

2018

SUSTAINABLE DEVELOPMENT REPORT

for the year ended 31 March 2018

CONTENTS

1	LETTER FROM THE CEO
2	REPORT OVERVIEW
2	Scope
2	Reporting guidelines
3	AT A GLANCE
5	BUSINESS MODEL
7	GOVERNANCE OF SUSTAINABLE DEVELOPMENT
7	Management approach
7	Governance structure
8	STAKEHOLDER ENGAGEMENT
8	Patients
10	Doctors
10	Employees and trade unions
11	Suppliers
12	Healthcare funders
13	Government and authorities
14	Industry associations
14	Investors
15	Community
15	Media
16	OUR MATERIAL ISSUES
16	Materiality Assessment
18	Material Issue 1: Developing an engaged and productive workforce
32	Material Issue 2: Minimising environmental impacts
42	Material Issue 3: Being an ethical and responsible corporate citizen
54	ASSURANCE
55	COMPANY INFORMATION

MORE INFORMATION

This Sustainable Development Report is published as part of a set of reports by Mediclinic International plc ("Mediclinic") in respect of the financial year ended 31 March 2018, all of which are available on the Company's website at www.mediclinic.com.

 [Annual Report and Financial Statements 2018](#)

 [Clinical Services Report 2018](#)

 [Sustainable Development Report 2018](#)

 [Notice of Annual General Meeting 2018](#)

This report was approved by the Company's Clinical Performance and Sustainability Committee on 22 May 2018.

GLOSSARY

Capitalised terms used in this report are defined in the Glossary included in the [Annual Report and Financial Statements 2018](#). 

CONTACT US

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LETTER FROM THE CEO

Reflecting over my more than 30-year tenure at Mediclinic, I am proud that we have consistently demonstrated our commitment to being a responsible corporate citizen and the integration of sustainability in our business strategy, focussing not only on our financial output, but also managing and utilising environmental and social resources efficiently to ensure a sustainable business in the long term.

Globally, legislators and interest groups are placing a greater onus on companies relating to their non-financial performance. We welcome the developments in the UK, in particular with the passing of the Companies, Partnerships and Groups (Accounts and Non-financial Reporting) Regulations 2016 requiring greater transparency on environmental, employee, social, human rights, as well as anti-corruption and anti-bribery matters, effective for reporting periods beginning on or after 1 January 2017. We have been focussed on these matters for many years, as they are firmly entrenched in our sustainability policy and practices.

In terms of the Group Sustainable Development Policy, the Clinical Performance and Sustainability Committee annually reviews the Group's material sustainability issues. To avoid duplication with the overall Group strategy, the provision of quality healthcare services and the creation of shareholder value were removed from the sustainability focus areas, as these aspects are sufficiently addressed in the Group strategy, as reported in the Annual Report. While growth, profitability and creating shareholder value are major strategic drivers in ensuring the sustainability of Mediclinic's business, it cannot be achieved unless the Group is committed to value its employees by following fair labour practices, offering competitive remuneration, and providing training and development opportunities; carefully manage its impact on the environment by focusing on its carbon footprint, use of energy and water resources and waste management; follow ethical business practices; and respect the communities within which the Group operates and contribute to the well-being of society. Our sustainability reporting is therefore focused on the following three material issues:

- developing an engaged and productive workforce;
- minimising our environmental impacts; and
- being an ethical and responsible corporate citizen.

Our environmental management team in South Africa were faced by significant challenges brought on by the ongoing

drought in the Western Cape region. As water plays a critical role in the effective functioning of any hospital, various measures were put in place to mitigate and address various risks associated with the water management crisis. I am particularly proud that Mediclinic's initiatives were further recognised by being included in the global A List for water conservation by the CDP (Carbon Disclosure Project).

I am pleased with the progress that we have made during the year with regard to our employee engagement, which is a key factor in ensuring we deliver against our *Patients First* strategy. This is evaluated annually through a standardised and independent evaluation system across the operating divisions that objectively measures staff engagement and identifies specific gaps where improvements need to be made. Now in its third year of use at Mediclinic, I'm glad to report an increased participation rate of 77% across the Group in comparison to 71% in the previous year; as well as an increase in the overall employee engagement grand mean score of the Group from 3.81 to 3.88.

The Group remains confident about its long-term prospects, despite some challenges. The demand for quality healthcare services are continuously growing on an international basis driven by a variety of factors such as an ageing population, new technology, growing middle class and consumerism. We acknowledge that affordability of healthcare needs to be factored in to ensure long-term sustainability of the industry. However, as one of the largest independent pan-EMEA healthcare services groups, Mediclinic is well-positioned to deliver long-term value to its shareholders through a well-balanced, diversified portfolio of operations, with a leading position across attractive healthcare markets; a relentless focus on patient safety and excellent clinical performance; and attractive growth opportunities.

Following my retirement as CEO end of May 2018, I know that my successor, Dr Ronnie van der Merwe (current Group Chief Clinical Officer), will lead the Group to further success to the benefit of all our stakeholders.



Danie Meintjes
Chief Executive Officer

REPORT OVERVIEW

This report provides an overview of the Group's sustainability initiatives, with specific reference to our material sustainability issues. Mediclinic reports against each of its material issues by division, 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 such information is available.

SCOPE

This report covers Mediclinic's operations in Switzerland, Southern Africa and the UAE for the year ended 31 March 2018. As explained in the relevant sections of this report, most of the environmental data reported on in this report is in respect of the calendar year ended 31 December 2017.

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

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.

The Company is required to include a non-financial information statement in the strategic report, in accordance with the Companies, Partnerships and Groups (Accounts and Non-financial Reporting) Regulations 2016. The regulations implemented the EU Non-financial Reporting Directive 2014/95/EU requiring disclosure of information about policies, risks and outcomes regarding:

- SDR** • environmental matters – refer to our **Material issue 2: Minimising our environmental impacts**;
- SDR** • employee matters – refer to our **Material issue 1: Developing an engaged and productive workforce**; and
- SDR** • social, human rights, as well as anti-corruption and anti-bribery matters – refer to our **Material issue 3: Being an ethical and responsible corporate citizen**.

AR This report, read with the **Strategic Report** included in the **2018 Annual Report**, constitutes the Group's non-financial information statement.

During the reporting process, minor corrections have been made to the prior year data as reported in the previous reports.

Awards and accolades



FTSE4Good

Group

- Mediclinic International confirmed as a FTSE4Good* constituent, which index recognises the performance of companies demonstrating strong environmental, social and governance ("ESG") practices.
- Mediclinic International confirmed as a FTSE/JSE Responsible Investment Index constituent, which index recognises such companies listed on the JSE who meet the required FTSE Russell ESG rating.
- Mediclinic International achieved global A List status from CDP (Carbon Disclosure Project) for water conservation.

Switzerland

- Hirslanden ranked first in the healthcare sector and among over 500 enterprises in Switzerland and Liechtenstein by Best Recruiters, an independent recruitment study.
- All 17 Hirslanden hospitals are registered as CO₂-reduced businesses by the Energy Agency of the Swiss Private Sector on behalf of the Swiss Federal Office of Energy.

Southern Africa

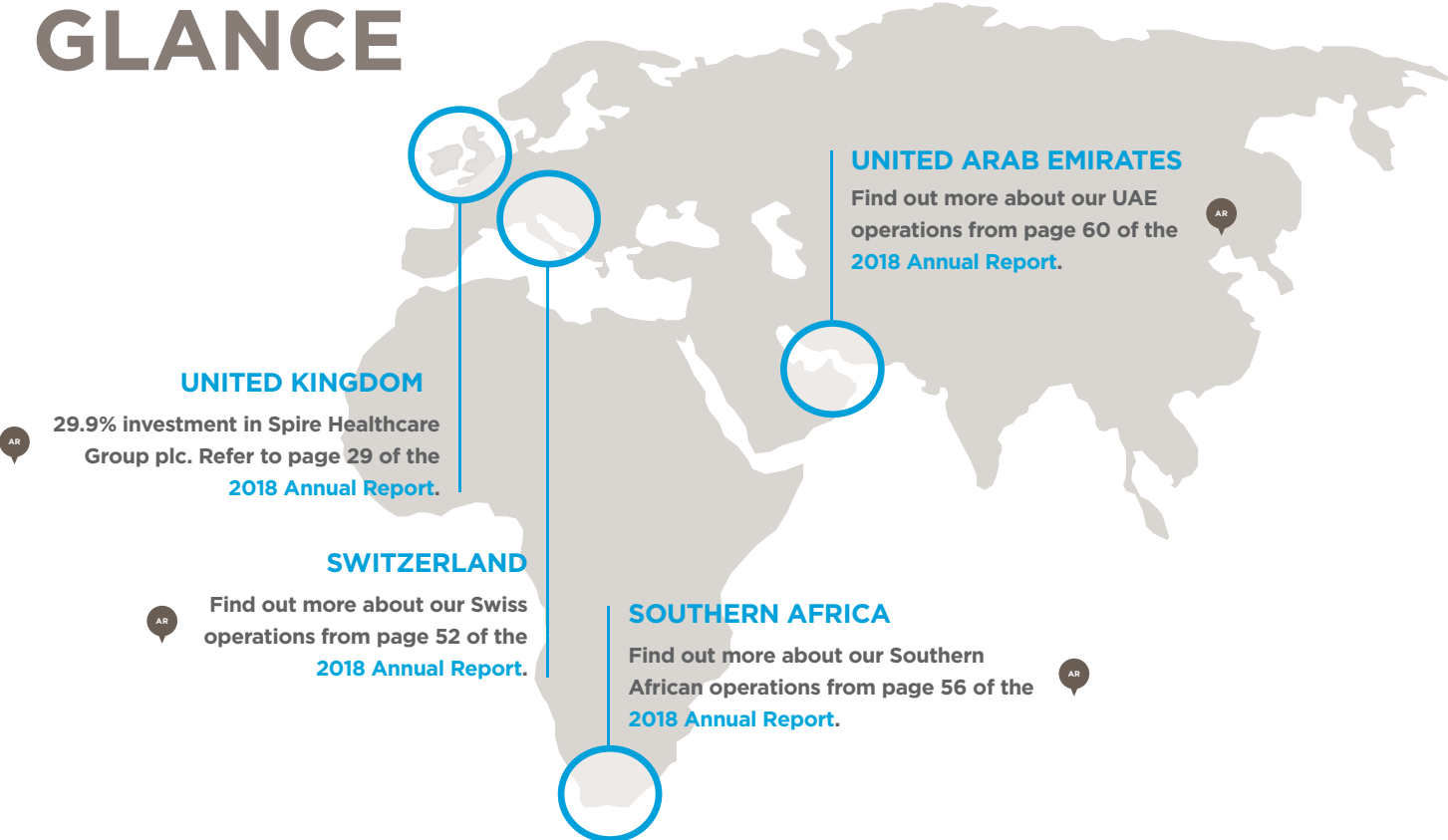
- Mediclinic Southern Africa's brand ranked 16th in the Top 20 Brand South Africa rankings for 2017, being the only South African healthcare provider recognised by Brand Finance and Brand Africa.
- Eight Mediclinic Southern Africa hospitals included in Discovery Health's Top 20 Private Hospitals in South Africa 2017, based on the results of their patient surveys.
- Eight Mediclinic Southern Africa hospitals awarded the Katrin Kleijnhans Quality Trophy from the Council for Healthcare Services Accreditation of Southern Africa ("COHSASA") during 2017, recognising their substantial contribution to quality improvement during the COHSASA accreditation process.
- Mediclinic awarded Go-Live Project of the Year at the OpenText Digirruption Indaba Awards for 2017 for the successful integration OpenText Extended ECM and SAP SuccessFactors consolidating human resources record keeping into a single, trusted database.






UAE

- Mediclinic Dubai Mall Clinic recognised as the best Medical Clinic of the Year at the Mother, Baby and Child Awards 2017.
- David Hadley, CEO of Mediclinic Middle East, recognised as the Healthcare Business Leader of the Year at the Gulf Business Awards 2017.

* FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Mediclinic has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

AT A GLANCE



	HOSPITALS	75
	Switzerland	17
	Southern Africa	52
	UAE	6
	CLINICS	28
	Switzerland	4
	Southern Africa	2
	UAE	22
	INPATIENT BEDS	10 684
	Switzerland	1 805
	Southern Africa	8 131
	UAE	748
	THEATRES	411
	Switzerland	104
	Southern Africa	278
	UAE	29
	EMPLOYEES	31 504
	Switzerland	9 635
	Southern Africa	16 068
	UAE	5 801

PATIENT EXPERIENCE	
Switzerland	87.7%
Southern Africa	82.1%
UAE	83.3%
Refer to pages 8 to 9 for more.	
CONTROLLABLE EMPLOYEE TURNOVER	
Switzerland	8.7%
Southern Africa	7.7%
UAE	10.3%
Refer to pages 10 and 18 to 23 for more.	
EMPLOYEE ENGAGEMENT (maximum score of 5)	
Switzerland	3.93
Southern Africa	3.85
UAE	3.86
Refer to pages 10 and 30 to 31 for more.	

WHO WE ARE

Mediclinic is an international private healthcare services group, established in South Africa in 1983, with current operating divisions in Switzerland, Southern Africa (South Africa and Namibia) and the United Arab Emirates.

Our core purpose is to enhance the quality of life of patients by providing acute care, specialist-orientated, multi-disciplinary healthcare services.

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 leading UK-based private healthcare group listed on the LSE.

OUR CULTURE

Mediclinic is committed to conducting our business with honesty and integrity. Our Code of Business Conduct and Ethics and core values represent the basic beliefs to which we aspire.

- Client orientation
- Team approach
- Mutual trust and respect
- Performance driven

Mediclinic takes a sustainable, long-term approach to business, putting patients at the heart of its operations and consistently delivering 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 divisions, 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.

We value diversity and provide equal opportunities for all in the workplace and do not tolerate any form of unfair discrimination.

Mediclinic recognises its accountability to its stakeholders and is committed to effective and regular engagement with them, which 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. The Group is committed to conducting its business in a manner that respects and promotes the human rights and dignity of all those within our sphere of influence throughout our operations and relationships.

HIRSLANDEN

Hirslanden AG, a company registered in Switzerland, is the holding company of the Group's operating division in Switzerland, trading under the Hirslanden brand. Hirslanden AG is an indirect wholly-owned subsidiary of the Company.

Hirslanden operates 17 acute care private hospitals with 1 805 beds and 4 clinics.

Permanent employees: 9 635
Full-time equivalents: 7 633

For more information, please visit:
www.hirslanden.ch

MEDICLINIC SOUTHERN AFRICA

Mediclinic Southern Africa (Pty) Ltd, a company registered in South Africa, is the holding company of the Group's operating division in Southern Africa (South Africa and Namibia), trading under the Mediclinic brand. Mediclinic Southern Africa (Pty) Ltd is an indirect wholly-owned subsidiary of the Company. Most of its operating subsidiary companies have external doctor shareholding.

Mediclinic Southern Africa operates 49 acute care private hospitals and 2 day clinics in South Africa and three hospitals in Namibia, with 8 131 beds in total. Through its wholly-owned subsidiaries, MHR and ER24 it offers related services in healthcare recruitment and emergency transportation services, respectively.

Permanent employees: 16 068
Full-time equivalents: 19 795 (which include 3 792 agency staff)

For more information, please visit:
www.mediclinic.co.za
www.mhr.co.za
www.er24.co.za

MEDICLINIC MIDDLE EAST

Mediclinic Middle East operates 6 acute care private hospitals and 22 clinics mainly in Abu Dhabi and Dubai, UAE with 748 beds.

The Group's operating division in the UAE operates mainly in Dubai and Abu Dhabi, trading under the Mediclinic brand. Emirates Healthcare Holdings Limited BVI, a company registered in the British Virgin Islands, is the intermediary holding company of the division's operations in Dubai; and Al Noor Golden Commercial LLC, a company registered in the UAE, is the intermediary holding company of the division's operations in Abu Dhabi.

Permanent employees: 5 801
Full-time equivalents: 5 830

For more information, please visit:
www.mediclinic.ae

Refer to the **Investments in Subsidiaries, Associates and Joint Ventures** annexed to the consolidated annual financial statements in the **2018 Annual Report** for more information on the Group's ownership structure.

BUSINESS MODEL

PURPOSE DRIVEN

Our business model is focused on our core purpose:

TO ENHANCE THE QUALITY OF LIFE OF PATIENTS

by providing acute care, specialist-orientated, multi-disciplinary healthcare services.

