September 2016.

The total cost of healthcare encompasses hospital services, and associated and allied services. Mediclinic Southern Africa has accordingly recognised its responsibility to engage with all service providers in order to align endeavours with "bending the cost curve". Mediclinic is therefore investing to enhance its data analytics capabilities with a view to facilitating targeted action in achieving this objective.

Mediclinic continues to participate in the collaborative market research done by the CMS Industry Technical Advisory Panel ("ITAP") founded in 2012. One of ITAP's key projects is to analyse the drivers of inflation in medical scheme contributions.

Mediclinic continues to engage with the South African Competition Commission regarding the Health Market Inquiry. The Commission initiated the inquiry into the private healthcare sector because it has reason to believe that there are features of the sector that prevent, distort or restrict competition. Mediclinic has made numerous submissions and presentations regarding its views on the state, nature and form of competition in the market. The Competition Commission is due to publish its final report and recommendations in December 2017.

### Switzerland

Hirslanden's centralised medical store, Zenlop, continues to streamline the range of expendable materials used in the hospitals and to achieve greater efficiency through economies of scale.

Hirslanden has contracted with 60 funders relating to tariff determination. These contracts cover about 96% of all admissions, with the remaining 4% being self-payers. During the platform's regular engagement with funders, the following topics were raised as important issues:

- quality of care;
- infrastructure;
- differentiation in non-medical services relating to insurance classes; and
- increased efficiency.

### UAE

Provider price regulation is a continuing theme in both Dubai and Abu Dhabi. While regulated diagnostic related grouping ("DRG") reimbursement is firmly established in Abu Dhabi, Dubai is in the implementation phase, with shadow billing starting on 1 July 2017. The Dubai Health Authority is targeting 1 April 2018 to introduce the DRG reimbursement for high frequency cases. In the interim, the percentage cap on annual tariff increases remains set at 1.78% for 2017.

Both Abu Dhabi and Dubai have high insurance coverage due to mandatory health insurance. The proportion of Mediclinic Middle East's revenue funded by insurance companies, co-payments of insured patients and so-called self-funded patients are respectively 85%, 7% and 8% for Abu Dhabi and 84%, 7% and 9% for Dubai.

## ACCREDITATION

### Group

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 **2017 Clinical Services Report**, available on the Company's website at [www.mediclinic.com](http://www.mediclinic.com).



### Southern Africa

The Council for Health Service Accreditation of Southern Africa ("**COHSASA**") is contracted to accredit Mediclinic Southern Africa hospitals for compliance to healthcare standards. COHSASA is accredited by the International Society for Quality in Healthcare ("**ISQua**"). Thirty-seven Mediclinic Southern Africa hospitals are included in the COHSASA contract. Thirty-one of these hospitals hold COHSASA accreditation at year-end. The remaining six hospitals are scheduled for external surveys in 2017, and are expected to achieve their accreditation status pursuant thereto.

### Switzerland

All of Hirslanden's facilities are ISO 9001:2008 certified, the international standard that specifies requirements for a quality management system. Within the next two years all hospitals will have to adopt the new version of the standard, ISO 9001:2015, in accordance with which Hirslanden Clinique La Colline and Hirslanden Klinik Aarau are already certified. Through this process, all Hirslanden hospitals and operations follow the Business Excellence model set out by the European Foundation for Quality Management ("**EFQM**").

### UAE

Hospital accreditation is a mandatory requirement of the Dubai Healthcare City Authority ("**DHCA**"), the Dubai Health Authority ("**DHA**") and the Health Authority of Abu Dhabi ("**HAAD**").

Both Mediclinic Hospitals in Dubai, as well as Al Noor Hospital Al Ain, were successful in their triennial re-accreditation by JCI during 2016. The seven ambulatory care facilities in Dubai as well as Mediclinic Dubai Mall were also successful in their triennial re-accreditation. Initial accreditation of both Mediclinic Al Hili in Al Ain and Mediclinic Corniche in Abu Dhabi were successful. Mediclinic Al Noor Hospital (formerly Al Noor Hospital - Khalifa Street) is due for re-accreditation in November 2017.

In addition to the JCI accreditation, the laboratory of Mediclinic City Hospital also achieved the College of American Pathologists accreditation in 2009, 2011, 2013 and 2015. Mediclinic City Hospital laboratory also obtained ISO 15189:2009 certification in 2010, 2013 and early 2016.





## 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.

### 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

### LINK TO GROUP STRATEGY

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

### SELECTED KEY PERFORMANCE INDICATORS

CONTROLLABLE EMPLOYEE TURNOVER RATE			PERCENTAGE OF PAYROLL INVESTED IN TRAINING AND SKILLS DEVELOPMENT		
<b>Southern Africa</b>	<b>6.3%</b> (2016: 6.8%)	↓	<b>Southern Africa</b>	<b>3.2%</b> (2016: 3.6%)	↓
<b>Switzerland</b>	<b>7.2%</b> (2016: 5.2%)	↑	<b>Switzerland</b>	<b>4.8%</b> (2016: 5.0%)	↓
<b>UAE*</b>	<b>19.8%</b> (2016: 12.4%)	↑	<b>UAE</b>	<b>0.1%</b> (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.

## APPROACH AND PERFORMANCE DURING THE YEAR

### EMPLOYEE RECRUITMENT AND RETENTION

#### Group

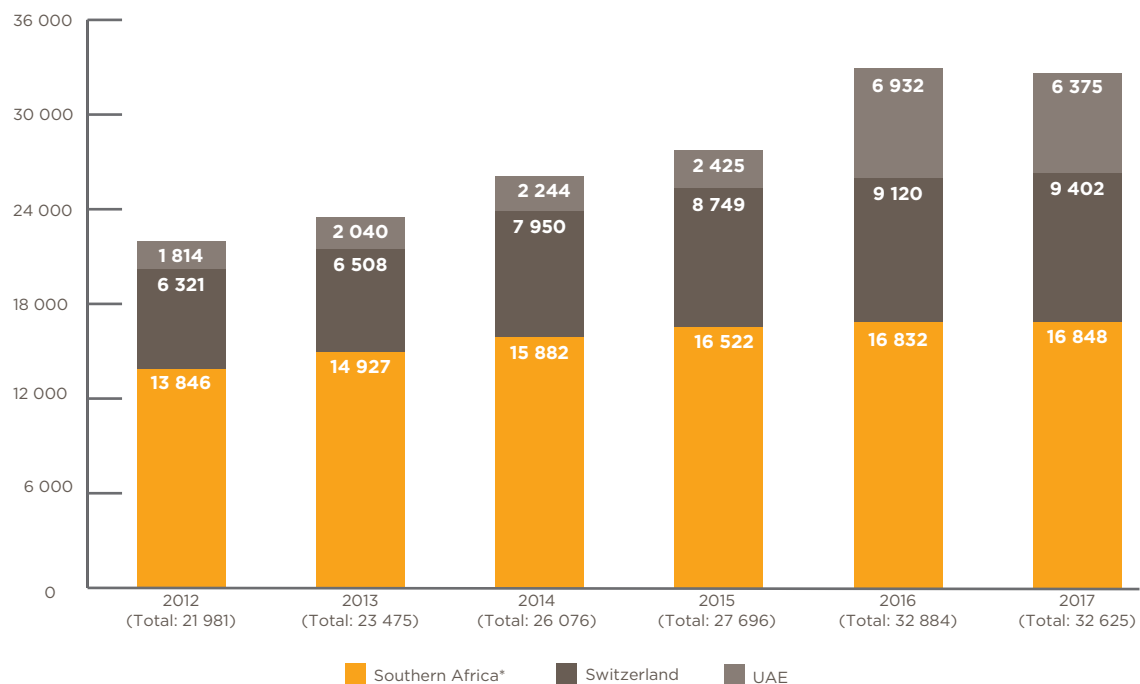
The human resources policies and supporting good practice protocols at each platform provide governance guidelines to ensure consistent practices in support of the entire employee life cycle. Good progress was made during the period under review in terms of the internationalisation of the human resources 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.

System implementation has commenced in Mediclinic Middle East and will be cascaded to all operating platforms within the next 18 months. A definite benefit of the system is the empowerment of employees and line managers to meet their human resources needs in a self-service environment, supported by a well embedded shared service and human resources service delivery framework. This value is already experienced in Mediclinic Middle East and will become evident throughout the Group once implemented in all operating platforms.

The workforce composition, overall turnover rate, workforce composition and turnover rate by age group and gender per platform, as well as new employees versus employee terminations and return to work after maternity leave rates per platform is provided in **Figure 3** to **Figure 10**. With the increased shortage of qualified staff, there is increased competition in the market place for quality staff. In this regard emphasis is placed on retention and employee training. An employee discharge management process is in place to monitor the reasons for staff turnover.

**FIGURE 3: WORKFORCE COMPOSITION**



\* The 2012 and 2013 employee numbers of Mediclinic Southern Africa are not comparable to the employee numbers since 2014, which now also include the employees of ER24, a wholly-owned subsidiary (previously excluded). During 2017, there were no substantial acquisitions in Mediclinic Southern Africa which would inflate employee numbers.

### Southern Africa

The attraction and retention of high-quality medical professionals is fundamental to Mediclinic Southern Africa's sustainability. The platform therefore deploys integrated talent strategies to ensure that scarce skills can be attracted and retained, particularly in those areas with the highest demand and/or risk.

Mediclinic Southern Africa maintains a well-planned employer branding presence in the market and continued focus is placed on creating awareness in the areas of need. The benefit gained from this is evident in the consistent growth of an external talent pool and the platform's ability to fill positions from this pool. This strategy is adapted as the organisation requirements change. Specific focus is given to the dynamic utilisation of available talent in the pool to ensure that priority vacancies are filled within an optimal time frame.

During the year, Mediclinic Southern Africa continued to experience a shortage of nursing, pharmacy and technical professionals. Specific areas of need have been identified and proactive sourcing initiatives were deployed to grow the talent pool in these areas. Mediclinic Southern Africa also experienced a growing shortage of doctors for emergency centres. With a controllable turnover of approximately 18.9% in this talent category, a specific task team has been assigned to analyse challenges and support this critical area through an integrated talent approach.

Due to an increasing competitive situation in the pharmacy market, more emphasis will be placed on specific initiatives supporting this segment of the business. Controllable turnover in this segment is currently a healthy 10.2%, but proactive measures are necessary to support retention. Priority support is given in the Namibian market, which is under pressure in this regard.

Various initiatives are undertaken on an annual basis to support the proactive talent supply to all clinical areas including nursing, pharmacy and doctors working in the emergency centres. This includes, *inter alia*, active talent segmentation, continuous communication with priority talent, internships, employee referral campaigns etc.

Mediclinic Southern Africa, and the healthcare industry as a whole, is facing a shortage of trained nurses and, as an interim measure, the platform has been recruiting nurses from India. The long-term solution is to increase local training. To this end, the platform has significantly increased its training capacity over the last two years. In January 2017, the first cohort of learners commenced their training at the new Mediclinic Northern Cape Learning Centre in Kimberley and at the new Mediclinic Learning Centre in Limpopo.

The focus on supporting the retention of critical skills remains an essential component of the overall talent strategy. The investment during the last two years in supporting business units with tailored retention strategies is evident in the reduced turnover of critical skills categories in the highly competitive healthcare market in Southern Africa. This focus will continue to ensure that the needs of scarce skills employees are met in the workplace to optimise retention.

**FIGURE 4: WORKFORCE COMPOSITION BY GENDER**

	2015		2016		2017	
	Number	%	Number	%	Number	%
<b>Southern Africa*</b>						
Female	13 455	81.44%	13 654	81.12%	<b>13 555</b>	<b>80.45%</b>
Male	3 067	18.56%	3 178	18.88%	<b>3 293</b>	<b>19.55%</b>
<b>Switzerland</b>						
Female	6 749	77.14%	7 011	76.88%	<b>7 179</b>	<b>76.37%</b>
Male	2 000	22.86%	2 109	23.12%	<b>2 223</b>	<b>26.63%</b>
<b>UAE*</b>						
Female	1 442	59.46%	1 504	59.99%	<b>3 593</b>	<b>56.36%</b>
Male	983	40.54%	1 003	40.01%	<b>2 782</b>	<b>43.64%</b>

\* The gender split of Mediclinic Middle East as at 31 March 2016 excludes the Al Noor employees.

The results of the *Your Voice* employee engagement survey provide valuable information regarding the perception and suggestions of employees who are deemed as scarce talent and emphasis is placed on addressing themes that can contribute to an optimal working environment to ensure optimal retention. The results of this survey are analysed annually and used in the team context to explore all avenues to ensure an optimal working environment in support of the retention of employees.

Leadership development remains a high priority and the implementation of a Hospital General Manager Selection and Development framework during the course of the reporting period ensured that selection of leaders is aligned with the requirements of current and future business needs. Various initiatives supporting this implementation ensures that the right talent is appointed and developed in the position of Hospital General Manager. This position is a key role in the business and continuous support will be given to this programme to ensure the quality of leadership in an ever-increasing complex business environment.

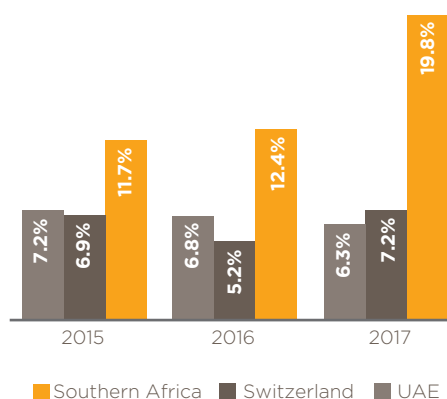
Specific recognition is also given to the role of each line manager in people management practices. For this reason, significant investment is undertaken to ensure line manager capability and continuous development in all areas of people management competence. A specific platform initiative is currently being piloted for implementation within the next 12 months, supporting line manager competence in recruitment, onboarding, performance coaching, learning and development.

**FIGURE 5: WORKFORCE COMPOSITION BY AGE**

	2015		2016		2017	
	Number	%	Number	%	Number	%
<b>Southern Africa</b>						
< 30 years	3 406	20.61%	3 283	19.50%	<b>3 126</b>	<b>18.55%</b>
30-50 years	10 130	61.31%	10 451	62.09%	<b>10 641</b>	<b>63.16%</b>
> 50 years	2 986	18.07%	3 098	18.41%	<b>3 081</b>	<b>18.29%</b>
<b>Switzerland</b>						
< 30 years	2 378	27.18%	2 577	28%	<b>2 669</b>	<b>28%</b>
30-50 years	4 531	51.79%	4 629	51%	<b>4 498</b>	<b>48%</b>
> 50 years	1 840	21.03%	1 914	21%	<b>2 235</b>	<b>24%</b>
<b>UAE*</b>						
< 30 years	458	18.89%	454	18.11%	<b>1 314</b>	<b>20.61%</b>
30-50 years	1 703	70.22%	1 768	70.52%	<b>4 458</b>	<b>69.93%</b>
> 50 years	264	10.89%	285	11.37%	<b>603</b>	<b>9.46%</b>

\* The age split of Mediclinic Middle East as at 31 March 2016 excludes the Al Noor employees.

**FIGURE 6: CONTROLLABLE EMPLOYEE TURNOVER RATE**



### Switzerland

The recruitment of nursing staff, especially in specialised nursing, remains a major challenge for all Swiss hospitals. For this reason, Hirslanden is committed to the further training and education of specialist nurses, and has implemented professional recruitment practices and offers attractive working conditions and career opportunities.

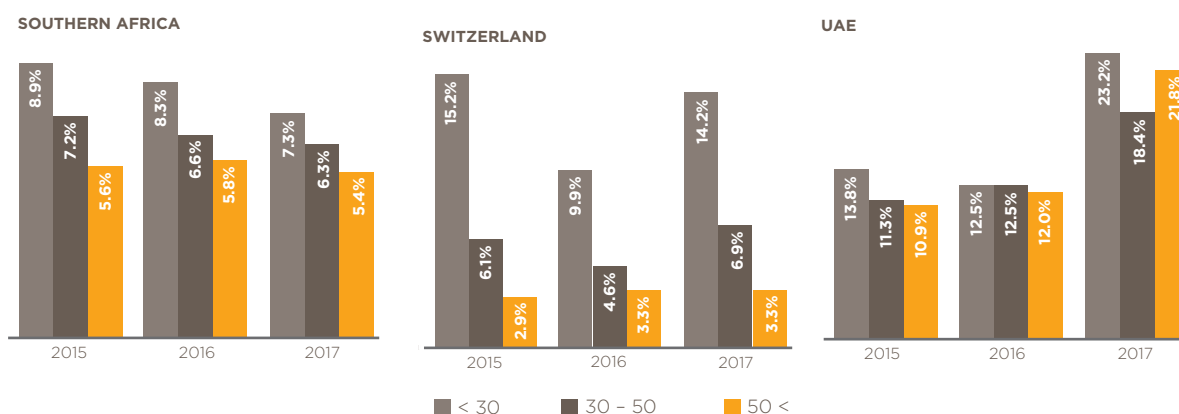
Hirslanden continues to participate in healthcare exhibitions to strengthen its presence in the job market and has also proceeded with the recruitment of nurses from Germany, Austria, the Netherlands and Spain in specific projects to address the shortage of nurses. Several social media campaigns, supported by the consulting company Universum Communications, were executed. The usage of Google keywords was supplemented by the utilisation of keywords for the employment-related search engine, "Indeed". All these efforts and additional activities in the external employer branding enabled Hirslanden to be one of the best recruiters in an independent study called Best Recruiters. In a study comparing the human resources websites of 100 large Swiss companies, Hirslanden was ranked in seventh place. As in previous years, surveys amongst students and young professionals indicated that Hirslanden is popular with these target groups.

Hirslanden introduced centres of excellence for specialised employer branding and employer Shared Services.

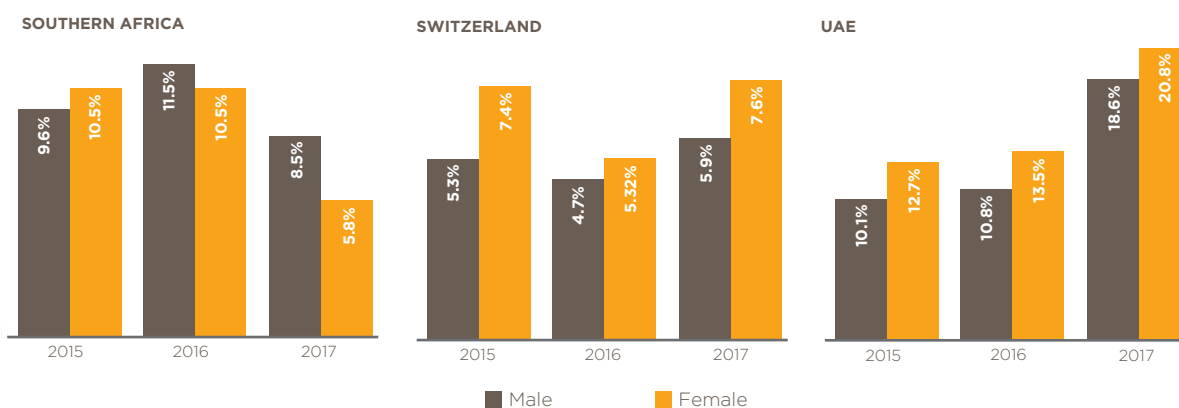
Hirslanden's absence management enables it to control the attendance rate of employees and to recognise problematic situations promptly.

No new employee retention initiatives were launched during the reporting period, but Hirslanden continued to implement initiatives at platform level, such as offering professional development and market-related salaries. Hirslanden intends to continue with its current recruitment initiatives during the next financial year.

**FIGURE 7: CONTROLLABLE EMPLOYEE TURNOVER RATE BY AGE**



**FIGURE 8: CONTROLLABLE EMPLOYEE TURNOVER RATE BY GENDER**





## UAE

The United Arab Emirates remains attractive as an employment destination, although high inflation puts pressure on salaries and competition for the most experienced doctors is fierce. During the period under review, and following the Combination, the recruitment team was consolidated and centralised. Mediclinic Middle East experienced a great deal of recruitment activity during the year as a result of the Combination, as a significant number of new physicians were required to replace those at Al Noor who left the company either before or during the Combination. The hiring strategy included a focus on well-trained physicians to further improve standards, a review of interview processes, and an increase in accountability for all operational directors regarding recruitment strategy.

Particular challenges include the recruitment of female consultant level physicians for the region. Due to cultural issues, female doctors are often preferred by female patients, however finding suitable candidates can be difficult.

The success of the recruitment strategy can be ensured by building a pipeline of candidates, taking a proactive approach to recruitment marketing, understanding the long-term objectives of the platform and working in close partnership with the operational units. Mediclinic Middle East is confident that the dedicated recruiters based across the United Arab Emirates can meet the growing demands of the business, with a clear focus on quality, reduced time to hire and candidate diversity.

The platform's employee turnover rate increased to 19.8% (2016: 12.4%), partly due to increased competition in the market. Employee retention will continue to be addressed through ongoing workforce engagement and transparent and fair benefit packages. During the period under review, Mediclinic Middle East aligned the salaries and benefits of former Al Noor staff with those of their counterparts in Mediclinic Middle East in order to ensure that all employees are treated fairly and equally. As a result, staff turnover, especially in the Al Noor portion of the business, decreased significantly since the start of the reporting period.

As a result of the challenging trading conditions in the region, as well as the integration of central functions within the business and pursuant to the Combination, a number of retrenchments were necessary during the period under review. As a result, the total number of employees declined by 8% to 6 375 (2016: 6 932).

**FIGURE 9: NEW EMPLOYEES VS EMPLOYEE TERMINATIONS\***

	2013	2014	2015	2016	2017
<b>Southern Africa</b>					
New employees	2 657	2 681	2 767	2 514	<b>2 179</b>
Employee terminations	1 452	1 451	1 196	1 137	<b>1 065</b>
<b>Switzerland</b>					
New employees	1 270	1 596	2 093	2 294	<b>1 454</b>
Employee terminations	982	1 108	1 185	1 788	<b>1 038</b>
<b>UAE</b>					
New employees	417	427	460	393	<b>772</b>
Employee terminations	193	226	277	311	<b>1 318</b>

\* Employee termination figures based on controllable turnover as opposed to total turnover.

**FIGURE 10: RETURN TO WORK AFTER MATERNITY LEAVE RETENTION RATES**

	2016			2017		
	Number of employees on maternity leave	Number of employees that returned to work	Retention rate	Number of employees on maternity leave	Number of employees that returned to work	Retention rate
<b>Southern Africa</b>	734	711	96.8%	<b>715</b>	<b>696</b>	<b>97.3%</b>
<b>Switzerland</b>	381	n/a	n/a	<b>276</b>	<b>n/a</b>	<b>n/a</b>
<b>UAE</b>	95	88	92.6%	<b>133</b>	<b>131</b>	<b>98.5%</b>

## LABOUR RELATIONS AND REMUNERATION

### Employee Remuneration

#### Group

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 receive short-term incentives and senior management receives a combination of short and long-term incentives.