OUR VISION

TO BE PREFERRED LOCALLY AND RESPECTED INTERNATIONALLY

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; and
- being a valued member of the community.

WE WILL BE RESPECTED INTERNATIONALLY FOR:

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

Our relentless focus on patient needs will create long-term shareholder value and establish Mediclinic International as a leader in the global healthcare industry.

OUR ASSETS AND RESOURCES

Strong financial position

Mediclinic has a strong financial profile, underpinned by an extensive property portfolio. The Group has good access to capital, a disciplined capital allocation approach and invests for growth. See the **Financial Review** included in the **2018 Annual Report** for more information.

Facilities and technology

We provide high-quality healthcare facilities and technology, with continuous investments in new technology and to expand and maintain existing facilities. See the **Financial Review** and the **Chief Executive Officer’s Review** included in the **2018 Annual Report** for more information.

Engaged employees

The Group employs over 31 500 employees across its three divisions. We value our employees by following fair labour practices and offering competitive remuneration, training and development opportunities. The Group overall employee engagement grand mean score increased from 3.81 in the previous year to 3.88 in November 2017. During the year, £1 293m (2017: £1 231m) was paid to employees as remuneration and other benefits. Continuous investment in the training and development of staff creates a highly trained workforce and talent pipeline. See pages 10 and 30 to 31 for more information.

Operational expertise

Mediclinic has an experienced Board and management team. The continued growth of Mediclinic is testament to 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. Deep operational expertise delivers a seamless patient experience, underpinned by high-quality nursing care. See the **Chief Executive Officer’s Review** and **Clinical Services Overview** included in the **2018 Annual Report** for more information.

Sound relationships

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. See the **Corporate Governance Statement** included in the **2018 Annual Report** and pages 8 to 15 of this report for more information.

Responsible environmental management

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. See pages 32 to 41 for more information.

OUR STRATEGY TO DELIVER VALUE

Strategic objectives

Putting Patients First

Patients are at the core of everything we do at Mediclinic. We strive to deliver superior clinical performance through efficient structures, processes, and outcomes, in accordance with the Group clinical performance model.

Improving efficiencies

We strive to use our combined international capacity and effective collaboration to achieve Group efficiencies through the principles of simplification, standardisation and centralisation.

Continuing to grow

Mediclinic 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 of existing facilities.

Adapt to changing business environment

We strive to minimise risk to the business by positioning the Group to effectively respond to changes in the business environment.

Key strategic enablers

-  Invest in employees
-  Invest in information and communications technology
-  Invest in analytics

See **Our Strategy, Progress and Aims** included in the **2018 Annual Report** for more information.

Risk management

The Group has established an integrated and effective risk management framework where important and emerging risks are identified, assessed and managed, which are aligned to and supports the Group strategy.

See the **Risk Management, Principal Risks and Uncertainties** included in the **2018 Annual Report** for more information.

WHAT WE DELIVER

Quality healthcare services

During the year, the clinical performance was satisfactory across all operating divisions, and several patient safety and clinical effectiveness indicators showed improvement. In addition, many initiatives in support of clinical performance and quality improvement were launched and completed during the year. See the **Clinical Services Overview** included in the **2018 Annual Report** for more information.

Shareholder value

We deliver value to shareholders through growth in capitalisation and shareholders returns, with the balance of funds retained for investment in profitable growth opportunities. A focus on disciplined cost management and improving efficiencies has delivered a strong track record of cash flow generation, with a total dividend to shareholders of 7.90 pence per share. See the **Financial Review** included in the **2018 Annual Report** for more information.

MEDICLINIC’S BUSINESS MODEL HAS RESULTED IN THE DELIVERY OF QUALITY HEALTHCARE SERVICES AND GENERALLY A BUSINESS THAT SUSTAINS GROWTH AND CREATES VALUE FOR ITS STAKEHOLDERS.

GOVERNANCE OF SUSTAINABLE DEVELOPMENT

MANAGEMENT APPROACH

Mediclinic takes a sustainable, long-term approach to business, putting patients at the heart of its operations and delivering consistent high-quality healthcare services. In order to deliver on these priorities, the Group upholds the highest standards of governance and ethical behaviour across its divisions, 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.

Mediclinic 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 sets out its approach to managing its resources in a sustainable manner.

To view the Group's policies, visit the governance section of the website at www.mediclinic.com.

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

A key pillar of the management approach is effective risk management. 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. 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 **2018 Annual Report**.

Compliance with all relevant laws, regulations, accepted standards or codes is integral to the Group's risk management process and is continuously monitored. 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 divisions should (or choose to) comply with, regulatory compliance risk is an integral risk management focus area across the Group.

Good progress was made against the three-year compliance monitoring programme that was developed. There were no major findings or weaknesses identified.

The assurance of regulatory compliance risk currently depends on risk and control self-assessments. Going forward, there will be a drive to increase the independent assurance of key compliance risks. This will be achieved through the efficient application of the combined assurance approach.

Further details on the Group's compliance management are included in the report on **Risk Management, Principal Risks and Uncertainties** and the **Audit and Risk Committee Report** in the **2018 Annual Report**.

GOVERNANCE STRUCTURE

The Clinical Performance and Sustainability Committee (the "**Committee**") assists the Board in 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 Committee on its role, composition and activities during the year under review is included in the **2018 Annual Report**.

The Committee also 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. This report does not deal with the clinical performance of the Group, further details of which are included in the **2018 Annual Report** and the **2018 Clinical Services 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 of 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. A report by the Audit and Risk Committee on its role, composition and activities during the year under review is included in the **2018 Annual Report**.

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

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, including: patients, doctors, employees and trade unions, suppliers, healthcare funders, government and authorities, industry associations, investors, the community and the media. The Group's key stakeholders, methods of engagement, topics discussed or concerns raised are outlined in the following pages. The Board's engagement with stakeholders is also reported on in the **Corporate Governance Statement** in the **2018 Annual Report**.

AR

Effective communication with stakeholders is fundamental in maintaining Mediclinic's corporate reputation as a trusted and respected provider of healthcare services and in positioning itself as a leading international private healthcare services group. Mediclinic's commitment to stakeholders to conduct our business in a responsible and sustainable manner, and to respond to stakeholder needs, is entrenched in the Group's values and supported by the Group's Code of Business Conduct and Ethics. Various means of communication are utilised 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 continues to improve its use of online communication with its stakeholders by way of the corporate website and webcasting.

PATIENTS

The well-being of the Group's patients forms the cornerstone of the 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 can be regarded as the most respected and trusted provider of healthcare services in each of its operating divisions.

Methods of engagement	Key topics and concerns	Response to stakeholder expectations
<ul style="list-style-type: none"> Standardised Patient Experience Index surveys. Surveys are undertaken in all inpatient hospitals, which enables comparative measurement of patient experience between the three operating divisions and benchmark them against international norms. This includes focussed priorities to ensure quality improvement initiatives in appropriate areas. A medical practice survey is conducted in our UAE clinics and out-patient facilities. The surveys are conducted in conjunction with Press Ganey, an independent US-based company that are industry leaders in improving the quality and delivery of healthcare. More than 80 000 patient surveys were collected during the financial year. Mediclinic Southern Africa published its patient experience results on the division's website at www.mediclinic.co.za. During the year, the standardised Patient Experience Index surveys were implemented at Hirslanden (previously using the Swiss National Association for Quality Development (ANQ) and at Mediclinic Middle East's units in Abu Dhabi, Al Ain and the Western Region. Refer to Figures 1 and 2. Systematic patient rounds during hospital stay 	<ul style="list-style-type: none"> Delivery of quality, safe and cost-effective healthcare Best possible clinical outcomes Striving to offer facilities and technology of an international standard Ensuring the best possible patient experience Respecting the needs and satisfaction levels of patients Access to facilities and affordability of healthcare Health awareness and information Patient and family engagement before, during and after hospitalisation Personal data privacy 	<p>Putting <i>Patients First</i> is a key strategic objective for the Group. To this end, Mediclinic continues to invest in its people, clinical facilities and technology. The Group's international scale enables it to unlock further value by promoting collaboration and best practice, extracting operational synergies and delivering cost efficiencies through global procurement. See the 2018 Clinical Services Report available on the Company's website at www.mediclinic.com.</p> <ul style="list-style-type: none"> 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.

CSR

PATIENTS (continued)		
Methods of engagement	Key topics and concerns	Response to stakeholder expectations
<ul style="list-style-type: none"> Websites and blogs offering health related information Comprehensive integrated social media Hospital magazines with health-related information, such as the <i>Mediclinic Family</i> magazine in Southern Africa 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, the <i>Hirlanden Baby</i>, <i>Hirlanden Healthline</i> and <i>Hirlanden Privé</i> programmes in Switzerland and the <i>Mediclinic Baby</i> programme in the UAE 24-hour helplines for medical and facility enquiries linked to health campaigns Health awareness days with free health checks Brochures with hospital-specific information 		<ul style="list-style-type: none"> Health information is communicated to patients in various ways, such as the 24-hour helpline, health awareness days, assisting the South African Department of Health on heart and stroke, and diabetes campaigns. Patient experience programmes have been introduced focusing on elements such as improved caregiver empathy and communication, food service processes aimed at enhancing the patient experience and safety, as well as effective management of complaints in accordance with patient rights and service recovery goals. A Group Data Privacy project was launched during the year to improve privacy and data protection measures and ensure compliance with applicable data privacy laws.

FIGURE 1: INPATIENT PATIENT EXPERIENCE INDEX (OVERALL MEAN SCORE)

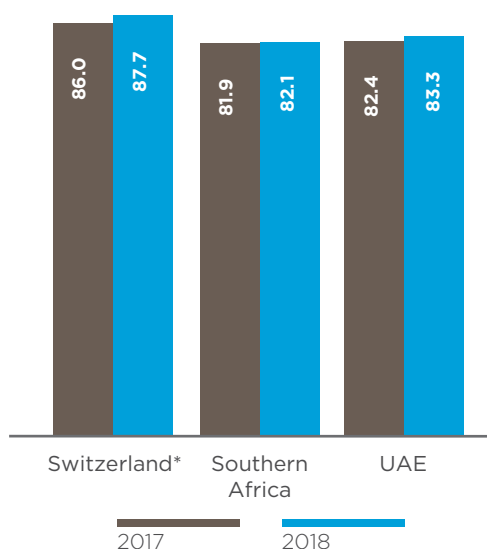
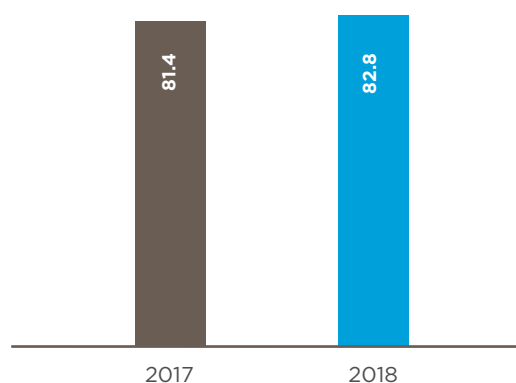


FIGURE 2: MEDICLINIC MIDDLE EAST OUTPATIENT AND MEDICAL PRACTICE PATIENT EXPERIENCE INDEX (OVERALL MEAN SCORE)**



Notes:

* The 2018 patient experience results of Hirlanden is not comparable to the 2017 results, as the standardised Press Ganey Patient Experience Index was only implemented at Hirlanden during the reporting period. The 2017 results of Hirlanden are based on the Swiss National Association for Quality Development (ANQ) survey.

** The medical practice survey measures the patient experience with providers at a medical practice site including offering single-specialty and multi-specialty care services. The type of care experienced might be primary or specialty care. The survey is implemented at our UAE clinics and outpatient facilities.

DOCTORS

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. The establishment of a doctor specific compact within each operating division is underway.

Methods of engagement	Key topics and concerns	Response to stakeholder expectations
<ul style="list-style-type: none"> Regular meetings with doctors Electronic newsletters Participation in hospital clinical committees Dedicated doctor portals in Southern Africa and Switzerland, with continuous professional education and patient demographics functionality being piloted Continuous professional education events Doctor participation in hospital management through the boards of various hospital subsidiary companies in South Africa 	<ul style="list-style-type: none"> Quality of and access to facilities and equipment Patient safety Quality nursing care Technology of international standard Involvement in strategic clinical issues Recruitment, monitoring and retention of skilled doctors Continuing medical education of employed and affiliated doctors 	<ul style="list-style-type: none"> 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. 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 Material Issue 1: Developing an engaged and productive workforce on pages 18 to 31, as well as the 2018 Clinical Services Report available on the Company's website at www.mediclinic.com.

SDR
CSR

EMPLOYEES AND TRADE UNIONS

The Group's employees are a highly-valued asset. Employee 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 and loyal workforce. The Group aims to achieve a common awareness of the financial and economic factors affecting the performance of the Company among employees.

Methods of engagement	Key topics and concerns	Response to stakeholder expectations
<ul style="list-style-type: none"> Regular <i>Your Voice</i> employee engagement surveys through Gallup, an internationally recognised service provider Internal communication audits, as required Staff magazines and newsletters, such as <i>Our World</i> in Southern Africa and <i>Apropos</i> in Switzerland Intranet and social media Newsflashes and regular electronic updates to the Group Regular employee performance reviews Leadership video conferences and road shows Annual trade union salary negotiations with recognised unions Staff wellness programmes Formal recognition system Locality forum meetings to address employee concerns 	<ul style="list-style-type: none"> Training and development of employees Recognition and competitive remuneration Acknowledgement of employee behavioural contribution Freedom of association Ethical leadership Fair working conditions Recruitment and retention of skilled staff Shortage of nurses and skilled staff 	<ul style="list-style-type: none"> 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 Material Issue 1: Developing an engaged and productive workforce on pages 18 to 31. Market-related salaries and benefits are offered to employees, based on the principles of internal equity, external equity and affordability. <i>Your Voice</i> employee engagement surveys across all operating divisions to measure levels of engagement, identify gaps at a departmental level and support line managers to implement action plans to address concerns.

SDR

SUPPLIERS

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.

Methods of engagement	Key topics and concerns	Response to stakeholder expectations
<ul style="list-style-type: none"> Regular meetings with suppliers Regular business reviews with top suppliers Contract negotiations and management post-signature Electronic product approval processes for existing suppliers Product demonstrations and evaluations Training on product specifications Visits to local and international trade fairs Visits to and inspection of supplier and manufacturer facilities 	<ul style="list-style-type: none"> Mediclinic's procurement philosophy and code of conduct Quality of products Cost-effectiveness Availability of products and services and the ability to provide support Compliance with applicable regulatory requirements and quality standards Fair and transparent negotiations Timeous payments Appropriate technology relevant to each operating division or facility Training of staff and users Broad-based black economic empowerment ("B-BBEE") discussions on improvement of supplier scorecard (in South Africa) 	<ul style="list-style-type: none"> The Group is focused on streamlining and centralising its procurement processes to improve efficiency and cost-effectiveness. Formal procurement processes apply to tenders, contracting and preferred supplier agreements. Mediclinic's international procurement initiatives aim to unlock synergies and to implement standardisation for the greater benefit of the Group. A Group Purchasing Organisation ("GPO") supports global sourcing and unlocking more cost-effective supply chains. The Group continues to implement its strategy to rationalise the number of suppliers to enable growth with selected key partners and thereby strengthen negotiations. 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 could lead to the possible risk of modern slavery or 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 www.mediclinic.com.

HEALTHCARE FUNDERS

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.

Methods of engagement	Key topics and concerns	Response to stakeholder expectations
<ul style="list-style-type: none"> Regular meetings regarding possible cost savings, clinical quality and healthcare delivery improvements Annual tariff negotiations 	<ul style="list-style-type: none"> Quality of care delivered in hospitals and the patient experience Integrated clinical services Efficient cost management of healthcare Hospital network arrangements, which limit the members' choice of hospitals in exchange for a reduced tariff from the hospitals Healthcare provider price regulation in Switzerland and the UAE Introduction of Pay for Quality penalties by the Abu Dhabi authorities Regulated eHealth initiatives 	<ul style="list-style-type: none"> The 2018 Clinical Services Report available on the Company's website at www.mediclinic.com provides a detailed overview of the Group's clinical governance and performance. Transforming from an infrastructure provider to a healthcare systems provider is a key strategic objective for the Group. See Our Strategy, Progress and Aims included in the 2018 Annual Report and the 2018 Clinical Services Report available on the Company's website at www.mediclinic.com. <i>Care Expert</i> is an integrated care product in Mediclinic Southern Africa that drives value by further optimising overall hospital efficiency and clinical quality. This aims to align healthcare providers more closely and converse from a fee-for-service environment to a value-based model of care. Hip and knee replacement surgeries are the first of the <i>Care Expert</i> products which have been successfully contracted with a number of key stakeholders in the reporting period. Tariff negotiations with funders are conducted in a transparent and fair manner. In terms of quality and patient safety, Mediclinic shares relevant studies and information to address healthcare funder concerns. Mediclinic Middle East established a Clinical Utilisation Committee in September 2016 under the leadership of the Chief Clinical Officer. This committee monitors utilisation trends by doctors against peer benchmarks, both proactively and in response to queries by funders. The success of the committee's work during the reporting period is evidenced by positive feedback from both the Abu Dhabi regulators and Daman, the most active funder in engaging providers in such matters. Of the approximately 200 doctors suspended in Abu Dhabi in February 2018 for utilisation related transgressions, not one was from Mediclinic Middle East.

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GOVERNMENT AND AUTHORITIES

Mediclinic's business model relies on full compliance with healthcare and other regulations. The Group engages with various government bodies on a continuous basis.

- In Switzerland, key government bodies include the federal and cantonal government and healthcare authorities.
- 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 and the Department of Environmental Affairs (national and provincial).
- In the UAE, key government bodies include the Ministry of Health, Dubai Healthcare City, Dubai Health Authority, Department of Health 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. During the year, senior members of the Mediclinic Middle East management team have been invited to join strategic, clinical quality and price regulation committees. David Hadley, CEO of Mediclinic Middle East, was the first non-Arabic speaker invited to join the Department of Health's strategic advisory board in Abu Dhabi.

Methods of engagement	Key topics and concerns	Response to stakeholder expectations
<ul style="list-style-type: none"> • Active engagement on healthcare legislation • Regular meetings • 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 • 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 • Mediclinic Middle East is represented by senior management on several established industry committees on clinical quality and price regulation in both Dubai and Abu Dhabi • Participation in conferences and seminars 	<ul style="list-style-type: none"> • Cost of private healthcare and regulation of private healthcare tariffs • National Health Insurance in South Africa • Compliance with various healthcare legislation and regulations • Addressing skills shortage • Regulatory reform relating to hospital planning, highly specialised medicine and health insurance in Switzerland • Collaborative initiatives, such as outpatient surgery initiatives in Switzerland • Regulated eHealth initiatives in the UAE • Pay for quality initiatives in the UAE • Competition Commission Health Market Inquiry in South Africa 	<ul style="list-style-type: none"> • The year under review has seen many regulatory developments, particularly regarding tariffs. An overview of the regulatory environment in each operating division is provided in the Divisional Reviews included in the 2018 Annual Report. • No financial assistance was received from government by any of the Group's operating divisions. • Political donations are prohibited in terms of the Code of Business Conduct and Ethics, unless pre-approved by the Board or Executive Committee. Refer to the Corporate Governance Statement included in the 2018 Annual Report. • Mediclinic Southern Africa is assisting the DoH with several of its initiatives, including the development of staffing norms and standards for Nursing Education to improve the preparation of nursing students for independent clinical practice. • 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 August 2018. • 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 has made itself available to participate in the relevant forthcoming working groups, tasked with refining the concepts and implementation structures outlined in the NHI White Paper. Mediclinic continues to support the underlying principle of universal healthcare coverage. • Mediclinic Southern Africa participates in working groups through various associations to develop health technology regulations relating to the management of healthcare. • Mediclinic expressed a commitment to partnering with government to ensure greater access to quality healthcare for all. • During the year, senior members of the Mediclinic Middle East management team have been invited to join strategic, clinical quality and price regulation committees. David Hadley, CEO of Mediclinic Middle East, joined the Department of Health's strategic advisory board in Abu Dhabi.

INDUSTRY ASSOCIATIONS

Hirslanden is an active member of Privatkliniken Schweiz (“**PKS**”), the association of Swiss private hospitals, as well as H+ Die Spitäler der Schweiz (“**H+**”), the hospital association for public and private hospitals in Switzerland. Two senior Hirslanden management members serve on the board of PKS. The Hirslanden CEO serves on the board of directors of economiesuisse and the Hirslanden Chief Clinical Officer serves on the Quality Committee for Acute Medicine of ANQ. Hirslanden’s Head of Public Affairs is a member of the specialist group “healthcare politics” of economiesuisse and serves on the board of the Alliance for Liberal Healthcare.

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 serves as the vice-chair of HASA. Members of the infrastructure team also belong to the South African Federation of Hospital Engineering and the Clinical Engineering Association of South Africa.

There are no relevant industry associations in the UAE.

Methods of engagement	Key topics and concerns	Response to stakeholder expectations
<ul style="list-style-type: none"> Membership of industry associations and representation on governing bodies Participation in research commissioned by associations Participation in conferences 	<ul style="list-style-type: none"> Legislation and regulation affecting the healthcare industry as a whole Informing the public regarding challenges facing private healthcare 	<ul style="list-style-type: none"> Engagement with key stakeholders is sometimes made easier via an industry body rather than as individual representation. Mediclinic leverages these associations to ensure we are able to actively participate in national conversations. Through industry association membership in Switzerland, Hirslanden plays an active role in shaping the Swiss hospital industry as well as associated legislation and regulation. HASA regularly commissions research, which ensures that the information communicated to the public is accurate and thoroughly investigated by credible independent specialists.

INVESTORS

Mediclinic’s relentless focus on patient needs will create long-term 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.

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.

Methods of engagement	Key topics and concerns	Response to stakeholder expectations
<ul style="list-style-type: none"> Financial results reporting, results presentations RNS and SENS announcements Corporate website Analyst meetings Shareholder meetings Investor roadshows and conferences 	<ul style="list-style-type: none"> Financial performance of the Company and factors affecting financial performance Continued growth and financial sustainability Responsible investment proposition Clear and transparent reporting Competent leadership with ethical culture 	<ul style="list-style-type: none"> The Company offers a responsible investment proposition. Refer to the Investment Case included in the 2018 Annual Report. Solid financial position. Refer to the Financial Review included in the 2018 Annual Report. Ethical leadership. Refer to the report on ethics and compliance in the Corporate Governance Statement included in the 2018 Annual Report. Remgro, as a principal shareholder, is represented on the Company’s Board of Directors in terms of a Relationship Agreement. Refer to the Corporate Governance Statement included in the 2018 Annual Report. Refer to the shareholder engagement section in the Corporate Governance Statement included in the 2018 Annual Report.

COMMUNITY

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.

Methods of engagement	Key topics and concerns	Response to stakeholder expectations
<ul style="list-style-type: none"> Public Health Enhancement Fund in South Africa Training and education Sponsorships and donations Staff volunteering Public-private initiatives and joint ventures 	<ul style="list-style-type: none"> Improvement of public healthcare training in South Africa Development and upliftment of communities within which the Group operates Health awareness 	<ul style="list-style-type: none"> Refer to Material Issue 1: Developing an engaged and productive workforce (in particular relating to training and development) on pages 18 to 31; and Material Issue 3: Being an ethical and responsible corporate citizen on pages 42 to 53. Various healthcare awareness campaigns are hosted throughout the year.

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MEDIA

The media acts as an intermediary between Mediclinic and its stakeholders on company and industry developments and assists to position Mediclinic as the opinion leader in private healthcare.

Methods of engagement	Key topics and concerns	Response to stakeholder expectations
<ul style="list-style-type: none"> Media releases Press conferences Interviews and responses to media enquiries Paid advertisements Monitoring of industry-related news and proactive response Social media – Facebook, Twitter, LinkedIn and YouTube <i>The Future of Healthcare</i> blog 	<ul style="list-style-type: none"> Accessibility to accurate information Response to media enquiries 	<ul style="list-style-type: none"> Dedicated communication strategies developed for major industry affairs issues. A range of active media events were held during the reporting period by each operating division. Hirslanden's media ticketing system implemented at Group level assists with the management and organising of media contacts and media enquiries. The blog site, <i>The Future of Healthcare</i>, which is an integral part of the Mediclinic Southern Africa's social media strategy, contains media statements and other material pertaining to the NHI, innovation and other healthcare-related issues. It also serves to inform the media of innovative treatments and procedures that take place at the division's hospitals and clinics.

OUR MATERIAL ISSUES

MATERIALITY ASSESSMENT

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

In terms of the Group Sustainable Development Policy, the Clinical Performance and Sustainability Committee annually reviews the Group's material sustainability issues to ensure management initiatives are directed at those sustainable development issues that are most significant to the business, and which directly affect the Group's ability to create value for its key stakeholders. The assessment was informed by having regard to the following considerations:

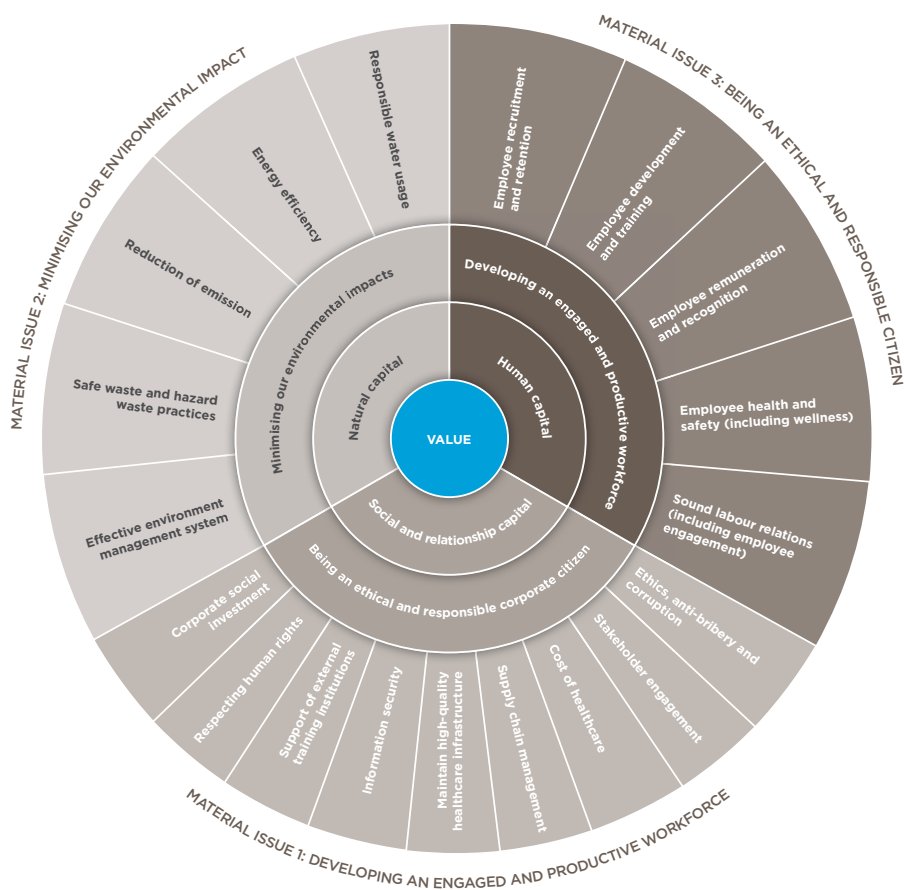
- whether the Group's prior year sustainability focus areas are still relevant;
- Mediclinic's environmental, social and governance impacts/risks, taking into account views, concerns and legitimate expectations of stakeholders (as set out in the **Stakeholder Engagement** section on pages 8 to 15) and those impacts which the Company can influence or control;
- Mediclinic's dependency on the six capitals (financial, manufactured, human, intellectual, social and relationship, and natural);

- the guidance on determining materiality contained in the GRI Sustainability Reporting Standards issued by the Global Sustainability Standards Board;
- SASB (Sustainability Accounting Standards Board) materiality map for healthcare;
- regulatory requirements/developments relating to non-financial reporting;
- information needs of indices and sustainability assessments by investor groups; and
- sustainability megatrends (e.g. poverty and inequality; environmental degradation and climate change; technological innovation; population growth) and global initiatives, such as the UN Global Compact Principles and the 17 United Nations Sustainable Development Goals.

The materiality assessment identified the following three material issues, as illustrated in **Figure 3**, which constitute the focus of this report:

- developing an engaged and productive workforce;
- minimising our environmental impacts; and
- being an ethical and responsible corporate citizen.

FIGURE 3: MATERIALITY ASSESSMENT MATRIX



To avoid duplication with the overall Group strategy, the *provision of quality healthcare services* and *the creation of shareholder value* were removed from the sustainability focus areas, as these aspects are sufficiently addressed in the Group strategy, as reported on in the **2018 Annual Report**.

The Group's strategy, performance, risks and sustainability are inseparable. The link between the Group's three material sustainability issues and the Group's strategy is indicated in this report. The Group's strategic priorities, which are further detailed in **Our Strategy, Progress and Aims** included in the **2018 Annual Report**, are:

- *Superior clinical performance in a safe clinical environment*
The Group strives to deliver superior clinical performance through efficient structures, processes and outcomes in accordance with the Group clinical performance model.
- *Improved patient experience*
The Group strives to deliver superior patient experience before, during and after hospitalisation through efficient structures, processes and outcomes to identify and respond to the needs of patients, family members and visitors.
- *Deliver integrated and co-ordinated care*
The Group strives to become a horizontally integrated healthcare system provider by focusing on effective collaboration with associated doctors and allied healthcare professionals.
- *Improving Group and operational efficiencies*
The Group strives to use combined international capacity and effective collaboration to achieve Group efficiencies through principles of simplification, standardisation and centralisation.
- *Continue to grow*
The Group strives to increase the performance of the business by identifying and pursuing growth opportunities.
- *Continue to address the business environment*
The Group strives to minimise risk to the business by positioning the Group to effectively respond to changes in the business environment.

These strategic objectives are supported by the following key strategic enablers:

- *Invest in employees*
The Group strives to provide human resources services to attract, develop, engage and retain a diverse workforce that effectively enables its objectives and performance.
- *Investing in information and communications technology*
The Group strives to provide information and technology solutions and support that effectively enable business objectives and performance.
- *Investing in analytics*
The Group strives to provide analytics solutions and support that effectively enable business objectives and performance.



MATERIAL ISSUE 1: DEVELOPING AN ENGAGED AND PRODUCTIVE WORKFORCE

Highlights

- Implementation of world-class workforce optimisation initiatives and the integration of these principles in the relevant business processes
- Continued investment in training and skills development to maintain and improve quality service delivery
- Entrenching the employee engagement survey and embedding follow up actions across the Group
- Continued people management development for line managers
- Ongoing implementation of a standardised human resources ICT system

Why this is important to the business

The attraction of suitably qualified healthcare professionals is essential in delivering the Group's *Patients First* strategy. We aim to provide a working environment with a supporting culture where employees can thrive. The continued investment in initiatives that support this overarching goal is visible in the turnover of scarce skills that has shown a significant decline. These initiatives include engagement, corporate health and wellness, continuous development, mentoring and coaching. It requires a long-term focus and genuine transformation of practices in order to be successful. These initiatives will be continued and expanded to create a diverse and inclusive environment that enables optimal performance of employees.

Workforce optimisation has been a key focus for the year. Resources were allocated to analyse current workforce practices with the intention to optimise the utilisation of human resources especially in the clinical environment. A new methodology of workforce planning and scheduling was piloted and integrated during the annual budgeting process. Continued focus on workforce planning and forecasting will ensure that the goal of operational efficiency is achieved as required in order to deliver on the *Patients First* strategy.

Link to Group strategy

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

Key stakeholders

- Employees and trade unions
- Doctors
- Patients

Key performance indicators

CONTROLLABLE EMPLOYEE TURNOVER RATE*

Switzerland	8.7% (2017: 7.2%)	↑
Southern Africa	7.7% (2017: 6.3%)	↑
UAE	10.3% (2017: 8.4%)	↑

* Refer to pages 20 to 21 for more on the increase in the turnover rate.

EMPLOYEE ENGAGEMENT (GRAND MEAN SCORE) (MAXIMUM SCORE OF 5)

Group	3.88 (2017: 3.81)	↑
Switzerland	3.93 (2017: 3.91)	↑
Southern Africa	3.85 (2017: 3.73)	↑
UAE*	3.86 (2017: 3.92)	↓

* The prior year employee engagement index of Mediclinic Middle East excluded the employees of its Abu Dhabi operations.