The Group's management remuneration structures consist of a fixed and a variable component:

- fixed: guaranteed base salary and benefits; and
- variable: short-term and long-term incentives.

The Group offers membership to a defined contribution fund for the benefit of its Mediclinic Southern Africa employees and a defined benefit fund for its Hirslanden employees, the assets of which are held in separate trustee-administered funds and in terms whereof the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group's contribution to these plans is charged to the income statement in the year to which they relate. In Southern Africa, the employee contribution ranges from 5% to 7.5%, while the employer contribution ranges between 6% and 9%. In Switzerland, the employee contribution ranges from 6.5% to 15.5%, while the employer contribution ranges between 9.5% and 15.5%. The retirement benefits of expatriate employees of Mediclinic Middle East in the United Arab Emirates are limited by federal law to the provision of severance pay calculated according to a specified formula. Employees who are United Arab Emirates nationals are entitled to enrol in the national pension scheme. A total contribution of 20% of the pensionable salary is required for every United Arab Emirates national employed in the Company, with the employee contributing 5%, the employer 12.5% and government 2.5%.

Employee benefits and the value they add to the overall employment proposition are key factors in attracting and retaining high-calibre staff. Details of benefits offered to permanent employees per operating platform are included in **Figure 11**. Various other benefits are offered throughout the Group, such as uniform subsidies, loans, administrative assistance with housing and vehicle financing and insurance, and free financial wellness assistance. Hirslanden also offers a family-friendly "home office" benefit in terms whereof certain categories of employees, especially scarce resource categories, may perform 20% to 40% of their duties at home. In Hirslanden, temporary employees do not have access to the medical aid scheme.

**FIGURE 11: BENEFITS OFFERED TO PERMANENT EMPLOYEES**

Benefit description	Southern Africa	Switzerland	UAE
Retirement fund (which includes life and disability insurance, funeral cover, pension-backed home loans)	✓	✓	x*
Medical aid scheme	✓	✓	✓
Performance-related incentives and bonuses	✓	✓	✓
Nursing bonus for nursing staff and retention bonus for pharmacists (applicable in Southern Africa due to local shortage)	✓	n/a	n/a
Indemnity cover/liability insurance for nursing/medical staff	✓	✓	✓

\* The retirement benefits offered to employees of Mediclinic Middle East are governed by law, as reported above. Mediclinic Middle East offers death and disability cover to all its employees.

### **Southern Africa**

Mediclinic Southern Africa offers a number of retention bonuses to keep scarce and critical skills, including a special nursing bonus and a pharmacist retention bonus.

### **Switzerland**

Hirslanden's remuneration practices are aligned with the Group's Remuneration Policy. Market data is used to benchmark salary levels for hospital managers, senior managers and general staff. Guaranteed remuneration includes the base salary and retirement benefits.

### **UAE**

At Mediclinic Middle East, the process to increase the quality of staff whilst reducing the number and ensuring remuneration levels are market-related is still ongoing. This sensitive process will continue for some time and will ensure a good quality patient experience, as well as staff satisfaction with Mediclinic Middle East being an employer of choice.

## **Labour Relations**

### **Group**

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 referred to in the section in this report dealing with engagement with employees on page 12.



Overall Mediclinic Southern Africa's trade union membership remained stable at 11.90% (2016: 11.65%) of its South African employees and declined to 14.38% (2016: 18.77%) of its Namibian employees covered by collective bargaining agreements. Mediclinic Southern Africa has recognition agreements in place with all trade unions that have sufficient representation at locality level. Where unions enjoy collective bargaining rights at a locality, salary negotiations are initiated in March every year, as a result of the new salary increase date at the end of April.

Mediclinic has a formalised policy and guidelines to be implemented in the event of any workplace disruption through strikes or other industrial action to ensure that minimal disruption takes place at a locality. Many hospitals have little or no union representation and an elected workplace forum meets with management on a regular basis to ensure sound labour relations at hospital level.

The Group strives to create a pleasant working environment by offering, *inter alia*, family-friendly benefits. Mediclinic Southern Africa and Hirslanden offer flexitime to certain employee categories; some facilities have childcare facilities and maternity benefits exceed the minimum statutory requirements. The Group recognises the role it has to play towards employee wellness and believes in promoting employee health and reducing absenteeism, as referred to in the section of this report dealing with health and safety at work.

The employee relations policies of the operating platforms, which deal with matters relating to misconduct, incapacity of employees and the disciplinary and grievance procedures, are communicated to new employees as part of their onboarding process and are also available to all staff to ensure that employees are aware of the avenues to put forward grievances, should they have the need to. Mediclinic Southern Africa communicates its Employee Relations Policy by way of structured training workshops for all line managers.

The minimum notice period for significant operational changes, as provided in the employment contracts, is:

- one month in Southern Africa;
- three months in Switzerland; and
- in the United Arab Emirates, three months for doctors, nurses and other clinical staff and managers and two months for administrative staff.

Due to the unique circumstances that apply in each of the operating platforms, the Group does not have a uniform approach towards local hiring. In Southern Africa and Switzerland, the Group is committed to providing employment and development opportunities to citizens of the country (or countries of the EU-25 in the case of Switzerland) in which the business unit is located, and employment of a foreign national will only be considered where no suitable local candidates with permanent residence can be found. International sourcing therefore becomes a viable alternative where all alternatives have been exhausted and a talent gap still exists. In Mediclinic Southern Africa a proactive international recruitment programme is in place to mitigate the skills shortage risk on the medium to longer term, which programme currently supplements the local supply of nurses with 325 nurses from India, with a further 30 nurses expected to arrive in the year ahead. In terms of Mediclinic Southern Africa's policy governing the employment of non-South African permanent residents within its locations of operation, the employment of non-South African permanent residents is only considered for critical skills candidates where a South African permanent resident cannot be sourced following external advertising.

In Dubai, the majority of employees are not United Arab Emirates nationals and the workforce is represented by 73 nationalities. However, Mediclinic Middle East supports the government's Emiratisation programme, which aims to see its citizens employed in a meaningful and efficient manner. Attracting United Arab Emirates nationals to work in the private healthcare sector has been a challenge since Mediclinic Middle East started its Emiratisation campaign in 2007. Mediclinic Middle East's strategy is therefore to focus on training and education. Mediclinic Middle East offers support to the United Arab Emirates' Emiratisation programme by participating in the Majid Bin Mohammed United Arab Emirates National Training Initiative. The programme involves offering a three-month coaching programme to selected United Arab Emirates nationals where they are assigned in specific areas, such as human resources, patient administration, information technology and marketing, and from there offer suitable positions within the platform whenever possible. Mediclinic Middle East has also been invited by the Dubai Healthcare City to partner with them in their support of Tanmia, the National Human Resource Development and Employment Authority, in order to help increase the number of Emiratis working in the healthcare sector. One United Arab Emirates national also serves on the Mediclinic Middle East senior management team that consists of nine members.

## TRAINING AND SKILLS DEVELOPMENT

### Group

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 29 of this report.



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 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.

Performance tracking discussions take place on a continuous basis throughout the Group. There is a dedicated commitment to optimise the quality of these discussions where expectations regarding performance and development are shared and personal development plans compiled accordingly. These discussions also provide the opportunity to translate the organisational strategic goals to individual employee objectives, activities and deliverables. Mediclinic Southern Africa continuously enhances the support provided to line managers. There is an e-learning tool which helps new and existing managers to enhance their knowledge about the process in a self-paced manner.

Formal performance reviews are conducted on a bi-annual basis. During the past 12 months, 96% of employees at Mediclinic Southern Africa received formal performance reviews, despite a change in the review cycle. This illustrates a well embedded process that is well supported through a communication plan to all stakeholders. In Hirslanden and Mediclinic Middle East 100% of employees received formal performance reviews during the year.

#### **Southern Africa**

At Mediclinic Southern Africa, 31 154 (2016: 38 469) structured learning interventions were recorded (**Figure 12**). This represents an investment of approximately 3.2% (2016: 3.6%) of payroll in training and development. There is a key performance indicator system to measure Mediclinic Southern Africa's training performance in the Group's Learning Centres and performance remains good. **Figure 13** reflects the number of students who completed courses presented by Mediclinic Southern Africa during the 2016 academic year.

**FIGURE 12: MEDICLINIC SOUTHERN AFRICA TRAINING INTERVENTIONS**

Training category	Number of training interventions	
	2016	2017
Top management	4	<b>5</b>
Senior management	49	<b>34</b>
Professionally qualified and mid-management	1 574	<b>1 919</b>
Skilled technical and academically qualified	18 374	<b>14 493</b>
Semi-skilled	17 821	<b>14 081</b>
Unskilled	645	<b>622</b>
<b>Total</b>	<b>38 469</b>	<b>31 154</b>

**FIGURE 13: MEDICLINIC SOUTHERN AFRICA COURSE COMPLETED (PER ACADEMIC YEAR)**

Training category	2015	2016
Basic nursing courses	776	<b>480</b>
Post-basic nursing courses	34	<b>36</b>
Other courses in various disciplines	808	<b>850</b>



Mediclinic Southern Africa's training and development function is registered as a Private Higher Education Institution. It offers a Diploma in General Nursing Science, a Diploma in Operating Department Assistance, a Diploma in Emergency Medical Care and an Advanced Diploma in Health Services Management and Leadership. The platform still has learners on the Enrolled Nursing programme accredited by the South African Nursing Council, which is phasing out. The platform is awaiting the final approval of the South African Nursing Council to commence with training based on the Council's new nursing qualifications.

An additional Learning Centre in Kimberley has been registered by the Department of Higher Education and Training. Twenty-nine candidates were registered for Mediclinic Southern Africa's Advanced Diploma in Health Services Management and Leadership Programme for employees with high potential. Since 2013, 820 employees have attended the platform's Leadership Academy.

Future goals for the platform are to:

- support the Mediclinic Southern Africa Nursing Odyssey in respect of identified training needs;
- support operations with the implementation of a new Hospital General Manager selection and development framework;
- support the Mediclinic Southern Africa – Doctor collaboration initiative;
- train a sufficient quantity of skills in shortage, with a particular focus on nursing and pharmacy;
- implement a suitable strategy to cater for *Patients First* training needs;
- entrench coaching and mentoring in the organisation;
- enhance management and leadership development with a focus on developing line managers in respect of people management; and
- support the implementation of new business processes and systems in the organisation with a focus on developing super-users at all localities.

Formal succession planning is a well-established process for Mediclinic Southern Africa, and the platform's Talent Review Committee has established talent pools for relevant key positions. This provides an important foundation for development initiatives that will continue during the year ahead to ensure tailored development of its talent pools.

### **Switzerland**

Hirslanden provides a range of training programmes for all types and levels of employment. Hirslanden invested approximately 4.76% (2016: 5.0%) of payroll in education and training during the period under review. More than 700 apprentices (federal certificate, higher college, college or graduate students) received formal training across 12 professions, predominantly as junior doctors and in healthcare professions. Nurse training positions are also offered at Hirslanden hospitals, in compliance with local regulations.

Another focus for the reporting period was the identification of leadership potential and the development of leadership skills. In-house leadership and management courses were attended by 330 (2016: 385) management employees, who attended 27 training interventions. In addition to this, Hirslanden organised mandatory leadership training for all 112 senior managers to prepare them for the changes that come with the Hirslanden 2020 strategy, which programme focusses on promoting a culture of teamwork and feedback. Hirslanden participated actively in the inter-group development programme. During the reporting period, one employee from Hirslanden visited Mediclinic Southern Africa during an eight-week assignment.