TRAINING SPEND AS APPROXIMATE PERCENTAGE OF PAYROLL

Switzerland	4.6% (2017: 4.8%)	↓
Southern Africa	3.5% (2017: 3.2%)	↑
UAE	0.2% (2017: 0.1%)	↑

Risks to the business

- Inability to recruit healthcare practitioners to meet business demand
- Poor clinical outcomes and services
- Medical malpractice liability
- Reputational damage
- Delayed new nursing qualifications framework, causing a gap in the education pipeline
- Ageing nursing workforce and noticeable trend of earlier retirement of nursing professionals
- Ineffective management teams
- Staff engagement and wellness
- Fraud and ethics failures

Mitigation of risks

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

Policy, approach and performance

The human capital environment is strongly supported by policies and best practice guidelines and is governed to ensure compliance to achieve best practice globally and to minimise possible risks within the human resource environment.

Through the internalisation of the human resources strategy, the focus remains on the harmonisation and embedding of enhanced human resources processes and practices. This internalisation is achieved through the standardisation of processes where possible, sharing of best practice, and system integration. The Human Resources function is thereby positioned as an enabling partner delivering visible, credible and value-adding services to the business where required on a continuous basis.

Employee recruitment and retention

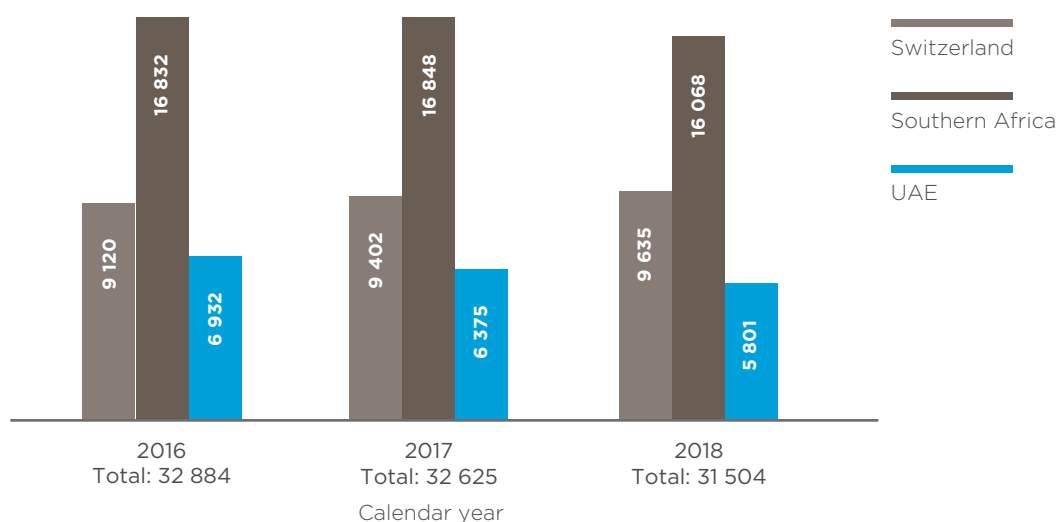
The talent supply of scarce skills remains on the strategic agenda of the Group and is regarded as a key enabler of reaching the goals of the *Patients First* strategy. The ever-increasing risk of not obtaining the right skills in the future due to a variety of reasons, is clearly evident in a global context. This has urged the Group to take deliberate and proactive action in building a secure talent pool in the areas where necessary.

The globalisation of relevant human capital management processes will continue to put emphasis on talent metrics and measurable data across divisions, which enables the identification of trends and risks to be addressed proactively.

The implementation of an integrated human resources management system has gained momentum and line managers and employees alike are positively impacted. Further roll-out of additional modules is scheduled to be phased in over a three year period.

The Group's workforce composition is provided in **Figure 4**. Controllable employee turnover rate is provided on page 18, indicating an increase across all divisions.

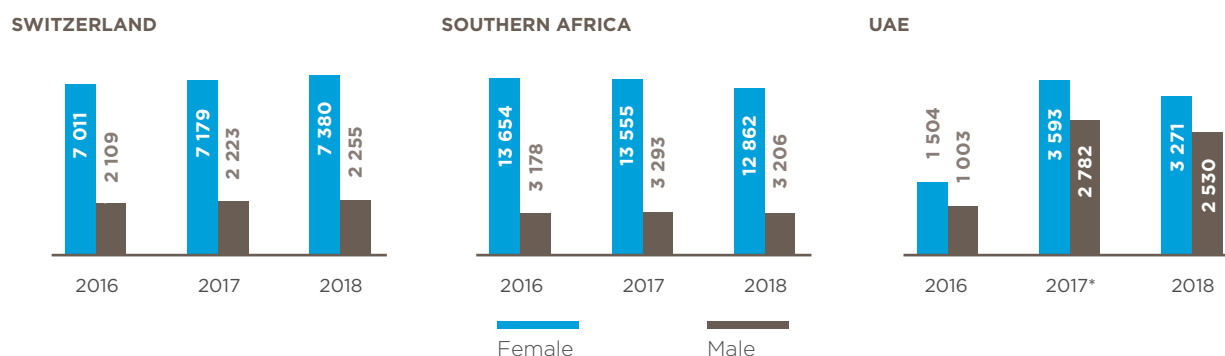
FIGURE 4: WORKFORCE COMPOSITION*



* Mediclinic International plc has one employee based in the United Kingdom.

Although not a significant increase, the reasons for employee turnover are monitored in a rigorous manner and themes are proactively addressed to minimise the loss of employees. With the ever-increasing shortage of qualified staff, we are experiencing increased competition in the market place for quality staff. As a result, emphasis is placed on retention and effective utilisation of available skills. To address this, various measures are in place with the aim to be regarded as an employer of choice: regular engagement, offering attractive working conditions, career development, a consistent performance management system, fair remuneration practices. The divisions' turnover rate by age group and gender, new employees versus employee terminations and return to work after maternity leave are provided in **Figures 5 to 10**.

FIGURE 5: WORKFORCE COMPOSITION BY GENDER



* The 2017 gender split of Mediclinic Middle East excluded the Al Noor employees.

FIGURE 6: WORKFORCE COMPOSITION BY AGE

	2016		2017		2018	
	NUMBER	%	NUMBER	%	NUMBER	%
Switzerland						
< 30 years	2 577	28.3%	2 669	28.4%	2 550	26.5%
30-50 years	4 629	50.8%	4 498	47.8%	4 836	50.2%
> 50 years	1 914	20.9%	2 235	23.8%	2 249	23.3%
Southern Africa						
< 30 years	3 283	19.5%	3 126	18.6%	2 686	16.7%
30-50 years	10 451	62.1%	10 641	63.2%	10 371	64.6%
> 50 years	3 098	18.4%	3 081	18.3%	3 011	18.7%
UAE*						
< 30 years	454	18.1%	1 314	20.6%	854	14.7%
30-50 years	1 768	70.5%	4 458	69.9%	4 267	73.6%
> 50 years	285	11.4%	603	9.5%	680	11.7%

* The 2017 age split of Mediclinic Middle East excluded the Al Noor employees.

FIGURE 7: CONTROLLABLE EMPLOYEE TURNOVER RATE BY AGE

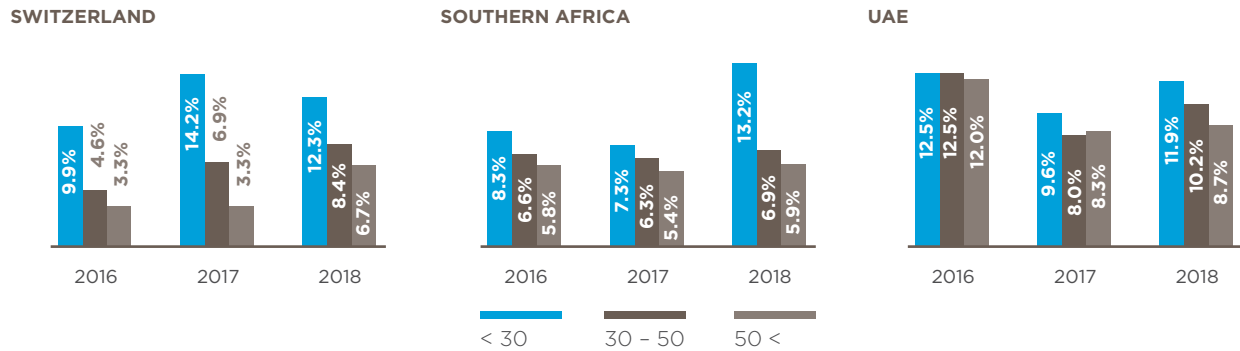


FIGURE 8: CONTROLLABLE EMPLOYEE TURNOVER RATE BY GENDER

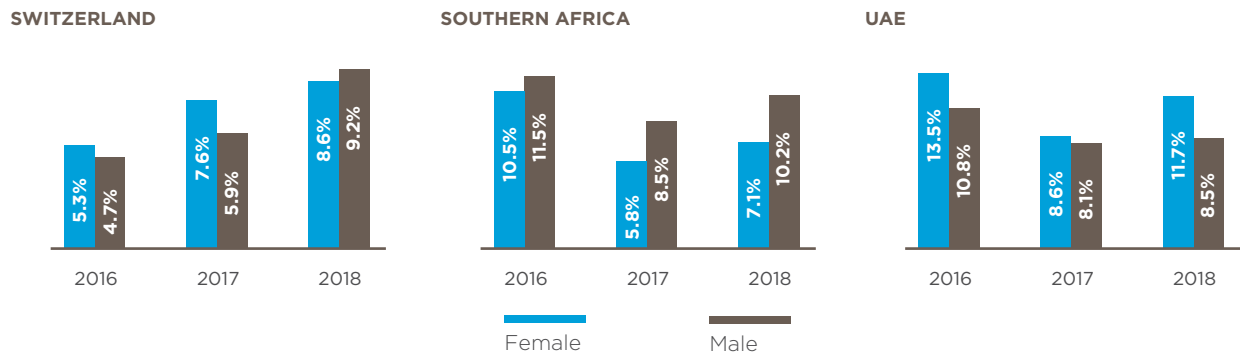


FIGURE 9: NEW EMPLOYEES VS EMPLOYEE TERMINATIONS*

	2016	2017	2018
Switzerland			
New employees	2 294	1 454	1 254
Employee terminations	1 788	1 038	1 479
Southern Africa			
New employees	2 514	2 179	1 909
Employee terminations	1 137	1 065	1 278
UAE			
New employees	393	772	525
Employee terminations	311	534	597

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

FIGURE 10: RETURN TO WORK AFTER MATERNITY LEAVE RETENTION RATES

	2017			2018		
	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
Switzerland	276	not reported	not reported	372	not reported	not reported
Southern Africa	715	696	97.3%	706	671	95.0%
UAE	133	131	98.5%	198	189	95.5%

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, 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 recruits 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. All these efforts and additional activities in the external employer branding enabled Hirslanden to be the number one recruiter in an independent study called *Best Recruiters*. As in previous years, surveys amongst students and young professionals indicated that Hirslanden is popular within these target groups.

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

New employee retention initiatives related to the *Your Voice* survey were launched during the reporting period. Furthermore, Hirslanden continued to implement initiatives, such as offering professional development, market-related salaries and specific efforts with regard to the new distributions of tasks for the transformational process. Hirslanden intends to continue with its current recruitment initiatives during the next financial year.

Southern Africa

The challenges that Mediclinic Southern Africa faces remain the efficient attracting, engaging, developing and retaining of medical professionals of a high-calibre, which has a direct impact on patient safety and positive patient experience. The division has therefore invested in developing scarce skills strategies that are tailored to the attraction and retention needs of the different geographical regions within the business. This was done with the buy-in of relevant stakeholders to solidify a proactive approach in response to the relevant challenges in our environment.

Employer branding remains a high-priority focus within the talent environment, which focuses on creating awareness of the Mediclinic brand and encourages active candidate interaction in our critical areas of need. Our talent pool is showing consistent growth and localities remain focussed on appointing from this pool. Alternative sourcing options were also investigated and tested, which resulted in the increased utilisation of social media.

Mediclinic Southern Africa still experiences a shortage of professionals within the nursing, pharmacy and emergency centre doctor categories. Different strategies and action plans are continuously being deployed to address the shortages within each of these disciplines to ensure a

consistent growth in our talent pool. We also implement a regular review of these strategies to ensure alignment with organisational requirements and industry challenges.

The controllable turnover for the emergency centre doctors improved from 18.9% to 15.2% during the last year. A specific strategy that supports career development in this area has been deployed. The utilisation of carefully selected branding opportunities has led to the growth of potential candidates in this talent pool for future attraction purposes.

The proactive supply of talent for all our clinical areas is further supported by, *inter alia*, active talent segmentation, continuous communication with priority talent, internships, employee referral campaigns and increased focus on bursaries.

There is a delay in the implementation of the new nursing qualifications that could potentially have an adverse effect on the availability of nursing skills in the South African labour pool for the next three to five years. Mediclinic continues with engagement at related forums regarding this issue and the impact of the delay on the output of qualified nursing staff on the industry. A highly proactive approach to optimise the utilisation of the current available pool is maintained in this context and supporting initiatives are actively investigated to ensure a supply in skills in the medium term.

Mediclinic Southern Africa and the healthcare industry as a whole, face a shortage of trained nurses and, as an interim measure, the division has been recruiting nurses from India. The long-term solution is to increase local training. To this end, the division has significantly increased its training capacity and an increase in learner numbers will be phased in over the next five years.

The controllable turnover in pharmacy staff reduced from 10.2% to 6.9% due to proactive measures that were implemented to retain existing staff.

The *Your Voice* employee engagement survey (see pages 30 to 31) has provided valuable data and information that is actively utilised in talent, retention and development strategies. The results are interpreted, priorities are identified and action plans are executed at the relevant business units.

SDR

UAE

The attraction and retention of suitably qualified healthcare professionals, amidst a vast supply of internationally qualified clinicians due to the attractiveness of the UAE labour market, is key to the success of Mediclinic Middle East. High volumes of recruitment, mainly due to growth and expansion in certain areas of the business, continues to dominate the centralised recruitment activities. During the course of the reporting period 138 physicians were recruited with 192 in process. Staff turnover rates have stabilised after the combination with Al Noor in 2016 and we believe that the investment in standardisation and alignment of benefits in a fair manner have contributed to this. Recruitment practices, including systems used, remains a central focus to ensure that Mediclinic Middle East remains competitive as an employer of choice.

The competition for clinical and professionally qualified talent in the UAE market remains aggressive. This places further upward pressures on salaries, which is worsened by the recent introduction of VAT in the UAE highlighting the importance of fair and equitable employment practices.

The rise in unemployment amongst Emiratis, especially prevalent in the Al Ain region, draws continuous focus. Mediclinic Middle East implements specific targets for each of the business units. Progress is slow and a formal Emiratisation strategy will be finalised in an attempt to proactively identify opportunities to appoint and retain UAE nationals. Various memorandums of understanding have been concluded with reputable tertiary and other learning institutions to create sustainable opportunities for UAE nationals' employment within the group. These include, amongst others, bursaries, on the job training and student placements.

The division's employee turnover rate increased slightly to 10.3% (2017: 8.4%). The retrenchment process and the finalisation thereof resulted in the decline of the total number of employees by 9% to 5 801 (2017: 6 375).

LOCAL HIRING

Due to the unique circumstances that apply in each of the operating divisions, 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.

The majority of employees at Mediclinic Middle East are expatriates and the workforce is represented by 82 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 UAE nationals to work in the private healthcare sector has been a challenge since Mediclinic Middle East started its Emiratisation campaign in 2007 mostly due to salary expectations especially in the administrative categories.

Mediclinic Middle East's strategy is therefore to focus on training and education. Mediclinic Middle East offers support to the UAE's Emiratisation programme by participating in the Majid bin Mohammed UAE National Training Initiative. The programme involves offering a three-month coaching programme to selected UAE 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 division 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 UAE national also serves on the Mediclinic Middle East senior management team that consists of nine members.

Training and skills development

The Group continues to invest significantly in training and skills development to maintain and improve quality service delivery. The Group's commitment to provide quality care for its patients can only be ensured if its staff have appropriate, evolving skill sets, which is reflected in the number of learning initiatives undertaken each year.

PERFORMANCE MANAGEMENT

A consistent performance management system is applied throughout the Group, which allows us to identify and manage the training needs of individual employees, and to discuss career development. 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, 88.3% of employees at Mediclinic Southern Africa received formal performance reviews. At Hirslanden, 100% of employees received formal performance reviews during the year; and at Mediclinic Middle East, 81% of employees received a formal performance review.