### **UAE**

At Mediclinic Middle East, 10 872 (2016: 14 131) training interventions were recorded during the period under review. In addition, there was a combined attendance of 9 490 participants at the Continuous Medical Education / Continuous Nursing Education events (including external participants). This represents an investment of approximately 0.1% (2016: 0.3%) of payroll in training and skills development. During the period under review, a significant effort was directed towards supporting the platform's drive to integrate Mediclinic Middle East and Al Noor through a learning and development strategy that was implemented in the business units. The Corporate Orientation Department was merged and successfully introduced in all areas of the business with effect from June 2016, together with Nursing Unit Orientation. This was followed by the update and implementation of the Business Unit Orientation managed by the relevant human resources management team in the respective business units. In support of the recent re-organisation/restructuring of the clinics at the Dubai business, the Business Learning team also implemented the Patient Administrator Onboarding course, where carefully selected patient administrators were employed and provided with comprehensive training with regards to patient administration processes and soft skills courses.

The management of the planning and implementation of the various life support courses was centralised within the Clinical Education department during the reporting period. These courses are now provided to clinical staff in compliance with local regulatory licensing requirements. Apart from its regular offerings, the Clinical Education department also provided clinical accompaniment support to the operation theatre of Mediclinic Al Noor Hospital where improvements on various perioperative nursing processes and preceptorship for the nursing staff were provided. A training course for Plaster Casting was also launched in January 2017 in support of specific requirements for the Dubai business. The use of Lippincott online by nurses was successfully implemented in all the business units. This now serves as the main point of reference for standards for various nursing procedures.

As a combined effort, the Clinical Education and Business Learning teams successfully launched the *Preceptorship* programme which aims to support the different departments in relation to the onboarding of new employees, as well as on-the-job supervision and training of junior staff.

The Business Learning team worked collaboratively with the Funder Relations and the Business Performance Improvement teams in mapping the patient administration and revenue cycle management processes of the Al Noor business units. The documented processes now serve as a broad blueprint of their work processes.

Other learning and development support provided to all units included external training sponsorships, work placements for students locally and internationally and cross training of employees.

The learning and development goals for Mediclinic Middle East for the next financial year are to implement the following:

- strategy for the "Creating the Patient Experience Programme", aimed at making the corporate values and brand drivers as part of the Mediclinic Middle East culture;
- communication skills workshop for the physicians;
- management and leadership development programme to support bridging the knowledge, skills and engagement gaps as identified in the Gallup employee engagement survey;
- Emiratisation programme;
- specialised nursing courses (i.e. perioperative nursing, central sterile services department training, neonatal intensive care training);
- link nurses that will be tapped as an extended support for clinical education initiatives in the various units; and
- preparations for the training/implementation of the new Electronic Health Record system.

## SUPPORT OF EXTERNAL TRAINING INSTITUTIONS

### Group

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

### Southern Africa

Mediclinic Southern Africa provided funding in the form of bursaries and sponsorship to academic institutions to the value of R9.7m (2016: R8.0m) for employees and external individuals. This excludes R11.0m towards the Public Health Enhancement Fund.

### Switzerland

Hirslanden cooperated with external training institutions in terms of lectures given by medical experts from Hirslanden at academic institutions.

### UAE

Mediclinic Middle East signed an affiliation agreement with Mohammed Bin Rashid University of Medicine and Health Sciences for the training of medical students. The first medical students were accepted in September 2016.

## 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 below.

During the period under review, 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.

### Health and safety committees

All Mediclinic Southern Africa's facilities have health and safety committees which represent all the employees in the facilities, with joint management-worker representation. The committees have over 75% workforce representation.

Hirslanden's health and safety processes, covering all facilities, are managed by the respective human resources departments, which are responsible for enforcing all legal regulations regarding employer healthcare and safety by means of suitable measures at Group level and locally in hospitals.

Mediclinic Middle East's health and safety committees are named Occupational Safety and Health and Environment committees in Abu Dhabi and Al Ain and Facility Management and Safety Committees in Dubai (a standardisation process will be implemented during the next financial year as part of the environmental, health and safety ("EHS") strategy). The committees operate at different levels: group, facility and operational, which ensures that the EHS strategy set for the Group is implemented effectively within the units. Occupational Health and Safety falls under the responsibility of the environmental health and safety manager overlooking the EHS Department, under the hierarchy of the Corporate Engineering Services department. Support is provided by the hospitals' engineering managers and EHS coordinators at each of the hospitals in Abu Dhabi and Al Ain, and the engineering managers, EHS team and Quality and Patient Safety coordinators in Dubai, in addition to the units' safety representatives and Occupational Safety and Health internal auditors and inspectors as per local Abu Dhabi legal requirements. The standardisation process is ongoing.

### Injuries and absenteeism

The Group's statistics on injuries and absenteeism are provided in **Figure 14**.

<b>FIGURE 14: INJURIES AND ABSENTEEISM</b>									
	Southern Africa			Switzerland			UAE		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Total workforce at year end	16 522	16 832	<b>16 848</b>	8 749	9 120	<b>9 402</b>	2 425	2 507	<b>6 375</b>
Total work-related injuries*	910	865	<b>985</b>	544	553	<b>423</b>	62	47	<b>34*</b>
Absenteeism due to injuries (business days and including the day of the injury)	2 676	3 652	<b>3 112</b>	Not available	Not available	<b>Not available</b>	6	13	<b>180</b>
Occupational diseases	5	8	<b>12</b>	0	0	<b>0</b>	0	0	<b>0</b>
Work-related fatalities	0	0	<b>0</b>	0	0	<b>0</b>	0	0	<b>0</b>
Total absenteeism due to injuries and sickness (days)	104 819	158 975	<b>167 519</b>	61 403	66 746	<b>75 301</b>	7 328	8 166	<b>16 803</b>
Total absenteeism rate (actual days lost, expressed as a percentage of total days scheduled to be worked by the workforce during the reporting period)	2.59%	2.90%	<b>3.04%</b>	3.69%	3.76%	<b>3.92%</b>	1.21%	1.28%	<b>0.97%</b>

\* In relation to the total work related injuries for the Al Noor facilities forming part of Mediclinic Middle East since the Combination, data was only available in respect of Mediclinic Airport Road Hospital. Full data will be available for purposes of the report for the following year. Information reported for the previous years for Mediclinic Middle East excludes Al Noor.

## Employee wellness

### Southern Africa

Mediclinic Southern Africa's Executive: Infrastructure is responsible for occupational safety and the Chief Human Resources Officer is responsible for occupational health. The platform's Employee Wellness Programme places emphasis on occupational health and safety, employee health management and employee social wellness management.

- *Occupational health and safety:* INCON Health, the company's wellness service provider, offers a comprehensive administration service regarding all aspects of the Compensation for Occupational Injuries and Diseases Act ("COIDA"). INCON Health further provides all localities with full support regarding the administration process, required documentation and correspondence with the Compensation Commissioner in terms of all COIDA claims.
- *Employee physical health management:* Wellness policies are in place to support employees through various employee health management programmes. The platform supports employee health by way of a dedicated medical Employee Assistance Programme ("EAP") conducting health promotion activities, early identification of health problems, referral to outside wellness services, support to employees affected by ill health and assisting employees during times of rehabilitation.
- *Employee social wellness management:* All employees have access to a dedicated social EAP. The company's social EAP includes a free helpline and provides employees with a confidential counselling service to address personal or work-related problems directly with a social worker or referred specialist.
- *Commencement of the Executive Health Resilience Care Programme:* This Programme focuses on health risk stratification and health enhancement with the objective of long-term well-being, productivity and vitality.

### Switzerland

Hirslanden's health and safety processes, covering all facilities, are managed by the respective human resources departments, which are responsible for enforcing all legal regulations regarding employer healthcare and safety by means of suitable measures at platform level and locally in hospitals.

Hirslanden complies with the guidelines of the EKAS, the Swiss coordination agency for workplace safety. Specific procedures to ensure safety at work include the review of all employees for sufficient protection against Hepatitis B, with vaccination sponsored by Hirslanden. Further, annual flu vaccinations are offered to all employees. Due to the high risk of infections, accidents with knives or needles are reported with high priority and analysed periodically.

### UAE

Standardisation of occupational health and safety policies and procedures throughout the platform to ensure compliance with federal and local health and safety rules and regulations is a priority. Staff health and safety policies and procedures are driven by human resources, with a particular emphasis on environmental health and safety and infection control. An environmental health and safety manager was appointed to drive this process.

Policies and procedures to ensure compliance with health and safety rules and regulations, such as facilities management and safety, prevention and control of infection and injuries on duty, are in place throughout the platform. Staff health and safety are enhanced through various initiatives, including, *inter alia*:

- occupational health and safety policies;
- incident reporting policies and related occupational safety and health key performance indicators;
- noise management;
- manual handling and ergonomics;
- electrical safety;
- occupational safety and health internal audit, inspection and risk assessment;
- incident reporting;
- stress management;
- facility management and safety;
- infection control policies, training and symposiums, especially with regard to emerging diseases such as Ebola and MERS, personal protective equipment and prevention of needle-stick injuries;
- safety 101 online training;
- employee wellness programme, including access to a psychologist and vaccinations at discounted rates;
- regular health and safety risk assessments; and
- specific guidelines and notices on appropriate handling of hazardous or potentially hazardous materials.

Continued importance is placed on occupational health and safety education and various training workshops and awareness campaigns are held throughout the year, including environmental sustainability campaigns.

## HIV/AIDS

With the low prevalence and risk of HIV/AIDS in Switzerland and the UAE, the Group's HIV/AIDS initiatives are focused on its operations in Southern Africa, which is regarded as a high-risk area. Safety procedures are implemented at all three platforms to protect staff against sharp injuries.

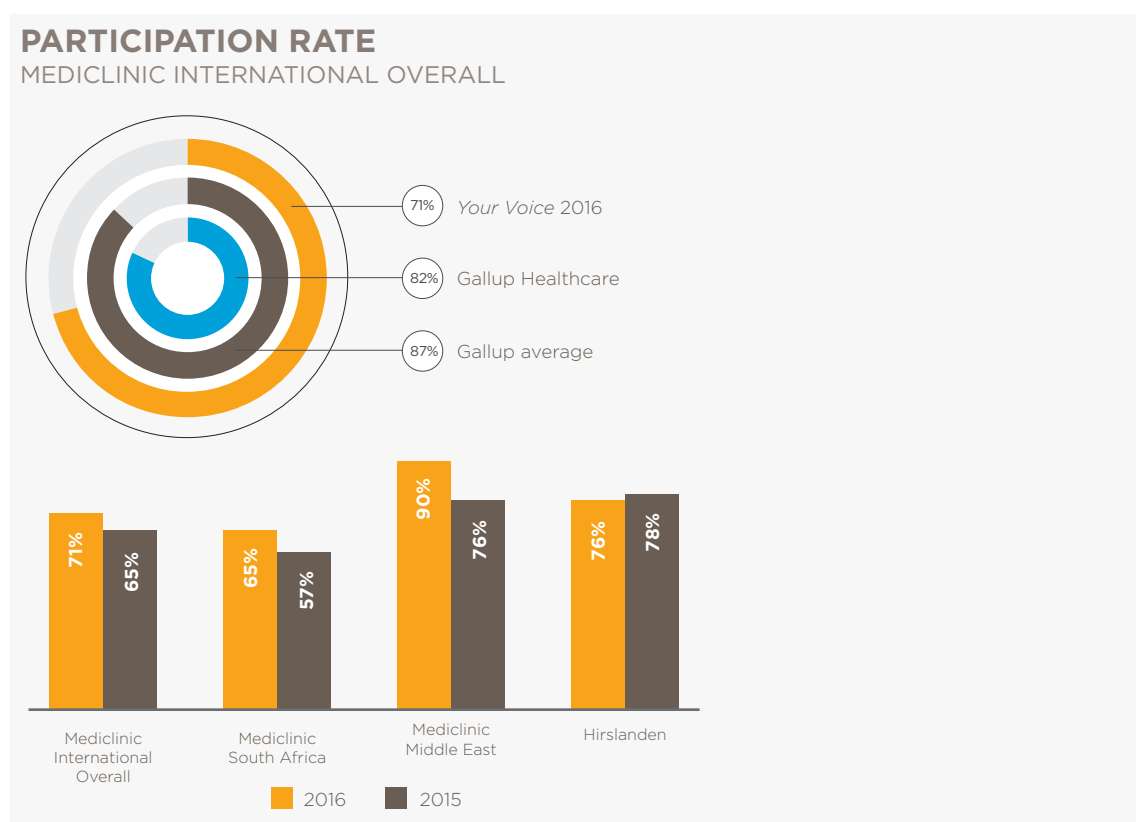
A comprehensive HIV/AIDS risk assessment was done by Mediclinic Southern Africa during 2012, indicating a 6% prevalence rate. The group believes that its policies and training programmes contribute positively to the low prevalence and to managing the direct and indirect impacts of HIV/AIDS on the group's business. Mediclinic Southern Africa's HIV/AIDS programme consists of the following elements, as stated in the group's HIV/AIDS policy:

- education on HIV/AIDS combined with awareness programmes;
- voluntary counselling and testing;
- prevention of HIV infection and reinfection;
- early intervention for reported exposure;
- access to appropriate treatment and monitoring; and
- continuous support through the dedicated employee assistance programme.

HIV/AIDS peer counselling courses and HIV/AIDS awareness programmes are presented at locality level on an ongoing basis. All new staff members employed at hospitals with health clinics undergo pre-induction and orientation lectures on HIV/AIDS awareness, safe treating of wounds, handling needle stick injuries, discarding needles and cleaning blood spillages.

Free HIV/AIDS testing and counselling is offered to all staff and access to antiretroviral drugs is managed as a public private partnership with the Department of Health as well as some medical aids.

**FIGURE 15: YOUR VOICE EMPLOYEE ENGAGEMENT PARTICIPATION RATE**





## EMPLOYEE SATISFACTION AND ENGAGEMENT

### Group

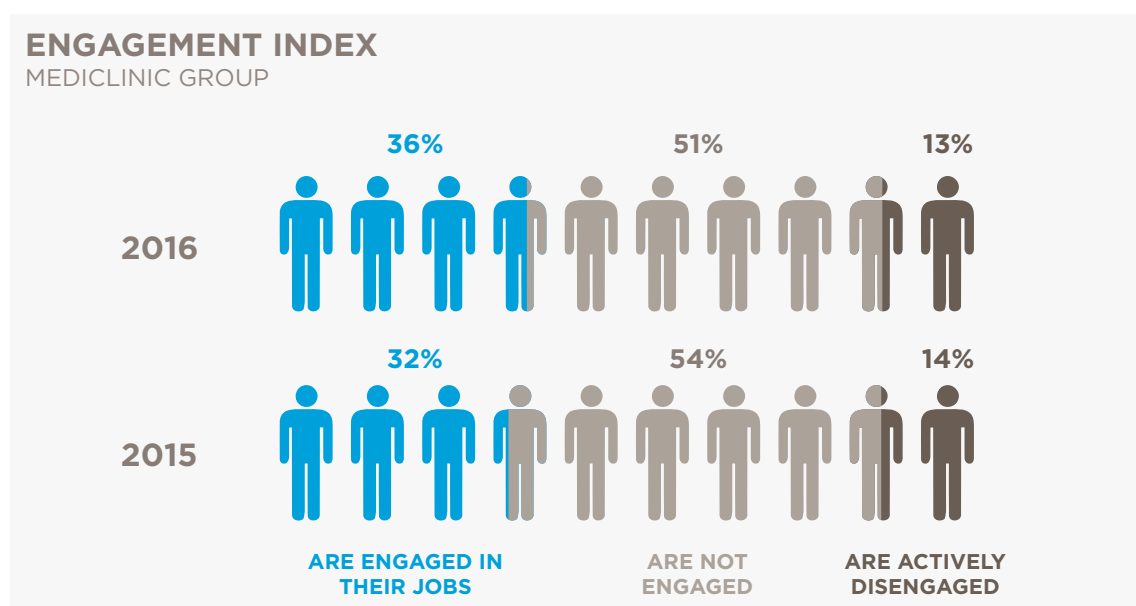
In 2015, Mediclinic, in partnership with Gallup, introduced the *Your Voice* employee engagement programme across all operating platforms to measure levels of engagement, identify gaps at a departmental level and support line managers in developing action plans to address concerns.

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. A breakdown of employee participation in the survey and employee engagement for the Group and by platform is illustrated in **Figures 15 and 16**.

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 the year ahead, 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.

**FIGURE 16: YOUR VOICE EMPLOYEE ENGAGEMENT INDEX**



## 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 7 to 8, 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)	
<b>7.90</b> (2016: 7.90)	-
REVENUE	
<b>£2 749m</b> (2016: £2 107m)	↑
EBITDA	
<b>£509m</b> (2016: £382m)	↑
UNDERLYING EBITDA	
<b>£501m</b> (2016: £428m)	↑

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

## 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 reflects the underlying earnings and growth of the business while retaining sufficient capital to fund ongoing operations and to invest in the Company's long-term growth. The Company currently targets a pay-out ratio of between 25% and 30% of underlying earnings.

Please refer to the **Financial Review** included in the **2017 Annual Report** for more information.



### PROFITABILITY

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

The EBITDA margins of the Group's platforms are provided on page 45.

Please refer to the **Divisional Reviews** and the **Financial Review** included in the **2017 Annual Report** for more information.



### 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 **2017 Annual Report**.



#### SELECTED KEY PERFORMANCE INDICATORS

INVESTMENT IN CAPITAL PROJECTS AND NEW EQUIPMENT (PLATFORMS)			EXPENDITURE ON REPAIRS AND MAINTENANCE (PLATFORMS)		
<b>Southern Africa</b>	<b>R766m</b> (2016: R758m)	↑	<b>Southern Africa</b>	<b>R234m</b> (2016: R275m)	↓
<b>Switzerland</b>	<b>CHF74m</b> (2016: CHF68m)	↑	<b>Switzerland</b>	<b>CHF37m</b> (2016: CHF38m)	↓
<b>UAE</b>	<b>AED188m</b> (2016: AED171m)	↑	<b>UAE</b>	<b>AED39m</b> (2016: AED24m)	↑

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

Please note that all environmental data reported for Mediclinic Southern Africa and Mediclinic Middle East is for the 2016 calendar year, while the comparative data is for the financial year ended 31 March 2016. The comparative data for the prior year is however per financial year. The environmental data relating to Hirslanden is also reported on a calendar year basis, as in previous reports.

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

\* The intensity measures of CO<sub>2</sub> 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.

## APPROACH AND PERFORMANCE DURING THE YEAR

### EFFECTIVE ENVIRONMENTAL MANAGEMENT

#### Group

The Group Environmental Policy, available on the Company's website at [www.mediclinic.com](http://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.

Environmental impact assessments are performed for all new building projects when required by legislation. This is a comprehensive and continuous process, but will enable the Group to finally have an accurate database to manage its biodiversity impact. No new building projects in the financial year required an environmental impact assessment. None of the facilities of Hirslanden and Mediclinic Middle East are owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.

#### Southern Africa

Mediclinic Southern Africa is committed to minimising its environmental impact and ensuring that its environmental management systems and practices are aligned with international best practices to safeguard its reputation and provide assurance about the environmental quality, safety and reliability of Mediclinic's processes and services. The ISO 14001:2004 Specification for Environmental Management Systems is an environmental management system that encourages good management practices that limit the impact of industry on the environment. The purpose of the system is to conserve resources, use them effectively and to minimise waste. Categories managed in the environmental aspect register are the utilisation of resources and waste management, which include electricity, water, gases, paper, healthcare risk waste, hazardous waste and normal waste. Forty-one of Mediclinic Southern Africa's 52 hospitals are hospitals are ISO 14001 certified by an external assurance provider (British Standard Institute), as accredited by the United Kingdom Accreditation Service. Another two hospitals will be certified during the year ahead. All the group's hospitals are ISO 14001 trained, follow the same environmental management practices and are subject to annual internal audits. During the year, ISO 14001 gap audits were conducted at 38 Mediclinic Southern Africa hospitals and achieved an average score of 82%. Adhering to the system procedures and processes has a direct effect on consumption and the group carbon emissions and is expected to reduce the likelihood and magnitude of the risk.

Mediclinic Southern Africa is in the process of changing over to the latest revision of the standard, ISO14001:2015. The transition process is underway and the first hospitals will be audited according to the new 2015 revision in July 2017.

#### SELECTED KEY PERFORMANCE INDICATORS

ENERGY CONSUMPTION (GJ/BED DAY)			WASTE RECYCLED		
<b>Southern Africa</b>	<b>0.327gj</b> (2016 calendar year) (FY 2015/16 0.333gj/bed day)	↓	<b>Southern Africa</b>	<b>1 283 tonnes</b> (2016 calendar year) (FY 2015/16: 1 197 tonnes)	↑
<b>Switzerland (per calendar year)</b>	<b>0.474gj</b> (2015: 0.447gj/bed day)	↑	<b>Switzerland (per calendar year)</b>	<b>550 tonnes</b> (2015: 630 tonnes)	↓
<b>UAE*</b>	<b>0.991gj</b> (2016 calendar year) (FY 2015/16 0.842gj/bed day)	↑	<b>UAE</b>	<b>72 tonnes</b> (2016 calendar year) (FY 2015/16: 87 tonnes)	↓

### Switzerland

Hirslanden Klinik Belair was recertified for ISO 14001:2015 during the reporting period. With this certification, Hirslanden has an external efficiency statement concerning its environmental policies. The certification provides Hirslanden with a system to both record environmental performance and target processes with ecological and economic benefits.

Klinik Hirslanden, Hirslanden Klinik Im Park, Hirslanden Klinik Stephanshorn and Hirslanden Klinik Belair are recognised as CO<sub>2</sub>-reduced businesses by the Energy Agency of the Swiss Private Sector ("**EnAW**") on behalf of the Swiss Federal Office of Energy. This achievement recognises the contracted commitment to reduce CO<sub>2</sub>-emissions within the operations. The other Hirslanden hospitals will follow in 2017.

The following measures are proposed to lower costs and improve sustainability:

- energy check-up at the enterprise;
- company-specific efficiency measures;
- concluding a target agreement;
- implementing the measures;
- annual monitoring; and
- EnAW Label "CO<sub>2</sub> & KWH reduced".

Klinik Hirslanden's Enzenbühl-Trakt, which opened in May 2013, is the first low-energy building within Hirslanden and its above-average, well-insulated building envelope and energy-efficient energy generation form lead to its Minergie certification, a Swiss quality label for buildings. Building to Minergie standards means providing high-grade, air-tight building envelopes and the continuous renewal of air in the building using an energy-efficient ventilation system. Specific energy consumption is used as the main indicator to quantify the required building quality, which ensures a reliable assessment. The new Corporate Office building of Hirslanden is also a Minergie-certified office building.