During the period under review, Mediclinic Middle East rolled out a robust Physician Performance Appraisal process utilising multiple sources of qualitative and quantitative measures (clinical indicators, peer reviews and patient experience feedback) to evaluate the overall performance of physicians in a standardised manner throughout the company. It is believed that this process will support clinical quality, positive patient experience and personal development of physicians which will ultimately lead to physician engagement. A similar process is envisaged for nursing staff.

SUCCESSION PLANNING AND CAREER MANAGEMENT

Strong leaders have proven to be of great value to the business and therefore resources have been invested to embed sufficient succession planning and career management towards key functional roles across the business. This will proactively enhance and develop leadership. Succession planning is standardised on an organisational level in all three operating divisions and a Group talent review is performed annually. Critical talent as well as high-performing individuals with potential are identified and supported through tailored development initiatives. An inter-division development has been designed to support priority talent in achieving the agreed learning goals. The programme is currently implemented at organisational level for talent with the potential to be successors to a key position in their own division or across divisions within the larger Group. The programme aims to provide priority talent with the opportunity to gain cross-division exposure, to develop key relationships across the business and to share best practices to the benefit of all. All divisions have received the programme with great enthusiasm and the Group is proud to continue to grow this development opportunity.

Switzerland

Leadership development at Hirslanden is conducted via various leadership development programmes that enable and support management employees in their role and provide tangible leadership instruments for dealing with change.

Southern Africa

Mediclinic Southern Africa has implemented succession planning and career management for key functional roles to enhance and develop the leadership pipeline. In order to address the shortage of critical skills currently experienced in Southern Africa, the talent strategy has been reviewed to ensure alignment with organisational requirements and industry challenges.

Leadership development remains a high priority and the division has a framework for the selection and development of Hospital General Managers. The roll-out has commenced during the course of reporting. This framework aims to ensure that the selection of leaders is aligned with the requirements of current and future business needs. Various initiatives supporting this framework ensure 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 safeguard 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 secure line manager capability and continuous development in all areas of people management competence. A blended learning programme for line managers commenced during the reporting period and four of the modules will be rolled out to all line managers during the next year.

In addition, a new two-day workshop *Leading the Mediclinic Way*, has been attended by 839 MCSA delegates during the reporting period.

UAE

To counter the challenges of sourcing external talent in the market, Mediclinic Middle East has placed much focus on its succession planning and talent management initiatives. Formal talent management was filtered down to operational level where the responsibility for the proactive identification of talent was placed on operational leaders. Formal assessments were introduced to ensure current and future capability is determined and supplemented with tailored development plans.

TRAINING

Switzerland

Hirslanden provides a range of training programmes for all types and levels of employment. Hirslanden invested approximately 4.6% (2017: 4.8%) of payroll in education and training during the period under review. More than 945 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 306 (2017: 330) management employees, who attended 25 leadership training interventions. In addition to this, Hirslanden continued to organise mandatory leadership training for all 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.

FIGURE 11: MEDICLINIC SOUTHERN AFRICA TRAINING INTERVENTIONS

TRAINING CATEGORY	NUMBER OF TRAINING INTERVENTIONS	
	2017	2018
Top management	5	14
Senior management	34	22
Professionally qualified and mid-management	1 919	1 402
Skilled technical and academically qualified	14 493	15 302
Semi-skilled	14 081	11 555
Unskilled	622	379
Total	31 154	28 674

FIGURE 12: MEDICLINIC SOUTHERN AFRICA COURSE COMPLETED (PER ACADEMIC YEAR)

	2016	2017
Basic nursing courses	480	285
Post-basic nursing courses	36	42
Other courses in various disciplines	850	859

Southern Africa

At Mediclinic Southern Africa, 28 674 (2017: 31 154) structured learning interventions were recorded (**Figure 11**). This represents an investment of approximately 3.5% (2017: 3.2%) 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 12** reflects the number of students who completed courses presented by Mediclinic Southern Africa during the 2017 academic year. This figure includes ER24 employees.

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 division still has learners on the Enrolled Nursing programme accredited by the South African Nursing Council, which is phasing out and which accounts for the decline in Basic Nursing Course participants. The division is awaiting the final approval of the South African Nursing Council to commence with training based on the Council's new nursing qualifications.

Nineteen employees were registered for Mediclinic Southern Africa's Advanced Diploma in Health Services Management and Leadership Programme for employees with high potential.

Priority focus areas for this division for the coming period are to:

- implement the new nursing Higher Education Qualification Sub-framework Qualifications;

- support the Nursing Odyssey Programme;
- implement and monitor the skills development Transformation Strategy; and
- roll out the People Management for Line Managers Programme.

Formal succession planning is a well-established process for Mediclinic Southern Africa, and the division's Talent Review Committee has established talent pools for relevant key positions. The strong foundation which has been laid in this process has been extended in the current period into key hospital positions where turnover can be anticipated due to planned retirement.

UAE

At Mediclinic Middle East, 22 979 (2017: 10 872) training interventions, excluding 3 418 sessions on Environmental Health & Safety and Quality were recorded during the period under review. In addition, there was a combined attendance of 6 749 (2017: 9 490) participants at the Continuous Medical Education / Continuous Nursing Education events (including external participants). This represents an investment of approximately 0.2% (2017: 0.1%) of payroll in training and skills development.

The year's training strategy was focused mainly on:

- setting the strategy for the *Creating the Patient Experience Programme*, aimed at incorporating the corporate values and brand drivers in 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. peri-operative nursing, neonatal intensive care training);
- link nurses who will be tapped as an extended support for clinical education initiatives in the various units; and
- preparation for the training/implementation of the new Electronic Health Record system.

Employee remuneration, recognition and benefits

REMUNERATION AND BENEFITS

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 interests. To encourage a performance-driven organisation, the Group rewards employees for achieving strategic objectives as well as individual personal performance targets. Benefits to employees may include a retirement fund and medical aid scheme. The Group further covers the liability insurance for medical staff and other employees where liability insurance is required. Managers who are eligible to receive variable remuneration receive short-term incentives and senior management receive 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.

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 division are included in **Figure 13**. Various other benefits are offered throughout the Group, such as uniform subsidies, loans and administrative assistance with housing and vehicle financing, insurance and

financial wellness. 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.

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 between 5% and 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 UAE are limited by federal law to the provision of severance pay calculated according to a specified formula. Employees who are UAE nationals are entitled to enrol in the national pension scheme. A total contribution of 20% of the pensionable salary is required for every UAE national employed in the company, with the employee contributing 5%, the employer 12.5% and government 2.5%.

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 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 10.

SDR

FIGURE 13: BENEFITS OFFERED TO PERMANENT EMPLOYEES

BENEFIT DESCRIPTION	SWITZERLAND	SOUTHERN AFRICA	UAE
Retirement fund (which includes life and disability insurance, funeral cover, pension-backed home loans)	✓	✓	n/a*
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 herein. Mediclinic Middle East offers death and disability cover to all its employees.

Switzerland

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

In 2017, Hirslanden mandated an external firm to execute a gender pay gap analysis for 14 of the 17 Hirslanden hospitals. The Swiss government allows a difference of 5% adjusted pay gap between male and female employees for all listed hospitals. The analysed and adjusted pay gap of all reviewed Hirslanden hospitals is below the 5% window. Hirslanden will also undertake the pay gap analysis for the three outstanding hospitals. This analysis emphasises the focus on a reasonable, fair and market related remuneration policy.

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.

UAE

Relevant UAE salary surveys and market data are available and utilised to benchmark Mediclinic Middle East salaries. Different insurance models are available in Dubai and Abu Dhabi resulting in differences in appointment salaries. Physician salaries are driven by the revenue generating capability of the particular physician. Mediclinic Middle East maintains minimum appointment scales that are fair, equitable and affordable. The process to increase the quality of staff as opposed to the number, and ensuring that remuneration levels are market-related is top of mind. A performance-linked payment system in Abu Dhabi and Al Ain, and a fee-for-service system in Dubai is in place to share revenue with physicians based on professional fees earned and grounded on ethical principles and values. The process to ensure income earned is balanced against value and quality created will continue to get attention in the following reporting periods.

Employee health and safety

The Group recognises the role it has to play towards employee wellness and believes in promoting employee health and reducing absenteeism. The Group is committed to supporting the overall well-being of employees and recognises the importance of employee wellness in the workplace, building a more caring culture for its employees by applying sound wellness practices.

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.

EMPLOYEE WELLNESS

Hirslanden employees are entitled to 16 weeks maternity leave commencing at date of birth or earliest two weeks before the date of birth. The legal requirement in Switzerland is 14 weeks. Various Hirslanden hospitals offer fitness facilities for their employees and work from home arrangements are permitted in agreement with the line managers.

Mediclinic Southern Africa has re-engineered its employee wellness strategy focussing on various dimensions, in response to the results of the *Your Voice* employee engagement survey.

The division has implemented numerous wellness initiatives that includes employee wellness days with internal and external wellness stakeholders, a follow-up 12 week wellness plan to self-monitor progress, flexibility to work from home, on-site health/nutrition initiatives and support through stress management information and training.

The maternity and paternity leave policy provide additional days of leave in excess of the legally required minimum.

Mediclinic Southern Africa's Chief Operations Officer is responsible for occupational health and safety. The division's Employee Wellness Programme places emphasis on occupational health and safety, employee health management and employee social wellness management.

- *Occupational health and safety:* In selected hospitals, 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 these hospitals 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 division 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.

Mediclinic Southern Africa has also reviewed its tuberculosis policy to ensure a workplace that is safe and without risk. Risk assessments are conducted regularly to determine the risks to health and safety and to support employees diagnosed.

During December 2017, Mediclinic Southern Africa has embarked on a disability awareness drive to ensure overall legal compliance and support to disabled employees. More than 6 000 employees participated in the disability awareness drive with 127 vetted by Incon Health as disabilities.

During the reporting period, Mediclinic Middle East implemented a robust Employee Wellness strategy aimed at addressing the mental, physical, social and financial well-being of all employees. This is supported by continued education and awareness about well-being and is prominently supported and endorsed by executive leadership. An employee assistance programme, administered by the current chosen insurer, was implemented on a trial basis and is currently being reviewed for its impact. Changes were also made to the maternity leave policy which now gives female employees three months of maternity leave (with 33 working days at full pay) which is in excess of the UAE statutory maternity leave policy for the private sector of 45 days' maternity leave.

An Employee Health and Safety ("**EHS**") committee is chaired by the Corporate EHS Manager. There is participation from all facilities to ensure effective communication and consultation on EHS topics to achieve the group EHS strategy and to ensure that employees are working in a safe, healthy workplace, are educated and competent to do their work safely, and consider their role in protecting and conserving the environment.

Engagement of employees on EHS topics has improved. Occupational Safety and Health ("**OSH**") representatives are assigned at departmental level. They are building their EHS competency and awareness, participating in OSH risk assessment, drills, training and working towards improving the OSH culture.

Standardisation of the health and safety policies and procedures across the division has been challenging. Emergency codes were standardised in both Abu Dhabi and Dubai, and the standardisation of the Fire Management System programmes and other health and safety related policies are ongoing. The implementation of the Occupational Safety and Health Management Systems ("**OSHMS**") in the Abu Dhabi and Al Ain facilities are on track and will comply with all regulatory authority requirements. One of the objectives of the next year is to achieve implementation of OSHMS in the Dubai facilities.

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

HEALTH AND SAFETY COMMITTEES

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. 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 vaccinations sponsored by Hirslanden. Annual flu vaccinations are also offered to all employees. Due to the high risk of infections, accidents with knives or needles are reported on with high priority and analysed periodically.

Hirslanden complies with the Guide to Regulation 3 of the Swiss Labour Law ("**the Guide**") that provides standards for room climate within the workplace. The Guide includes topics such as air composition, ratio between outside and inside air, room temperature and humidity.

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.

Mediclinic Middle East's EHS committees operate at different levels: group, facility and operational, which ensures that the EHS strategy set for the division 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**.

FIGURE 14: INJURIES AND ABSENTEEISM

	SWITZERLAND**			SOUTHERN AFRICA			UAE		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Total workforce at year-end	9 120	9 402	9 635	16 832	16 848	16 068	2 507	6 375	5 801
Total work-related injuries*	553	423	634	865	985	919	47	34*	18
Absenteeism due to injuries (business days and including the day of the injury)**	Not available	Not available	Not available	3 652	3 112	2 868	13	180	14
Occupational diseases	0	0	0	8	12	15	0	0	0
Work-related fatalities	0	0	0	0	0	1	0	0	0
Total absenteeism due to injuries and sickness (hours)**	560 666	632 528	580 175	158 975	167 519	154 970	8 166	16 803	15 091
Total absenteeism rate (actual days lost, expressed as a percentage of total days scheduled to be worked by the workforce during the reporting period)	3.8%	3.9%	3.9%	2.9%	3.0%	2.9%	1.3%	1.0%	1.0%

* In relation to the total work-related injuries for the Al Noor facilities forming part of Mediclinic Middle East since the combination with Al Noor in February 2016, 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.

** Hirslanden does not measure absenteeism due to work-related injuries only.

HIV/AIDS

Safety procedures are implemented at all three divisions to protect staff against sharp injuries. 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.

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.

Employee engagement and labour relations

EMPLOYEE ENGAGEMENT

In 2015, Mediclinic, in partnership with Gallup, introduced the *Your Voice* employee engagement programme across all operating divisions 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 77% (2017: 71%) participation rate in the *Your Voice* survey and 40% (2017: 36%) of employees showed high levels of engagement. A breakdown of employee participation in the survey and employee engagement for the Group and by division is illustrated in **Figures 15 and 16**.

FIGURE 15: YOUR VOICE EMPLOYEE ENGAGEMENT PARTICIPATION RATE

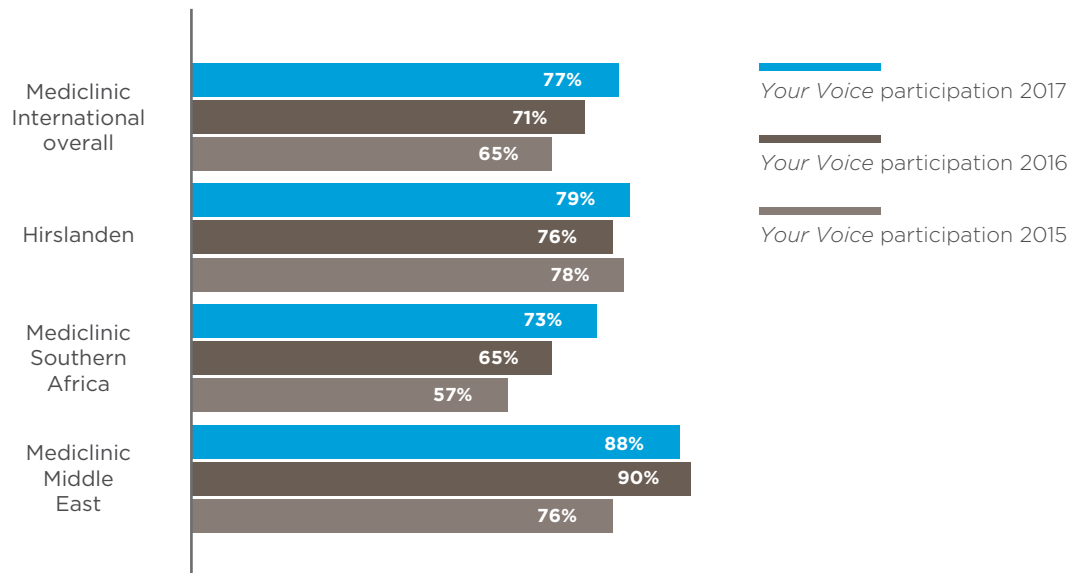
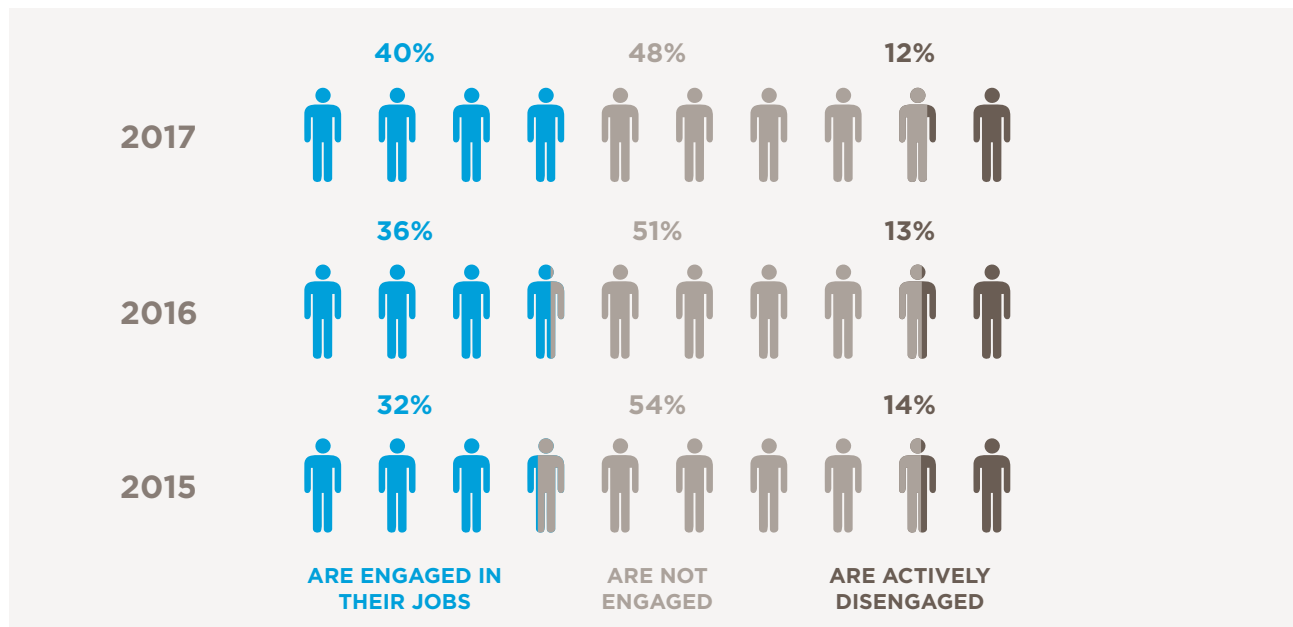


FIGURE 16: YOUR VOICE EMPLOYEE ENGAGEMENT INDEX – MEDICLINIC GROUP



The 2017 *Your Voice* survey identified predominant strengths and opportunities in terms of the employee engagement levels of Mediclinic. Mediclinic continued to perform well on the foundation elements of employees knowing what is expected of them and having the appropriate materials and equipment to perform at work.