The continuous improvement of Hirslanden's environmental performance is evidence of the platform's commitment to responsible and sustainable business. In order to be even more disciplined in environmental management, the Hirslanden Executive Committee has defined guidelines that cover issues ranging from training and construction measures to the choice of suppliers.

### UAE

Mediclinic Middle East is acutely aware of its environmental responsibilities and undertakes significant efforts to minimise the effects of its operations on the environment. New projects have been designed to incorporate the latest environmental technology.

Mediclinic Middle East undertook a number of environmental initiatives, environmental events and rolled out policies which support the Group Environmental Policy. It has initiated an environmental, health and safety ("**EHS**") strategy, with the intention of obtaining ISO 14001 certification of all its facilities in the future. Policies in place include hazardous material management, waste management, infection control and utility management. The implementation of the policies is monitored through internal audits and self-assessment inspections, as well as independent assessment through the JCI accreditation process and local authority inspections.

All policies and programmes are uploaded to the company intranet and are accessible to all employees. They are reviewed on an annual basis and updated to improve the culture of environmental health and safety within the Group, improve the performance of individual facilities against established KPIs, and ensure that standards are met to comply with all applicable UAE local and federal legal and regulatory requirements.

The environmental management plan monitors electricity, water, hazardous waste, gases, paper and general waste consumption, raising the employees' environmental awareness, improving the EHS culture and ensuring compliance with air, water and noise quality regulated limits. During the next financial year, the plan will be rolled out to all facilities, with awareness sessions for all employees.

## CARBON EMISSIONS

### Group

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](http://www.cdp.net), with the most recent reports also available on the Company's website at [www.mediclinic.com](http://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 ("CO<sub>2</sub>e") 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.

Electricity is the main contributor to the Group's carbon footprint and all its 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.

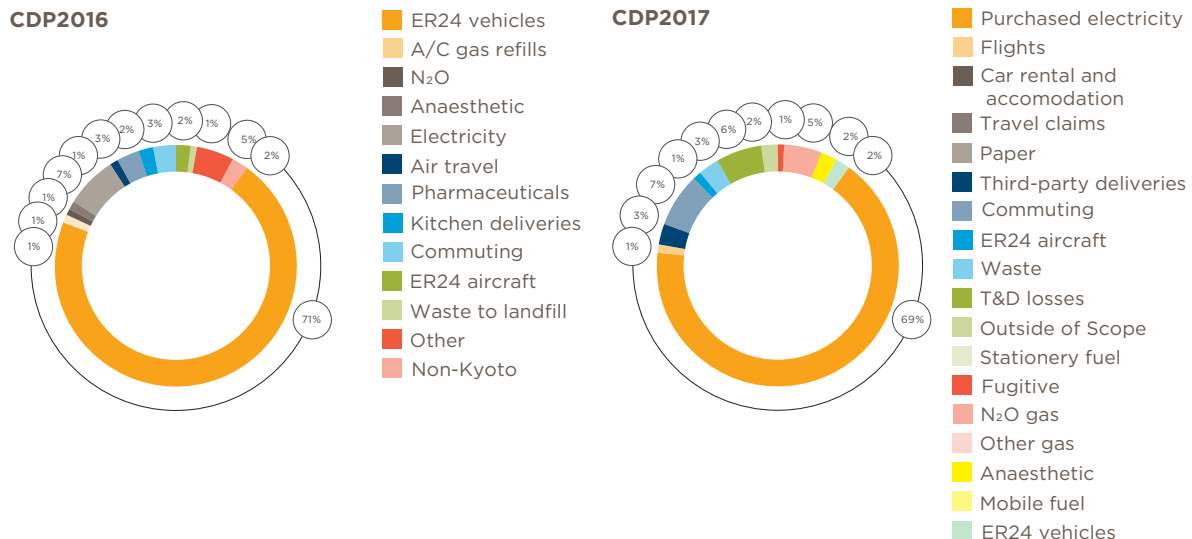
#### Southern Africa

Mediclinic Southern Africa's carbon footprint as reported in its 2016 and 2017 CDP reports is set out in **Figure 18** and **Figure 19**, evidencing that electricity is the main contributor to its carbon footprint. The total weight of CO<sub>2</sub>e increased from 111kg CO<sub>2</sub>e/bed day in its 2016 CDP Report to 117kg CO<sub>2</sub>e/bed day in its 2017 CDP Report.

**Figure 17** reflects the results of the Mediclinic Southern Africa's CDP ranking over the past six years.

FIGURE 17: RESULTS OF SOUTH AFRICAN CARBON DISCLOSURE PROJECT					
CDP 2012	CDP 2013	CDP 2014	CDP 2015	CDP 2016	CDP 2017
Ranked joint fourth position in the Climate Disclosure Leadership Indices ("CDLI")	Ranked joint second position in the CDLI	Ranked joint second position in the CDLI. Included in the Global A List for performance	Ranked joint first position in the CDLI.  The special award was bestowed for consistent high levels of disclosure over the past eight years.	Included in the A List for performance	<b>Included in the A List for performance</b>

**FIGURE 18: EMISSIONS BY ACTIVITY (MEDICLINIC SOUTHERN AFRICA)**



Total Scope 1 emissions increased by 3.7% in 2016 to 23 841 tonnes (CDP 2015: 22 999 tonnes), and increased by 3.56% in 2017 to 24 687 tonnes.

CO<sub>2</sub>e and Scope 2 emissions increased by 3.6% in 2016 to 159 571 tonnes CO<sub>2</sub>e (CDP 2015: 154 035 tonnes CO<sub>2</sub>e), and decreased by 1.75% in 2017 to 156 781 tonnes CO<sub>2</sub>e.

#### Switzerland

Strict legislation applies in Switzerland regarding NO<sub>x</sub> and SO<sub>x</sub> air emissions, with which legislation Hirslanden complies. Each household and company is required to conduct an external audit of its heating system on a regular basis (approximately biannually) measuring air emissions.

Hirslanden is on the same level as the previous year with regards to the CO<sub>2</sub> emissions (13 kg per bed day), mainly due to the switch to 100% sustainable electric power supply and the relatively mild winter.

**FIGURE 19: TOTAL CARBON EMISSIONS (MEDICLINIC SOUTHERN AFRICA)**

Activity	CDP 2012 (2011/12 FY)	CDP 2013 (2012/13 FY)	CDP 2014 (2013/14 FY)	CDP 2015 (2014/15 FY)	CDP 2016 (2015/16 FY)	CDP 2017 (2016 calendar year)
Scope 1: Direct emissions	19 546	20 214	21 869	22 999	23 841	<b>24 687</b>
Scope 2: Indirect emissions from purchased electricity	152 858	150 200	151 156	154 035	159 571	<b>156 781</b>
Scope 3: Indirect emissions from supply chain, business travel and waste removal	9 761	25 014	35 062	33 382	36 037	<b>49 488</b>
Non-Kyoto Protocol emissions	6 658	5 737	6 952	6 419	3 966	<b>5 236</b>
<b>Total CO<sub>2</sub>e (tonnes)</b>	<b>188 824</b>	<b>201 165</b>	<b>215 039</b>	<b>216 834</b>	<b>223 415</b>	<b>236 192</b>
<b>CO<sub>2</sub>e/full-time employee</b>	<b>13.632</b>	<b>13.232</b>	<b>13.567</b>	<b>13.326</b>	<b>13.273</b>	<b>14.026</b>
<b>CO<sub>2</sub>e/square meterage</b>	<b>0.316</b>	<b>0.331</b>	<b>0.335</b>	<b>0.320</b>	<b>0.313</b>	<b>0.299</b>
<b>CO<sub>2</sub>e/bed day (kg)</b>	<b>111</b>	<b>114</b>	<b>115</b>	<b>111</b>	<b>111</b>	<b>117</b>
<b>Intensity ↑↓</b>		<b>↑</b>	<b>↑</b>	<b>↓</b>	-	<b>↑</b>

**FIGURE 20: TOTAL CARBON EMISSIONS (HIRSLANDEN) (PER CALENDAR YEAR)**

	2012	2013	2014	2015	2016
Scope 1: Direct emissions	5 806	7 332	7 163	6 743	7 349
Scope 2: Indirect emissions from purchased electricity	3 901	365	419	389	389
Scope 3: Indirect emissions from supply chain, business travel and waste removal	172	5	102	102	84
<b>Total CO<sub>2</sub>e (tonnes)</b>	<b>9 879</b>	<b>7 702</b>	<b>7 684</b>	<b>7 234</b>	<b>7 822</b>
<b>CO<sub>2</sub>e/bed day (kg)</b>	<b>20</b>	<b>15</b>	<b>14</b>	<b>13</b>	<b>13</b>
<b>Intensity ↑↓</b>	-	<b>↓</b>	<b>↓</b>	<b>↓</b>	<b>↑</b>





**UAE**

Mediclinic Middle East's carbon emissions are set out in **Figure 21**.

**ENERGY EFFICIENCY****Group**






The direct and indirect energy consumption for the Group is illustrated in **Figure 22**. The main sources for direct energy consumption are gas/diesel oil, motor gasoline, liquefied petroleum gas and natural gas. Indirect energy sources refer to electricity consumption.

**FIGURE 21: TOTAL CARBON EMISSIONS (MEDICLINIC MIDDLE EAST)**

	CDP 2015 (2014/15FY)	CDP 2016 (2015/16FY)	CDP 2017 (2016 calendar year)
Scope 1: Direct emissions	1 158.03	1 730.94	<b>4 773.15</b>
Scope 2: Indirect emissions from purchased electricity	12 037.74	12 148.48	<b>20 094.36</b>
Scope 3: Indirect emissions from supply chain, business travel and waste removal	4 449.46	3 463.58	<b>4 624.37</b>
Non-Kyoto Protocol emissions	725.81	620.83	<b>1 236.23</b>
<b>Total CO<sub>2</sub>e (tonnes)</b>	<b>18 371.04</b>	<b>17 963.83</b>	<b>30 728.12</b>
<b>CO<sub>2</sub>e/bed day (kg)*</b>	<b>246</b>	<b>226</b>	<b>166</b>
<b>Intensity  </b>	-		

\* The Mediclinic Middle East CDP 2017 figures include the Al Noor business, whereas in previous years it only included the Dubai business. Accordingly, the Mediclinic Middle East 2017 CDP results are not directly comparable with that of previous years.

**FIGURE 22: DIRECT AND INDIRECT ENERGY CONSUMPTION (GIGAJOULES)**

	Direct energy purchased			Direct energy produced			Indirect energy consumed		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Southern Africa	112 072	103 828	<b>102 563</b>	227	424	<b>1 527</b>	533 519	564 202	<b>553 055</b>
Switzerland* (per calendar year)	127 705	117 884	<b>128 701</b>	111 (solar collectors)	113 (solar collectors)	<b>90 (solar collectors)</b>	151 206	140 690	<b>140 597</b>
UAE	1 009	1 538	<b>12 199</b>	0	0	<b>0</b>	65 060	65 329	<b>113 730</b>
	Total energy consumption								
	2015		2016		2017		Intensity  		
	Gj	Gj/bed day	Gj	Gj/bed day	Gj	Gj/bed day			
Southern Africa	645 818	0.331	668 030	0.333	<b>655 618</b>	<b>0.327</b>			
Switzerland* (per calendar year)	278 911	0.533	258 575	0.477	<b>269 299</b>	<b>0.474</b>			
UAE	66 069	0.89	66 867	0.842	<b>113 730</b>	<b>0.894</b>			

### **Southern Africa**

Mediclinic Southern Africa's Natural Resources Committee measures energy use within the platform to determine where savings can be achieved, and evaluates various new energy-efficient and renewable technologies. Despite an increase in absolute electricity consumption over the last seven years due to growth in the business, Mediclinic Southern Africa has shown a constant decrease in electricity consumption intensity, achieving a total intensity saving of 1.83%. This was achieved through the adoption of ISO 14001 management standards, leading to improved operational efficiency of technical installations, and changes in staff behaviour regarding energy use.