A focused approach of driving the central engagement themes of recognition, feedback and supported action planning was implemented in 2017. This corporate focus included the launch of the *Applause* Employee Recognition Programme, which was implemented by Mediclinic Southern Africa in June 2017. In addition, Mediclinic worked on providing clear definitions of the survey questions to ensure an improved understanding of the Gallup philosophy.

Mediclinic Middle East rolled out the employee engagement survey to its business units in Abu Dhabi and Al Ain, since the Al Noor combination in the previous period prevented them from participating.

During 2018, the intention is to continue the focus on opportunities identified in 2017 of trust and opinions counting.

Proper training and support of the line managers are crucial to this process and engagement feedback is included as a key performance indicator in the Mediclinic Southern Africa Management Incentive Scheme. It is intended that this feedback and action planning process will be further enhanced by the deeper understanding of people management, which will be shared with all line managers during the coming period via the People Management for Line Managers programme.

LABOUR RELATIONS

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

The Group respects and complies with the labour legislation in the countries in which it operates and ensures that the internal policies and procedures are evaluated regularly to

accommodate continual amendments to relevant legislation. The employee relations policies of the operating divisions, 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.

Overall Mediclinic Southern Africa's trade union membership has decreased. Union membership in South Africa is currently 10.3% (decreased by 1.6% from 11.9% in 2017). Union membership in Namibia is currently 12.5% (decreased by 1.9% from 14.4% in 2017). Namibian employees are covered by collective bargaining agreements. Mediclinic Southern Africa has recognition agreements in place with all trade unions that have sufficient representation at locality level. In 2018, two unions in South Africa received written correspondence due to insufficient membership resulting in no salary negotiations. Where unions enjoy collective bargaining rights at a locality, salary negotiations are initiated in March every year, with the aim of accommodating the new salary increase date at the end of April.

Hirslanden has no trade union membership by employees. Trade unions are not permitted in the UAE by law and therefore there is no trade union membership among Mediclinic Middle East employees.

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 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 UAE, three months for doctors, nurses and other clinical staff and managers and two months for administrative staff.

MATERIAL ISSUE 2: MINIMISING OUR ENVIRONMENTAL IMPACTS

Highlights

- Since January 2014, the entire Hirslanden electricity supply has been generated from 100% sustainable electricity
- Mediclinic International was included in the global A List for leadership and performance by corporate environmental action, showing leadership on water in the CDP Water Disclosure Project
- Total consumption and intensity per bed day sold for both energy and water decreased in Mediclinic Southern Africa, with Mediclinic Middle East and Hirslanden's consumption remaining stable

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 every 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 is constantly investigating new opportunities to reduce its impact on the environment.

During the period under review, there were no incidents of material non-compliance with any environmental laws, regulations, accepted standards or codes applicable to the Group, with no significant fines imposed.

Link to strategy

- Improve efficiencies

Key stakeholders

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

Risks to the business

- Business interruptions due to water shortages
- Business interruption due to electricity supply
- Increased operational costs due to cost of electricity, water and healthcare risk waste
- Reputational damage

Risk mitigation

- Implementation of appropriate environmental management systems (certified by an internationally recognised body, where appropriate)
- Implementation of the Corporate Sustainable Water Management Strategy in Southern Africa
- Environmental impact assessments for new building projects where required
- Introduction of renewable energy sources, such as solar photovoltaic systems, in order to reduce energy consumption and costs

Key performance indicators

Unless indicated to the contrary, all environmental data reported is per calendar year. This is to ensure the accuracy of the data reported and to align the reporting to the annual submission of reports to the CDP.

TOTAL CO ₂ EMISSIONS (KG/BED DAY) (PER CDP 2017)		
Switzerland	12kg (CDP 2016: 13kg)	↓
Southern Africa	112kg (CDP 2016: 117kg)	↓
UAE*	220kg (CDP 2016: 226kg)	↓

WATER USAGE (KL/BED DAY) (PER CALENDAR YEAR)		
Switzerland	0.649kl (2016: 0.629kl)	↑
Southern Africa	0.594kl (2016: 0.652kl)	↓
UAE*	1.523kl (2016: 0.654kl)	↑

ENERGY CONSUMPTION (GJ/BED DAY) (PER CALENDAR YEAR)		
Switzerland	0.458gj (2016: 0.474gj/bed day)	↓
Southern Africa	0.318gj (2016: 0.327gj/bed day)	↓
UAE*	1.202kl (2016: 0.991gj/bed day)	↑

WASTE RECYCLED (PER CALENDAR YEAR)		
Switzerland	586 tonnes (2016: 550 tonnes)	↑
Southern Africa	1 172 tonnes (2016: 1 283 tonnes)	↓
UAE	196 tonnes (2016: 72 tonnes)	↑

* The intensity measures of CO₂ emissions, water usage and energy consumption per bed 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 and 23 clinics with only outpatient consultations (i.e. no bed days). The extreme weather conditions in the UAE also negatively impacts its energy and water consumption, which is being managed through various initiatives. Mediclinic Middle East has begun working towards a comprehensive energy and water reduction plan for the year ahead to decrease overall consumption.

Policy, approach and performance

Effective environmental management system

The Group Environmental Policy, available on the Company's website at www.mediclinic.com, aims to minimise Mediclinic's environmental impacts and guides the identification and management of all risks and opportunities relating to water use and recycling, energy use and conservation, emissions and climate change, and waste management and recycling. Mediclinic is committed to ensuring that its environmental management systems and practices are aligned with international best practices to safeguard its reputation and provide assurance regarding the environmental quality, safety and reliability of Mediclinic's processes and services.

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 compile 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.

Mediclinic engages with government, regulators, industry bodies and business partners on environmental policy issues impacting the business, including climate change. Contractors and vendors are also encouraged to implement environmental programmes and certifications.

Switzerland

Hirslanden commits itself to comply with the Swiss law concerning the environment, defines programmes to continuously improve environmental management and actively promotes its employees' environmental awareness. Furthermore, Hirslanden formulates targets to prevent environmental pollution and minimise the company's effect on the environment. Suppliers and service providers are encouraged to implement environmental programmes to further restrict negative impacts on the environment.

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.

All 17 Hirslanden hospitals are registered as CO₂-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 CO₂ emissions within the operations. The implemented measures are being monitored annually.

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 "CO₂ & KWH reduced".

The improvement of energy as well as CO₂ indicators shows that the goal to substitute fossil energy sources and therefore reduce environmental impacts prove to be effective. Even with the integration of Hirslanden Klinik Linde into the Group the CO₂ emissions could be reduced overall, thanks to the following measures:

- decarbonisation of steam generation in Klinik Hirslanden and Hirslanden Klinik St. Anna (switch to electric steam generation);
- reduction of fossil energy sources and use of renewable energy by installation of a geothermal heat pump in Hirslanden AndreasKlinik Cham Zug; and
- various modernisation and optimisation measures of energy generators in several hospitals.

The continuous improvement of Hirslanden's environmental performance is evidence of the division's commitment to responsible and sustainable business. In order to improve in the environmental management discipline, the Hirslanden Executive Committee has defined guidelines relating to concerns ranging from training and construction measures to the choice of suppliers.

Southern Africa

In Mediclinic Southern Africa, the Safety Health and Environmental Policy has been implemented. The ISO 14001:2015 Environmental Management Systems is a management system that encourages good management practices that limit the impact of industry on the environment. With the 2015 revision of the standard there is now also a bigger focus on leadership and this includes the context of the organisation. ISO 14001 is a tool we use to minimise immediate and potential long-term environmental impacts and to ensure compliance with relevant legislation. Through monitoring and measuring the use of resources, we are able to reduce our impact on the environment through continual improvement. This is also utilised to effectively reduce our 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 general healthcare waste. 42 of Mediclinic Southern Africa's 52 hospitals are ISO 14001 certified by an external assurance provider, the British

Standard Institute, as accredited by the United Kingdom Accreditation Service. Another two hospitals, Mediclinic Ermelo and Mediclinic Upington will be certified during the year ahead. Mediclinic Southern Africa has transitioned from ISO 14001:2004 to the 2015 revision of the standard. Eight hospitals have already been externally ISO 14001:2015 certified (with the remaining 36 ISO 14001:2004 certified).

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, achieving an average score of 80%. Adhering to the system procedures and processes has a direct impact on consumption as well as the group carbon emissions and is expected to reduce the likelihood and magnitude of the risk.

UAE

Mediclinic Middle East is acutely aware of its commitment to environmental sustainability and 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 is committed to complying with UAE laws and regulations concerning the environment and issues related to climate change, promoting employee awareness on environmental sustainability, waste reduction and energy saving. Furthermore, Mediclinic Middle East has formulated key performance indicators for environmental sustainability and has included the development of environmental initiatives as part of its strategic objectives.

Mediclinic Middle East undertook a number of environmental initiatives and environmental events and rolled out policies which support the Group Environmental Policy. It has initiated the EHS strategy, with the aim of obtaining ISO 14001 certification of all its facilities in the future, and will be implementing further energy saving initiatives as part of Mediclinic Middle East's overall strategic objectives during next year.

Policies in place include hazardous material management, waste management, infection control and utility management. A waste recycling initiative was implemented in Abu Dhabi and Dubai hospitals.

The UAE government pays great attention to environmental land sustainability in all industrial and commercial sectors, and authorities are monitoring facilities' compliance. Mediclinic Middle East is monitoring the implementation of all applicable regulations and conducts corporate EHS audits at all facilities annually.

Awareness programmes and participation in environmental world events take place with the intention to closely monitor performance and improve individual responsibilities toward environmentally sustainable practices.

Reduction of carbon emissions

The Carbon Disclosure Project (“CDP”) is a global initiative measuring companies around the world, 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 on 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 obtained on the CDP website at www.cdp.net, with the most recent reports also available on the Company’s website at www.mediclinic.com.

The operating divisions of the Group measure, with the assistance of external consultants, its carbon footprint using the GHG Protocol and includes, in varying degrees:

- **direct emissions**, which in the healthcare industry will refer mainly to the emissions of anaesthetics gases (scope 1 emissions);
- **indirect emissions from the consumption of electricity** (scope 2 emissions);
- **indirect emissions from suppliers**, which in the healthcare industry will refer mainly to pharmaceutical, bulk oxygen and waste-removal suppliers (scope 3 emissions); and
- **non-Kyoto Protocol greenhouse gas emissions** such as Freon, which is used in air-conditioning and refrigerant equipment. With the assistance of external consultants, these emissions data were converted into a carbon dioxide equivalent (“CO₂e”) using recognised calculation methods, emission factors and stating assumptions made, where relevant.

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

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



Switzerland

Strict legislation applies in Switzerland regarding NO_x and SO_x air emissions, with which 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 has lowered its CO₂ emissions (12kg per bed day), mainly due to the switch to 100% sustainable electric power supply (refer to **Figure 17**). The scope 2 indirect emissions have risen due to the integration of Klinik Linde into the division. Klinik Linde has been using so called “grey electricity” (electricity from unknown sources). This sort of electricity can be derived from nuclear energy or coal power stations. In FY19, Klinik Linde will change its electricity supply to guarantee the whole division uses nuclear and fossil-free electricity.

FIGURE 17: TOTAL CARBON EMISSIONS (HIRSLANDEN) (per calendar year)

	2013	2014	2015	2016	2017
Scope 1: Direct emissions	7 332	7 163	6 743	7 349	6 317
Scope 2: Indirect emissions from purchased electricity	365	419	389	389	837
Scope 3: Indirect emissions from supply chain, business travel and waste removal	5	102	102	84	n/a
TOTAL CO₂e (tonnes)	7 702	7 684	7 234	7 822	7 154
CO₂e/bed day (kg)	15	14	13	13	12
Intensity		↓	↓	–	↓

Southern Africa

Figure 18 reflects the results of the Mediclinic Southern Africa's CDP ranking over the past six years.

FIGURE 18: RESULTS OF SOUTH AFRICAN CARBON DISCLOSURE PROJECT

CDP 2013	CDP 2014	CDP 2015	CDP 2016	CDP 2017
Ranked joint second position in the Climate Disclosure Leadership Indices (“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	Included in the global A List for water conservation

Mediclinic Southern Africa's carbon footprint as reported in its 2017 and 2018 CDP reports is set out in **Figures 19** and **20**, evidencing that electricity is the main contributor to its carbon footprint. The total weight of CO₂e decreased from 117kg CO₂e/bed day in its 2017 CDP report to 112kg CO₂e/bed day in its 2018 CDP Report.

FIGURE 19: CARBON EMISSIONS BY ACTIVITY (MEDICLINIC SOUTHERN AFRICA) (CDP 2018)

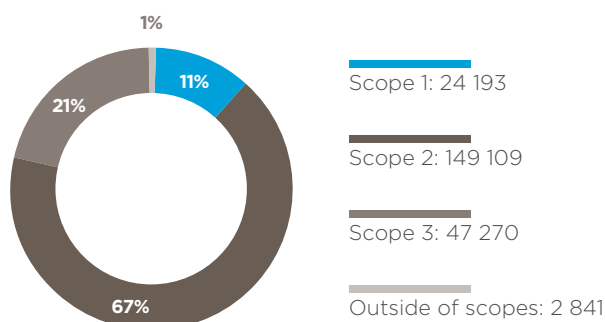


FIGURE 20: TOTAL CARBON EMISSIONS (MEDICLINIC SOUTHERN AFRICA)

ACTIVITY	CDP 2014 (2013/14 FY)	CDP 2015 (2014/15 FY)	CDP 2016 (2015/16 FY)	CDP 2017 (2016 CALENDAR YEAR)	CDP 2018 (2017 CALENDAR YEAR)
Scope 1: Direct emissions	21 869	22 999	23 841	24 687	24 193
Scope 2: Indirect emissions from purchased electricity	151 156	154 035	159 571	156 781	149 109
Scope 3: Indirect emissions from supply chain, business travel and waste removal	35 062	33 382	36 037	49 488	47 270
Non-Kyoto Protocol emissions	6 952	6 419	3 966	5 236	2 841
TOTAL CO₂e (tonnes)	215 039	216 834	223 415	236 192	223 413
CO₂e/full time employee	13.567	13.326 ↓	13.273 ↑	14.026 ↑	13.680 ↓
CO₂e/square meterage	0.335	0.320 ↓	0.313 ↓	0.299 ↓	0.274 ↓
CO₂e/bed day (kg)	115	111 ↓	111 —	117 ↑	112 ↓

Total Scope 1 emissions decreased by 2% in 2017 to 24 193 tonnes (CDP 2017: 24 687 tonnes).