During the year, the Group invested in a number of energy conservation initiatives, including:

- the hot water reticulation upgrade at Mediclinic Bloemfontein and Mediclinic Welkom at a cost of R1.33 million;
- the replacement of chiller and heat pumps at Mediclinic Panorama theatres, phase 2, with new technology at a cost of R7.5 million; and
- the fluorescent light replacement at Mediclinic Heart Hospital at cost of R750 000.

These initiatives led to a total saving of 574MWh for the year (excluding the Mediclinic Panorama upgrade which is still in progress).

Mediclinic Southern Africa has shown a decrease in total energy consumption from 0.333 gigajoules to 0.327 gigajoules per bed day sold. This decreased in total energy consumption over the period has been achieved, despite growth in business in terms of increased bed days sold, square metre coverage and operational beds. This was achieved through initiatives regarding improved operational efficiency of technical installations especially at Mediclinic Panorama, Mediclinic Gariep and Mediclinic Victoria. In the 2016 calendar year, the electricity consumption intensity decreased from 78.54 kWh per bed day sold to 77.10 kWh per bed day sold. As a result, the intensity of electricity consumption (per bed day sold) of the hospitals decreased by 1.83%.

Mediclinic Southern Africa aims to meet the South African government's target of reducing carbon emissions by 34% by 2020 (compared to 2009). In the short term, the platform plans to:

- reduce Mediclinic's energy consumption on bed days sold by 3.09% per year; and
- draw on leadership support to change internal behaviours, leading to energy efficient practices being further adopted throughout the platform.

### **Hirslanden**

Since January 2014, the entire Hirslanden electricity supply (all 16 hospitals and the Corporate Office) has been generated from 100% sustainable electricity, mainly from hydropower plants. One hospital, Hirslanden Klinik Belair, has gone further by switching its entire electricity consumption to CleanSolution StarPremium, a green electricity provider, which is certified to the world's most stringent specifications for the generation of green electricity, and is free from nuclear power and CO<sub>2</sub>.

### **UAE**

Energy consumption per bed day increased by 17.7% for the year. This was a result of the integration of Al Noor and the expansion of the platform to a much larger geographical area, in conjunction with a 2% decline in bed days across the platform. To minimise energy usage, Mediclinic Middle East is actively changing all lighting to newer technology LED fittings, in line with the other platforms. Furthermore, new buildings under construction, such as Mediclinic Parkview Hospital and the upgrade works at Mediclinic Airport Road Hospital, will use solar panels for heating of water and electricity generation. Shading devices to minimise the direct heating effects of the sun on the buildings are being installed, and sustainable materials which have minimal impact on the environment are being used wherever possible. It is expected that these solutions will have a positive impact on the electricity consumption intensity of the platform going forward.

## WATER USAGE

### Group

The total volume of water withdrawn from water utilities throughout the Group is provided in **Figure 23**.

### Southern Africa

Southern Africa is a water-scarce region, and everyone needs to play their part in the conservation of the purest and most valuable resource: water. Water plays a critical role in the effective functioning of any hospital. Without continuous water supply, hospitals cannot ensure hygiene. Without water, there can be no hospital. Parts of South Africa and Namibia are still facing the worst drought in 104 years, with dams at critical levels and diminishing rivers and streams.

The most important component of any risk management process is human behaviour. Changing people's attitude and behaviour is fundamental to the success of any water conservation programme. Drought is the most effective way to change people's attitude towards water consumption. To counteract the crisis, Mediclinic Southern Africa put various measures in place well ahead of time, including the:

- implementation of the ISO 14001 set of standards, an environmental management system that sets out the criteria around which an organisation can minimise its environmental impact while still operating efficiently and effectively;
- recategorisation of the importance of water in the hospitals, elevating it from "strategic" to "life support";
- installation of water meters at all hospitals to ensure accurate and reliable measurement of the resource;
- implementation of a water contingency plan which ensures that hospitals can continue operating smoothly, without interruption, for longer periods of time; and
- implementation of a water contamination plan to mediate the low quality of municipal water from ineffective processes at purification plants.

On average, Mediclinic Southern Africa's hospitals are using about 0.65 kilolitres of water per bed day, but this can vary between 430 litres to over 1000 litres per bed day. These consumptions are not sustainable and actions are taken to ensure that while patients are receiving the best possible care, hospitals are not being irresponsible towards the environment and future resources. Water consumption decreased by 6% during the reporting period.

### Switzerland

In Switzerland, there are no significant water shortages. Hirslanden's water usage is supplied by the public water utilities and all waste water is treated directly by the local municipalities and monitored locally by the group's hospitals. Various measures are in place to monitor and reduce water consumption throughout the group, such as the installation of water-flow limiters at water taps, the replacement of kitchen dishwashers and the insertion of water-saving valves in the lavatory. The water consumption per bed day reduced slightly from 0.664 kl to 0.629 kl per bed day.

### UAE

At Mediclinic Middle East various measures are in place to minimise water consumption, such as reclaiming water from steam sterilisers and all air-handling units for redistribution to the garden and other non-clinical areas, monitoring of hot water consumption for the purpose of reducing energy on hot water tanks, installation of control sensors on taps in hospital wards and reducing pressure of water points. Water consumption is monitored at each unit and action taken to reduce consumption further where required. Due to an increase in patient numbers, total water consumption has decreased by 3.7% in the past year.

**FIGURE 23: WATER USAGE FROM WATER UTILITIES (KILOLITRES)**

	2014		2015		2016		2017		Intensity ↑ ↓
	Kl	Kl/bed day	Kl	Kl/bed day	Kl	Kl/bed day	Kl	Kl/bed day	
Southern Africa	1 272 983	0.681	1 295 982	0.664	1 392 734	0.694	<b>1 327 556</b>	<b>0.652</b>	↓
Switzerland (per calendar year)	280 399	0.562	347 426	0.664	361 166	0.665	<b>357 456</b>	<b>0.629</b>	↓
UAE	75 975	1.036	86 427	1.165	89 316	1.125	<b>83 192</b>	<b>0.654</b>	↓

## WASTE MANAGEMENT

### Group

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.

### Southern Africa

Mediclinic Southern Africa is committed to reducing its waste and complying with waste legislation and always opts for the most environmentally friendly manner to dispose of waste in order to reduce its impact on the environment.

The corporate policy on collection, disposal and removal of waste includes all waste streams in the group's hospitals: infectious sharps; anatomical; pharmaceutical; chemical; radioactive waste; fluorescent tubes; batteries; mercury; used cooking oil; and electronic waste.

Each hospital also has a waste management plan.

The total weight of healthcare risk waste for the year was 3 044.5 tonnes, approximately 1.5 kg per bed day sold. The group generally makes use of waste management companies, but in smaller areas where this facility is not available, recycling is done by making use of local recyclers. The group's healthcare risk waste service providers and their vehicles are audited to ensure compliance with the environmental principle of "from cradle to grave". The reduction of normal waste is achieved through recycling and waste separation programmes that also include optimal use of paper, printers and staff awareness training in compliance with ISO 14001. Various monitoring and measurement programmes are tested at hospitals to determine the baseline for normal waste.

The group's healthcare risk waste is treated by means of electro-thermal deactivation or autoclaving. All anatomical waste is treated by incineration. Safe disposal certificates are being obtained for the disposal of all healthcare risk waste.

Various air emissions legislation promulgated in past years had an impact on the shutdown of the groups' incinerators with various sustainability impacts for the handling and disposal of healthcare risk waste at those hospitals. Mediclinic Southern Africa started in October 2013 with the evaluation and validation of new healthcare risk waste technology.

The purpose was to find a sustainable environmental friendly solution to replace the shutdown incinerators. Since October 2013 the healthcare risk waste treatment industry has become less stable regarding sustainable service delivery.

A specific healthcare risk waste technology was identified, which complies with the criteria of environmental sustainable solution and uses mostly friction technology in the treatment process. The supplier was given the opportunity to test the specific equipment at a Mediclinic hospital to apply for approval of use of the specific equipment in the Republic of South Africa. The purpose of this study was also to evaluate and validate the microbiological, chemical efficacy and the environmental impact of new technology, for the safe treatment and disposal of infectious and/or potentially infectious clinical waste.

The healthcare risk waste technology unit complies with the requirements of the National Environmental Management: Waste Act, 59 of 2008, and the Draft National Standards for Validation of the Treatment Efficacy and Operation of a Non-Combustion Technology for the Treatment of Health Care Risk Waste. The dry shredded waste is unrecognisable after treatment and showed no biological growth during analysis. The technology is sound. Mediclinic Southern Africa purchased the unit in July 2015 and the unit has been under intensive evaluation and operation for the past 20 months. The unit is performing exceptionally well, but it does have certain limitations. As a result of these limitations, Mediclinic Southern Africa is in the process of testing the equipment of another supplier at a Mediclinic hospital in order to apply for approval of the use thereof within the Republic of South Africa. Mediclinic Southern Africa believes that both these technologies will play a role in the future sustainability of healthcare risk waste treatment in Southern Africa.

Mediclinic Southern Africa disposes waste in an environmentally responsible manner where possible, for example, used cooking oil is removed to generate biodiesel; and old equipment and electronic waste are donated or sent to recyclers to reuse their components. Other hazardous waste, for example, fluorescent tubes and other mercury-containing items, batteries and e-waste are disposed of in a safe manner through a hazardous waste management company and safe disposal certificates are being obtained. Mediclinic Southern Africa is currently in the process of recycling its fluorescent tubes, as a recycling facility is now available in South Africa.

General waste is recycled, as far as reasonably practicable. Following an investigation of the recycling of PVC drip bags at one of Mediclinic Southern Africa's hospitals, it is the intention to expand this initiative to the rest of the platform. Mediclinic Southern Africa is also in the process of recycling empty glass vials and investigating different ways to divert organic food waste from landfill. The total waste red for the year was 1 283 tonnes, an increase of 86 tonnes (7.2%) from the previous year.

The total cost of disposal of healthcare risk waste for the financial year was R26.2 million.



The bulk of the effluent discharge is treated by the local authorities, and these discharges are measured as a percentage of total volume of water supplied. Effluent discharge is treated by the local authorities at their effluent treatment plant at which the majority of the treatment method is the same. The quality of the effluent discharge is periodically tested by the local authorities. Where required by municipal by-laws, hospitals must apply for permission to discharge industrial effluent into the sewage disposal system of the municipality.

#### **Switzerland**

Hirslanden complies with all applicable legislation regarding recycling, waste disposal and the treatment and transport of hazardous waste. All medical waste is treated as hazardous waste and on-site collection is separated from other waste categories. Only licensed transportation companies transport the hazardous waste to waste incineration stations.

The weight and waste type are monitored and archived by the relevant hospital, transport provider and waste-incineration station. Hirslanden recorded 3 540 tonnes of waste in 2016 compared to 3 729 tonnes in 2015.