CO₂e and Scope 2 emissions decreased by 4.89% in 2017 to 149 108 tonnes CO₂e (CDP 2017: 156 781 tonnes CO₂e).

UAE

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

FIGURE 21: TOTAL CARBON EMISSIONS (MEDICLINIC MIDDLE EAST)

	CDP 2015 (2014/15 FY)	CDP 2016 (2015/16 FY)	CDP 2017* (2016/17 FY)
Scope 1: Direct emissions	1 158	1 731	5 594
Scope 2: Indirect emissions from purchased electricity	12 038	12 148	19 892
Scope 3: Indirect emissions from supply chain, business travel and waste removal	4 449	3 464	4 722
Non-Kyoto Protocol emissions	726	621	3 476
TOTAL CO₂e (tonnes)	18 371	17 964	33 684
CO₂e/bed day (kg)*	246	226	220
Intensity	—	↓	↓

* Since the CDP 2017, the Mediclinic Middle East figures include the Al Noor business, whereas in previous years it only included the Dubai business, and therefore not directly comparable with that of previous years.

Energy efficiency

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

The direct and indirect energy consumption 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 22: DIRECT AND INDIRECT ENERGY CONSUMPTION (gigajoules)

SWITZERLAND			SOUTHERN AFRICA		UAE*	
Direct energy purchased						
2015	117 884		103 828		1 538	
2016	128 701		102 563		12 199	
2017	108 859		98 634		22 154	
Direct energy produced						
2015	113 (solar collectors)		424		0	
2016	90 (solar collectors)		1 527		0	
2017	98 (solar collectors)		1 576		0	
Indirect energy consumed						
2015	140 690		564 202		65 329	
2016	140 597		553 055		113 730	
2017	156 453		534 999		141 730	
Total energy consumption						
	Gj	Gj/bed day	Gj	Gj/bed day	Gj	Gj/bed day
2015	258 575	0.477	668 030	0.333	66 867	0.842
2016	269 299	0.474	655 618	0.327	125 929	0.991
2017	265 312	0.458	632 057	0.318	163 884	1.202
Intensity		↓		↓		↑

* The intensity measures of energy consumption per bed day for the UAE are not comparable with that of Southern Africa and Switzerland, as the energy consumption include the consumption of the division's outpatient clinics (i.e. no bed days).

Switzerland

In 2017, the entire Hirslanden electricity supply (all 16 hospitals and the Corporate Office) was generated from 100% sustainable electricity, mainly from hydropower plants. Starting in 2018, Hirslanden Klinik Linde will be supplied with renewable energy in its entirety. Hirslanden Clinique Cecil has installed a solar plant on the roof of its extension to further use renewable energies.

Southern Africa

A reduction in the total electricity consumption in 2017 was noted compared to the previous reporting year. The two factors that contributed the most to this reduction were the drive in changing human behaviour via the ISO 14001:2015 Environmental Management System and the improvement of plant efficiencies and monitoring; a decline in the total bed days sold was also a contributing factor.

The total electricity consumption in kilowatt hours ("kWh") decreased from 155 962 164 kWh in the previous reporting year to 145 811 215 kWh; this is a reduction of 10 150 949 kWh. 2 576 790 kWh of the reduction in

consumption can be contributed to the decrease in bed days sold during the reporting year.

The electricity consumption intensity, also calculated in kWh per bed day sold, has decreased from 77.10 kWh/bed day sold the previous reporting year to 73.29 kWh/bed day sold. This calculation already takes into account the reduction in bed days sold. This is a decrease of 4.94% in kWh/bed day sold.

During the reporting year Mediclinic Southern Africa generated 437 765 kWh in renewable energy. These kWh generated is included in the total electricity consumption figures. Renewable energy is generated by photovoltaic installations installed at Mediclinic Gariep, Mediclinic Windhoek and Mediclinic Klein Karoo. Incorporating renewable energy initiatives in operations will provide Mediclinic with innovative, cost-effective methods of managing its carbon footprint. The planning and commissioning of additional photovoltaic installations are in progress.

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 division plans to reduce Mediclinic's energy consumption on bed days sold by 3.09% per year; this will be done by drawing on leadership support to change internal behaviours that will lead to energy efficient practices being further adopted throughout the division.

SCADA monitoring systems have been installed in the majority of the hospitals in Mediclinic Southern Africa that continuously monitor the hospitals' electricity consumption. Three verification methods have been implemented to ensure the accuracy and reliability of the electricity data. The first method entails comparing the SCADA readings with the readings indicated on the electricity accounts from the local authority. The second method includes verification by internal parties from Corporate Office. The third method includes verification by two independent external parties.

UAE

Energy consumption per bed day increased by 34.45% for the year. The results are not directly comparable with the previous year, however, as significant additional data from a number of Al Noor units which was not available last year has now been included. A new hospital opened during the reporting period, and there was a reduction in the overall number of bed days. To minimise energy usage, Mediclinic Middle East is actively changing all lighting to newer technology LED fittings, in line with the other divisions. 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 division going forward.

Responsible water usage

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

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 has risen slightly from 0.629kl to 0.649kl per bed day. This is due to 2017 being an above average warm year in Switzerland which translated to a higher water consumption in the hospitals.

Southern Africa

Mediclinic Southern Africa determines the water risk impact, such as supply and quality of water, regulatory and tariff risk, and any other water related risk specific to Mediclinic Southern Africa's operations that might impact the organisation's growth strategy. An environmental risk survey is conducted using the CURA (Enterprise Risk Management ("ERM") software application called CURA) to identify the severity, likelihood and exposure of water risks to Mediclinic's growth strategy. The exposure component of this survey includes risk evaluation over the next ten years. The water risks that were identified are audited by the Corporate Office on a yearly base to ensure that corrective action plans are put into place to address any water risks that might have an impact on Mediclinic's growth strategy.

The Western Cape region has experienced the worst drought in history driven by a prevailing weak La Nina weather event. This has resulted in water restrictions and threat of water cuts in the Western Cape region. The threat of prolonged dry weather could last up to three years. The City of Cape Town has indicated a "possible failure of dam systems in 2018" if there is a below average winter rainfall. Climate change predictions for the Western Cape indicate continued warming, drying and windier conditions going forward. Water disruptions have increased in the last five years in South Africa and Namibia.

Figure 23: WATER USAGE FROM WATER UTILITIES (kilolitres)

	2014/15 FY*		2015/16 FY*		2016 CY		2017 CY		INTENSITY
	KL	KL/ BED DAY	KL	KL/ BED DAY	KL	KL/ BED DAY	KL	KL/ BED DAY	
Switzerland	347 426	0.664	361 166	0.665	357 456	0.629	375 429	0.649	↑
Southern Africa	1 295 982	0.664	1 392 734	0.694	1 327 556	0.652	1 185 271	0.595	↓
UAE**	86 427	1.165	89 316	1.125	83 192	0.654	207 666	1.523	↑

* Switzerland has always reported water consumption per calendar year. The 2014/15FY reporting included Hirslanden's 2014 CY data; and the 2015/16 reporting included Hirslanden's 2015 CY data. Mediclinic Southern Africa and Mediclinic Middle East commenced with calendar year reporting from 2016.

** The intensity measures of water usage per bed day for the UAE are not comparable with that of Southern Africa and Switzerland, as the water usage includes the consumption of the division's outpatient clinics (i.e. no bed days). During the year, the data measurement is more accurate.

A Corporate Sustainable Water Management Strategy was developed in 2016 and implemented the same year. The strategy includes actions to mitigate and address various risks associated with the water management crisis in Southern Africa, and especially the water crisis in the Western Cape. Mediclinic Southern Africa actively engaged with public policy makers and other stakeholders in the Western Cape region, and also embarked on extensive employee and patient awareness campaigns on water conservation.

Mediclinic Southern Africa hospitals have installed dedicated water meters with pulse monitoring capabilities. These water meters are linked to the SCADA monitoring systems that have been installed in the majority of the hospitals in Southern Africa and continuously monitor the water consumption of the hospitals.

Three verification methods have been implemented to ensure the accuracy and reliability of the water data. The first method entails comparing the SCADA readings with the readings indicated on the accounts from the local authority. The second method includes verification by internal parties from Corporate Office. The third method includes verification by two independent external parties.

Through the ISO 14001 Environmental Management System, water consumption of our hospitals is measured and verified. The total water consumption decreased by 137 571 kilolitres from 1 318 271 kilolitres in 2016 to 1 181 979 kilolitres in 2017. The drive in changing human behaviour via the ISO 14001:2015 Environmental Management System was the biggest contributor to the reduction in water consumption; with the decline in bed days sold also a contributing factor.

The water consumption intensity is calculated in litres per bed day sold. The water consumption intensity decreased from 0.652kl/per bed day sold in 2016 to 0.594kl/per bed day sold in 2017; this is a reduction of 0.058kl/per bed day sold (9%). This calculation already takes into account the reduction in bed days sold.

In December 2017, Mediclinic received a global A List status award for water conservation, this award by the prestigious CDP, which provides scores for corporate action on climate, water and forests using data gathered through its disclosure questionnaire. Mediclinic Southern Africa is one of only 73 companies globally to be awarded an A grade on water, and as such it is now classified as an A List company, a select few around the world that have been identified as leading in their efforts and actions to combat environmental risk in the past CDP reporting year. As we reach a tipping point in corporate environmental action, showing leadership on water is more important than ever. Mediclinic acknowledges the major contribution of our employees towards ensuring our resources are used responsibly.

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 further reduce consumption where required. Total water consumption per bed day has increased by 132.87% in the past year. The results are not directly comparable with the previous year, however, as significant additional data from a number of Al Noor units which was not available last year has now been included. A new hospital was also opened during the reporting period and a reduction in the number of bed days was recorded.

Safe waste and hazardous waste management

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

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 3 824 tonnes of waste in 2017 compared to 3 540 tonnes in 2016.

In 2017, a total of 124 tonnes of leftover food was picked up from the Hirslanden Klinik St. Anna, Klinik Hirslanden and Hirslanden Klinik Im Park hospitals, which were processed in a biogas facility to create methane, which is then used to generate electricity. The resulting 35 435 kWh was equivalent to the annual electricity needs of around 11 three-person households. The end product from the biogas facility could also be used to fertilise a 2.5-hectare field of grain.

Southern Africa

Mediclinic Southern Africa is committed to reducing its waste and complying with waste legislation and always opt for the most environmentally friendly manner to dispose of waste in order to reduce its impact on the environment. The corporate procedure on waste collection, disposal and removal includes all waste streams in the division's hospitals: infectious sharps; anatomical; pharmaceutical; chemical; radioactive waste; fluorescent tubes; batteries; mercury; used cooking oil; electronic waste and general waste recycling.

Each hospital also has a waste management plan.

The total healthcare risk waste generated in kilograms increased from 2 916 702 kilograms in 2016 to 3 021 458 kilograms in 2017; this is an increase of 104 756 kilograms. The intensity of the healthcare risk waste generated is calculated in kilograms per bed day sold and has also increased from 1.44 kg/bed day sold in the previous reporting year to 1.52 kg/bed day sold; this is an increase of 0.08 kg/bed day sold.

Mediclinic Southern Africa forms part of the Healthcare Waste Reduction Forum of the National Department of Environmental Affairs where topics like the implication of air emission standards relating to incineration, the Waste Information System and the management of empty medicine bottles in health care facilities are discussed. Mediclinic Southern Africa engaged with public policy makers of the National Department of Environmental Affairs Hazardous Waste Management Support, Chemicals and Waste Branch about the generation and treatment figures of healthcare risk waste by private hospitals in South Africa.

In 2013, Mediclinic Southern Africa started 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. A specific healthcare risk waste technology was identified, which complies with the criteria of environmental sustainable solutions 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 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 three years. The unit is performing exceptionally well. Mediclinic Southern Africa believes that the technology 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 followed by safe disposal certificates issued. Mediclinic Southern Africa makes use of a recycling facility in South Africa to recycle its fluorescent tubes and compact fluorescent lamps.

The division generally makes use of external waste management providers, but in smaller areas where this facility is not available, recycling is undertaken by local recyclers. 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. General waste is recycled, as far as reasonably practicable. Following an investigation of the recycling of PVC drip bags, this will now be rolled out to other Mediclinic facilities. A research study is currently in progress to see what other uncontaminated plastic waste can be diverted from landfill. Mediclinic Southern Africa is establishing a healthcare waste reduction group to work together with other healthcare establishments (government and private) to investigate ways to minimise and recover waste where possible. This will include recycling empty glass vials and investigating different ways to divert organic food waste from landfill. The total waste recycled for the year was 1 172 tonnes, a decrease of 111 tonnes (8.5%) from the previous year.

Waste reporting continues to improve in accuracy compared to previous years due to better estimations and more data being received from on-site waste management companies as more hospitals make use of it.

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 similar. 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.

UAE

Medical waste is disposed of in line with the directives of federal and local authorities and is handled by 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 increased by 172% to 196 tonnes from 72 tonnes during the year. This increase is due to education and awareness initiatives in all units during the course of the year.

MATERIAL ISSUE 3: BEING AN ETHICAL AND RESPONSIBLE CORPORATE CITIZEN

Highlights

- Anonymous independent ethics lines at all operating divisions
- A three-year compliance monitoring programme was developed to enhance the existing compliance culture
- Hirslanden supports Mercy Ships, an international charity which operates the largest non-governmental hospital ship in the world
- Contributed R5m to the South African Department of Health's Public Health Enhancement Fund
- In partnership with the public health sector, Mediclinic Southern Africa performed over 100 *pro bono* procedures on public patients

Why this is important to the business

Governance and corporate social responsibility are integral to Mediclinic's approach to running a sustainable, long-term business. In line with the Group's vision of being preferred locally and respected internationally, 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 has entrenched a range of policies, processes and standards to support the Group's governance and Corporate Social Investment ("CSI") programmes and provide a framework of the standards of business conduct and ethics that are required of all operating divisions, directors and employees within the Group, such as the Code of Business Conduct and Ethics, Enterprise-wide Risk Management Policy, Fraud Risk Management Policy, Regulatory Compliance Policy and the Anti-bribery Policy.

Adherence to these policies is 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 encourages staff to be vigilant and transparent for any suspicious or unethical behaviour. These policies provide clear guidelines and frameworks to assist in achieving set objectives, for example, compliance with applicable laws and regulations. The policies are communicated to all relevant employees and where necessary training is provided. The enhanced training and awareness of Group policies are planned for the year ahead.

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 the 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

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 and compliance department and 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 CSI initiatives by senior management, with feedback to the Clinical Performance and Sustainability Committee

Key performance indicators

CALLS TO ETHICS LINES*		
Switzerland	21 (2017: 20)	↑
Southern Africa	97 (2017: 202)	↓
UAE	10 (2017: 6)	↑

* Six high-priority cases were reported to the Group's ethics lines during the year, all of which were investigated and closed.

INVESTMENT IN CAPITAL PROJECTS AND NEW EQUIPMENT (OPERATING DIVISIONS)		
Switzerland	CHF47m (2017: CHF74m)	↓
Southern Africa	R423m (2017: R766m)	↓
UAE	AED358m (2017: AED188m)	↑

INVESTMENT IN REPLACEMENT OF EQUIPMENT AND PROPERTY UPGRADES (OPERATING DIVISIONS)		
Switzerland	CHF82m (2017: CHF89m)	↓
Southern Africa	R634m (2017: R515m)	↑
UAE	AED31m (2017: AED57m)	↓

EXPENDITURE ON REPAIRS AND MAINTENANCE (OPERATING DIVISIONS)		
Switzerland	CHF40m (2017: CHF37m)	↑
Southern Africa	R219m (2017: R234m)	↓
UAE	AED42m (2017: AED39m)	↑

CONTRIBUTION TO CSI INITIATIVES		
Switzerland	CHF2.3m (2017: CHF2.5m)	↓
Southern Africa	R29.3m (2017: R27.5m)	↑
UAE	AED1.0m (2017: AED992 000)	↑

TRANSFORMATION (SOUTH AFRICA ONLY)		
Percentage black employees	72.1% (2017: 71.2%)	↑
Percentage black management employees	29.4% (2017: 27.7%)	↑

Policy, approach and performance

Ethics, anti-bribery and anti-corruption

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") and Anti-bribery Policy, 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.