#### **UAE**

Medical waste is disposed of in line with the directives of federal and local authorities and is handled by a professional environmental service providers to ensure minimum risk to the environment. Mediclinic Middle East has ongoing contracts with recycling companies to collect recyclables such as waste paper, old corrugated cardboard, plastics and cans from the premises. Overall, Mediclinic Middle East has maintained general and medical waste generation in line with the group's bed occupancy. The total recycled weight decreased by 26% from 86.96 tonnes during the previous reporting period to 64.35 tonnes during the year. Currently not all facilities in the group recycle waste material, however this initiative will be rolled out to all units over the next financial year. Recycled material includes paper, plastic, cardboard and cans.



## 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		CONTRIBUTION TO CSI INITIATIVES	
<b>Southern Africa*</b>	<b>202</b> (2016: 104)	<b>ZAR12.3m</b> (2016: ZAR11.8m)	
<b>Switzerland</b>	<b>20</b> (2016: 17)	<b>CHF2.5m</b> (2016: CHF2.5m)	-
<b>UAE</b>	<b>6</b> (2016: 1)	<b>AED992 000</b> (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.

## APPROACH AND PERFORMANCE DURING THE YEAR

### ETHICS AND GOVERNANCE

#### Group

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 Report** included in the **2017 Annual Report**.

Any employee or external stakeholder is able to report any wrongdoing throughout the Group on a confidential and anonymous basis to the ethics lines. The number of calls received through the Group's ethics lines is indicated on page 57. All complaints are investigated in accordance with the Code. Over the years, the majority of calls were of a grievance nature. Only in exceptional cases has information been received that has led to the discovery of unethical, corrupt or fraudulent behaviour.



#### Southern Africa

Mediclinic Southern Africa developed an e-Learning module available to all staff relating to the provisions of the Code and demonstrating practical examples of conduct that might fall foul of the Code.

#### Switzerland

A dedicated ethics contact person is available to deal with all ethics complaints in line with the Code.

#### UAE

Compliance with all relevant laws, regulations, accepted standards or codes is integral to the Group's risk management process and is monitored.

## 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** in the **2017 Annual Report**.



## 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 report on **Risk Management, Principal Risks and Uncertainties**, the **Audit and Risk Committee Report** and the **Corporate Governance Report** in the **2017 Annual Report**.



## HUMAN RIGHTS AND RIGHTS OF INDIGENOUS PEOPLE

During the year, no material incidents of discrimination, violations involving rights of indigenous peoples 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.

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 against a generic BBBEE scorecard 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 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 summarised in **Figure 24**. The employment equity report is in respect of all Mediclinic Southern Africa employees, excluding the employees of wholly-owned subsidiary ER24, which is registered as a separate employer with the Department of Labour.

## CORPORATE SOCIAL INVESTMENT

### Group

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 United Arab Emirates.

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 the Group's CSI contributions are by Mediclinic Southern Africa.

### Southern Africa

To demonstrate its commitment to local society, the platform supports South Africa's National Department of Health with its Public Health Enhancement Fund. This joint initiative between the public and private sectors aims to increase the availability and the skills of public sector medical personnel for the benefit of the people of South Africa. This fund helps the country's government to expand the intake of medical students, support postgraduate students pursuing health-related studies, build additional capacity in the management of tuberculosis, HIV and AIDS, and provide support to the Leadership and Management Academy for Health.

Mediclinic Southern Africa has committed to contribute 0.75% of its net profit after tax to this fund during the period under review, which amounted to ZAR11m (2016: ZAR10.5m) during the year.

During the year, ZAR12.3m (2016: ZAR11.8m) was spent on CSI in Southern Africa, as set out in **Figure 25**.

**FIGURE 24: MEDICLINIC SOUTHERN AFRICA'S SUMMARISED EMPLOYMENT EQUITY REPORT AND TARGETS (SUBMITTED TO THE SOUTH AFRICAN DEPARTMENT OF LABOUR IN NOVEMBER 2016)**

Occupational levels	Male			Female			Foreign nationals		Total
	African Coloured Indian		White	African Coloured Indian		White	Male	Female	
	Target	Actual	Actual	Target	Actual	Actual	Actual	Actual	
Top management	3	2	7	0	0	0	0	0	9
Senior management	3	2	15	3	0	6	0	0	23
Professionally qualified and experienced specialists and mid-management	64	58	155	90	92	239	4	2	550
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	312	362	185	1 845	2 491	2 310	205	172	5 725
Semi-skilled and discretionary decision-making	909	1 030	122	4 419	5 572	1 204	3	18	7 949
Unskilled and defined decision-making	226	226	24	453	390	46	8	36	730
<b>Total permanent employees</b>		<b>1 680</b>	<b>508</b>		<b>8 545</b>	<b>3 805</b>	<b>220</b>	<b>228</b>	<b>14 986</b>



Target exceeded



Target met



Target not achieved

In addition to platform-wide CSI initiatives, Mediclinic Southern Africa's hospitals also provide annual and *ad hoc* sponsorships of community, school and regional sporting and cultural events, and take part in annual national health awareness days by providing free health screenings, discussions and workshops. In addition, the platform provides medical services at sporting and cultural events; such as the Cape Town Cycle Tour and the Cape Town Marathon.

#### Switzerland

During the year, Hirslanden invested CHF2.5m (2016: CHF2.5m) in order to offer medical and financial support to various programmes, projects and institutions.

#### UAE

Mediclinic Middle East is involved in various social and charitable community activities which support healthcare, welfare, education and sport. The platform contributed AED992 000 (2016: AED814 000) on event sponsorship and charitable activities during the reporting period which included AED607 000 of medical services from a provision of AED750 000 for the Al Jalila Foundation, an initiative set up by the Ruler of Dubai to support underprivileged children. Corporate social investment initiatives run by the group have included charity campaigns using Facebook, free health screenings, health talks and awareness campaigns on particular health topics.

Individual units work at a local level to support causes of their choice, but at a corporate level Mediclinic Middle East takes part in major community events such as World Health Day, World Heart Day and World Diabetes Day with free health check-ups for the general public at all locations across Dubai.

Mediclinic has budgeted AED950 000 for community initiatives in the year ahead, in addition to AED750 000 in services as part of its partnership with the Al Jalila Foundation.

**FIGURE 25: MEDICLINIC SOUTHERN AFRICA CSI EXPENDITURE**










	2016	2017
Public Health Enhancement Fund	R10 500 000	<b>R11 000 000</b>
Tier 1* (surgical support in partnership with public hospitals)	n/a	<b>n/a</b>
Tier 2* (value of in-kind donations)	R700 000	<b>R800 000</b>
Tier 3 (volunteerism)	R300 000	<b>R285 000</b>
Operational costs (T-shirts, marketing, travel costs)	R261 800	<b>R185 000</b>
<b>Total</b>	<b>R11 761 800</b>	<b>R12 270 500</b>

\* Due to the significant contribution to the Public Health Enhancement Fund since the previous financial year, the tier 1 and tier 2 contributions by Mediclinic Southern Africa are limited.



## ASSURANCE

Mediclinic accepts accountability to its stakeholders to present information that is relevant, accurate and reliable. The Group follows a combined assurance model, with assurance between management, internal audit and external assurance, as illustrated in **Figure 26**. The Group believes that these assurance methods provide the necessary independent assurance over the quality and reliability of those processes and the information presented. The different options and levels of external assurance available are continuously being considered to determine the way forward on external assurance.

FIGURE 26: COMBINED ASSURANCE			
ASSURANCE OUTPUT*		BUSINESS PROCESSES ASSURED	PROVIDER
External calculation of carbon footprint based on carbon emissions data of Mediclinic Southern Africa		Carbon footprint calculation	Carbon Calculated
ISO 14001:2004 certification of 41 of Mediclinic Southern Africa's 52 hospitals		Environmental management system	British Standard Institute, as accredited by UKAS (United Kingdom Accreditation Service)
COHSASA accreditation of 31 of Mediclinic Southern Africa's participating hospitals, with the remaining eight hospitals undergoing the renewal process		Quality standards of healthcare facilities	Council for Health Services Accreditation of Southern Africa (COHSASA), which is accredited by the International Society for Quality in Health Care (ISQua)
ISO 9001:2008 certification of all 16 Hirslanden hospitals and Hirslanden corporate office		Process and quality management	Swiss Association for Quality and Management Systems (SQS)
Self-assessment against European Foundation for Quality Management (EFQM) Excellence Model by all 16 Hirslanden hospitals and Hirslanden Corporate Office		Assessment against the EFQM Excellence Model, a framework for organisational management systems aimed at promoting sustainable excellence within organisations	EFQM Excellence Model
ISO 14001:2015 certification of Hirslanden Klinik Aarau and Hirslanden Clinique La Colline		Environmental management system	Swiss Association for Quality and Management Systems (SQS)
JCI re-accreditation of Mediclinic Middle East hospitals and clinics in Dubai as well as accreditation of Mediclinic Corniche and Mediclinic Al Hili  Reaccreditation of Al Noor Hospital – Al Ain branch  JCI reaccreditation of Mediclinic Al Noor Hospital in 2017, with accreditation of all Mediclinic Middle East facilities by 2019		Quality and safety of patient care	Joint Commission International Accreditation (JCIA)
ISO 15189:2009 certification of the laboratories of Mediclinic Middle East hospitals in Dubai and all clinics in Dubai with in-house laboratories		Pathology laboratories of Mediclinic Middle East hospitals and clinics in Dubai	International Organization for Standardization (ISO)
College of American Pathologists (CAP) re-accreditation of the pathology laboratory of Mediclinic City Hospital		Pathology laboratory of Mediclinic City Hospital	College of American Pathologists

\* The flags indicate the operating platform where the assurance process is in place.



= Mediclinic Southern Africa



= Hirslanden



= Mediclinic Middle East

## COMPANY INFORMATION

### COMPANY NAME AND NUMBER

Mediclinic International plc  
(formerly Al Noor Hospitals Group plc)  
(incorporated and registered in England and Wales)  
Company number: 08338604

### REGISTERED OFFICE

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E-mail: [info@mediclinic.com](mailto:info@mediclinic.com)  
Website: [www.mediclinic.com](http://www.mediclinic.com)

### LISTING

FTSE sector: Health Care Equipment & Services  
ISIN code: GB00B8HX8Z88  
SEDOL Number: B8HX8Z8  
EPIC Number: MDC  
LEI: 2138002S5BSBIZTD5160  
Primary listing: London Stock Exchange (share code: MDC)  
Secondary listing: JSE Limited (share code: MEI)  
Secondary listing: Namibian Stock Exchange (share code: MEP)

### DIRECTORS

Dr Edwin Hertzog (Chairman) (South African),  
Danie Meintjes (Chief Executive Officer) (South African),  
Jurgens Myburgh (Chief Financial Officer) (South African),  
Jannie Durand (ne) (South African),  
Alan Grieve (ind ne) (British),  
Seamus Keating (ind ne) (Irish),  
Prof Dr Robert Leu (ind ne) (Swiss),  
Nandi Mandela (ind ne) (South African),  
Trevor Petersen (ind ne) (South African),  
Desmond Smith (Senior Independent Director) (South African),  
Pieter Uys (alternate to Jannie Durand) (South African)

### COMPANY SECRETARY

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### REGISTRAR/TRANSFER SECRETARIES

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### CORPORATE ADVISORS

#### Auditors

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#### Corporate Broker and Sponsors

Corporate broker:  
Morgan Stanley & Co International plc  
JSE (South Africa) sponsor:  
Rand Merchant Bank  
(a division of FirstRand Bank Limited)  
NSX (Namibia) sponsor:  
Simonis Storm Securities (Pty) Ltd

#### Legal Advisors

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