The Group adopts a zero-tolerance policy to unethical business conduct, including bribery, fraud and corruption.

Any employee or external stakeholder is able to report any wrongdoing throughout the Group on a confidential basis to the ethics lines. All reports are dealt with in a non-discriminatory manner and any person making use of the independent ethics lines has the option to remain anonymous. Any form of retaliation against an employee or other person making a report in good faith shall not be tolerated. A dedicated ethics contact person per division is available to deal with matters pertaining to the Code. The number of calls received through the Group's ethics lines is indicated on this page 43. 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.

The Group's Anti-bribery Policy governs the granting and acceptance of gifts, hospitality and entertainment, which will only be approved if it is acceptable business practice, there is a proper business case and no potential to adversely affect Mediclinic's reputation.

The Group's Fraud Risk Management Policy facilitates the development of controls for the prevention of fraud and corruption. Feedback on ethics and fraud is provided to the Audit and Risk Committee at every meeting, with regular feedback to the Clinical Performance and Sustainability Committee.

Further details regarding the Group's management of these matters are included in the report on **Risk Management, Principal Risks and Uncertainties** and the **Audit and Risk Committee Report** included in the **2018 Annual Report**.

During the period under review, there were no incidents of material non-compliance with the Code, Anti-bribery Policy or any laws, regulations, accepted standards or codes applicable to the Group concerning antitrust matters or matters relating to corruption and bribery, with no significant fines being imposed in this regard.

Cost of healthcare

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 divisions to compare prices and drive procurement strategies;
- better prices through pooling of capital equipment purchases across the three divisions;
- 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 **2018 Annual Report**, for initiatives to improve cost-effectiveness.

Switzerland

Hirslanden's procurement and logistics department is investing in new resources such as product group managers to drive product standardisation, to collaborate 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 has shown further positive results. The number of stock items was reduced by 20% and the cost thereof was 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 division's maintenance tool, Waveware.

Southern Africa

Mediclinic Southern Africa has embarked on various initiatives to ensure the ongoing affordability and sustainability of private healthcare 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 patients and funders of hospital services.

Private healthcare funding in South Africa is principally provided through medical schemes. A consolidation in the medical schemes market over time has led to an increase in their bargaining power. The number of medical schemes consolidated further in 2016 due to the amalgamation of LMS Medical Fund and Bonitas Medical Scheme on 1 October 2016. At the end of 2016, there were 82 medical schemes; consisting of 22 open schemes and 60 restricted schemes. 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%). Following a contraction in the medical scheme industry in 2015, there was a year-on-year increase of 0.78% in the total number of medical scheme beneficiaries, from 8.809 million in December 2015 to 8.878 million in December 2016. Based on the latest quarterly report of the Council for Medical Schemes the total number of lives decreased by 0.1% from 8.878 million as at 31 December 2016 to 8.869 million as at 30 September 2017.

The total cost of healthcare of hospital related services encompasses hospital services, and associated doctor and allied professional 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 has therefore invested and is continuing to invest in order to enhance its data analytics capabilities with a view to facilitating targeted action in achieving this objective.

The Council for Medical Schemes ("CMS") commenced with a process to review Prescribed Minimum Benefits, the legislative structure that defines minimum benefits. This review is mandated in terms of the provisions of the Medical Schemes Act and has been initiated following stakeholder concerns that Prescribed Minimum Benefits are not responsive enough to the changes in healthcare needs of the population, current health technology and best clinical practice, as well as the financial impact on medical schemes. The CMS published and invited comments on a framework for a services benefits package on 8 February 2018. Mediclinic has provided comments on the aforementioned framework and continues to participate in the collaborative process undertaken by the CMS.

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 a market. The Competition Commission is due to publish its final report and recommendations in August 2018.

UAE

The cost of healthcare for insurance companies is a function of provider prices and utilisation of healthcare services. The latter is an unpredictable cost which gives rise to medical inflation in excess of salary inflation everywhere in the world. This problem is also present in the UAE and Mediclinic Middle East is known in the market for its strong stance in ensuring ethical medicine is practised and that none of its doctors are incentivised to over-subscribe any diagnostic tests or medicines. This focus is supported by the Clinical Utilisation Committee chaired by the Chief Clinical Officer as well as alternative reimbursement models offered to insurance companies whereby Mediclinic Middle East accept the risk for outpatient utilisation.

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 the

delayed shadow billing which started during February 2018. The Dubai Health Authority (“**DHA**”) is aiming to introduce DRG reimbursement for all cases (as opposed to earlier plans to start with only high frequency cases) in early 2019. For the first time since 2014, the DHA did not announce the percentage cap on annual tariff increases, which translates to an effective 0% cap for 2018. 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 90%, 5% and 5% for Abu Dhabi and 84%, 7% and 9% for Dubai.

Supply chain management

In order to deliver its services, Mediclinic is dependent on a large and diverse range of suppliers, who form an integral part of the Group’s ability to provide quality hospital care. Mediclinic believes in building long-term relationships with suitable suppliers and establishing a relationship of mutual trust and respect. Regular meetings are held with suppliers to ensure continuity of service. The Group relies on its suppliers to deliver products and services of the highest quality in line with Mediclinic’s standards. Various other criteria play an important role in selecting suppliers, such as: compliance with applicable international and local quality standards, price, compliance with appropriate specifications suited for the Group’s markets, stability of the organisation and the relevant equipment brand, good-quality and cost-effective solutions, support network, technical advice and training philosophy.

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.

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.

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.

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 divisions;
- volume bonus agreements with key capital equipment suppliers;
- price comparisons to ensure similar value is achieved by all divisions;
- 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 (“**GPO**”) is in the process of being established to increase direct access to the global market and supply chain. The goal is to provide products to the divisions 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 divisions 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 strengthening 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 decisions 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 throughout the Group’s supplier relationships.

During the year additional measures were put in place to monitor supplier conduct. More information on this topic is available in the Mediclinic Modern Slavery and Human Trafficking Statement, available on the Company’s website at www.mediclinic.com.

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

Switzerland

During the business year Hirslanden has established the concept of Product Group Manager (“**PGM**”). The PGM’s main focus is the standardisation of the various product groups in cooperation with the hospitals as well as negotiating new and renegotiating existing contracts. With a corresponding standardisation project, Hirslanden standardised 20 product groups. This reduction resulted in a reduction of the number of articles by 40% and reduced the cost of these product groups by an average of 27%.

As a result, the Group-wide Procurement Network and the international sourcing activities with an increased import volume, realised substantial savings. The newly established compliance report will support the increase of compliance with the procurement strategy and with already signed contracts.

The central logistic platform (Zenlop, Zentrale Logistik Plattform) is running very well. The quality of just-in-time delivery has increased up to 99.2%, the overall cost went down 6%, which is close to the existing benchmark of best in class companies in Switzerland. Zenlop is a key part of the process for importing and distributing medical consumable goods. Although Hirslanden increased the volume (+16%) handled via Zenlop, the number of products went down by 26%, as a result of standardization. Further possible uses of the platform to improve processes and reduce overall costs are under evaluation.

The implementation of the outsourcing deal for high complex medical equipment is completed and the implementation for middle and low complex medical equipment is in line with planning. The expected savings have been achieved as planned and the quality and customer satisfaction also heavily increased. The data quality on Waveware has improved and therefore the visibility of maintenance cost has increased. The data also allows analysis of service quantity and quality and delivers excellent information to plan future investments in medical technology.

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 2014. 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.

In South Africa, the B-BBEE status of a supplier plays a larger role in new supplier applications and tenders than in the past. An Enterprise and Supplier Development (“**ESD**”) strategy focussing on Preferential Procurement and ESD was developed and good progress has been made in the implementation phase. Mediclinic South Africa is expecting a strong increase in the score in the next verification process. B-BBEE reporting remains outstanding, yet it was incorporated into a project focusing on Procurement Analytics and Reporting.



The third-party electronic tender system that previously focused on pharmaceutical products (excluding medicine) and that was expanded to other procurement projects within the greater department is no longer used following a crash in the system and the inability of the third party to guarantee data safety and integrity. A new in-house process was developed and is currently being tested for scalability.

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. This pilot study is in the final phase with the benefits realisation expected to be completed in the next 2-3 months.

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.

Maintain high-quality healthcare infrastructure

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 the key performance indicators on page 43 and to the **Chief Executive Officer’s Review**, the **Divisional Reviews** and **Our Strategy, Progress and Aims** included in the **2018 Annual Report**).

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 **2018 Clinical Services Report**, available on the Company’s website at www.mediclinic.com.

Switzerland

All of Hirslanden’s facilities are ISO 9001:2008 certified, the international standard that specifies requirements for a quality management system. By September 2018, all hospitals will have to adopt the new version of the standard, ISO 9001:2015, in accordance with which Hirslanden Clinique La Colline, Hirslanden Klinik Aarau, Belair, Birshof and Stephanshorn 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”).

Southern Africa

The Council for Healthcare Services 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-five of these hospitals held COHSASA accreditation at year-end. One hospital, as a new entrant, has its first survey scheduled in 2018 with another hospital currently undergoing laundry upgrades, will undergo an accreditation survey once the upgrades are completed.

UAE

Hospital accreditation is a mandatory requirement of the Dubai Healthcare City Authority (“DHCA”), the Dubai Health Authority (“DHA”) and the Department of Health (“DoH”). Mediclinic Al Noor Hospital in Abu Dhabi was successfully re-accredited by the Joint Commission International (“JCI”) during November 2017.

In addition to JCI accreditation, the laboratory of Mediclinic City Hospital also achieved the College of American Pathologists accreditation in 2009, 2011, 2013, 2015 and 2017. The Mediclinic City Hospital laboratory also obtained ISO 15189:2009 certification in 2010, 2013 and early 2016. All the laboratories in Abu Dhabi, Al Ain and the Western Region were also successfully ISO certified during February 2018.

Information security

Mediclinic is committed to conducting its business in accordance with all applicable data protection laws as may apply from time to time in the various operating divisions. Maintaining and respecting the privacy of our employees, directors, patients, affiliated doctors, suppliers and stakeholders remains a priority. Mediclinic has reaffirmed its commitment to protect the personal data of its stakeholders by embarking on a group-wide data privacy project to align and ensure compliance with relevant data protection laws, as may be applicable in the various countries of operation, including the European Union’s General Data Protection Regulation (“GDPR”), widely regarded as the gold standard for data protection. The Group Privacy and Data Protection Policy has been aligned to the GDPR standards and various initiatives are underway to ensure that core components are legally compliant by 25 May 2018, which is the date the GDPR will come into effect. The project will be rolled out to the rest of the Group thereafter while ensuring that other applicable data protection laws are also complied with.

SDR
AR

CSR

Information security policies and controls are in place throughout the Group regulating, *inter alia*, the processing, use and protection of own, personal and third-party information. This is further entrenched through ongoing user training, security awareness programmes and certification courses in information security. Flows of personal data across country borders are dealt through formal arrangements in line with country-specific legislation. There were no material information security or data privacy incidents reported during the year under review.

The Group ICT Steering Committee is supported by the Group's Information Security Architecture Committee, consisting of the information security officers of the Group and the operating divisions. The proceedings of this committee are informed by information security best practices sourced from Gartner, ISACA, CoBIT 5, ITIL, ISO 27001 and the South African King IV™ Report on Corporate Governance.



Further detail on the Group's ICT investments are included in the **Chief Executive Officer's Review** included in the [2018 Annual Report](#).

Switzerland

Hirslanden is committed to conducting its business in accordance with federal data protection laws, ordinances and regulations as well as cantonal laws that apply. Maintaining and respecting the privacy of our patients, employees, directors, affiliated doctors, suppliers and other individuals ("**data subjects**") remain a priority. The Swiss Data Protection Act as well as the Federal Data and Public Affairs Commissioner and the Cantonal Data Protection Authorities provide clear guidelines concerning sensitive personal data (e.g. patient data), cross-border concerns, organisational and technical measures, as well as concerning archiving and deletion or any such related activities.

As of 25 May, 2018, the GDPR will be in force, requiring an increased level of data protection measures by organisations compared to the current legal and regulatory requirements. The main purpose of the GDPR is the protection of data subjects and their personal data. Due to the GDPR's extra-territorial scope and major changes in comparison to current laws and regulations, breaches within Hirslanden have been analysed and proper implementation and management of data privacy governance have been enforced with the assistance of external advisors in order to manage operational and reputational risks and to avoid potential fines for non-compliance. The Swiss Data Protection Act ("**Swiss DPA**") is currently under revision (current draft published September 15, 2017) and will fundamentally align with the GDPR requirements. The new Swiss DPA is therefore expected to include key GDPR requirements such as more transparent data subject information and notices, the principle of "Privacy by Design", assuring for any new initiative that data is appropriately protected, a "Data Protection Impact Assessment" in relation to personal data and organisational processes, and an active "data breach notification" to the authorities in case of a detected, qualified data breach. A "Privacy Policy" which facilitates awareness and training for employees is being implemented.

Since August 2017, Hirslanden's ICT security works closely with MELANI, the Federal Reporting and Analysis Centre for Information Assurance concerning cybersecurity concerns. Information on threats and measures when using modern information- and computer technology, such as the internet and electronic banking, are being tracked and reported to the members. When an acute situation arises, the members are informed immediately and advised of adequate measures to be taken.

Southern Africa

Mediclinic Southern Africa established an Information Security Committee in response to cybersecurity threats. This committee is responsible for creating a systematic approach to measuring and managing ICT-related information security risks at an operational level. The committee identifies measures and develops appropriate response strategies to operational information risks using a standard-based framework, and tracks the resolution and status of these risks on an ongoing basis.

In line with the Group's cybersecurity incident response requirements, Mediclinic Southern Africa has created the cybersecurity incident response team, which is responsible for managing and coordinating technical responses to cybersecurity incidents. As part of improving our cybersecurity defences and responses, independent cybersecurity assessments are conducted on the ICT infrastructure annually. All cybersecurity incidents are recorded on CURA as part of risk management.

Mediclinic Southern Africa has created standard data breach communication templates in line with legislative requirements, such as the Protection of Personal Information Act ("**POPIA**").

UAE

Mediclinic Middle East proactively manages vulnerabilities in its legacy applications using specialised security software to identify issues and act upon them accordingly. In line with Mediclinic International cybersecurity incident response requirements, Mediclinic Middle East has also established an On Demand Cyber Incident Response Team ("**OCIRT**") which is responsible for managing and coordinating technical responses to cybersecurity incidents.

The Mediclinic Middle East infrastructure environment is audited annually by Mediclinic International to ensure compliance with established security controls. Information security policies and guidelines have been published in line with Mediclinic International requirements. Mediclinic Middle East has adopted the COBIT framework for the evaluation of general computer controls with specific reference to the Centre for Internet Security's ("**CIS**") top 20 critical security controls for managing cybersecurity.

As part of Mediclinic International's efforts to conform with legislative requirements, Mediclinic Middle East has conducted a review of all data security protocols to ensure they are in line.

Support of external training institutions

The Group is committed to educational development within all three of its operating divisions and provides financial and other necessary support towards advancing healthcare education.

Switzerland

During the year, medical experts from Hirslanden provided lectures at external academic institutions. Collaboration between the University of Zurich and the Hirslanden hospital in Zurich facilitates in-hospital training of the medical students. A second student course was successfully executed during autumn / winter 2017. A similar collaboration exists between the hospital St. Anna and the University of Basel.

Southern Africa

Mediclinic Southern Africa provided funding in the form of bursaries and sponsorships to academic institutions to the value of R9.9m (2017: R9.7m) for existing employees as well as external candidates. This excludes the R5m which was contributed towards the Public Health Enhancement Fund.

UAE

In May 2016, Mediclinic Middle East signed an affiliation agreement with Mohammed bin Rashid University of Medicine and Health Sciences ("MBRU") for the training of medical students. The second group of medical students was accepted during September 2017. As part of the affiliation agreement between Mediclinic Middle East and MBRU, a joint Clinical Academic Committee was established to oversee the student's clinical placement, their curricular activities pertaining to the clinical years as well as their curricular development.

Respecting human rights

The Group is committed to conducting its business in a manner that respects and promotes the human rights and dignity of all those within its sphere of influence and avoids involvement in human rights abuses throughout its operations and relationships. This commitment is entrenched in the Group's Code of Business Conduct and Ethics, which is further supported by the Group's commitment to:

- avoid and not contribute to any indirect adverse human rights impacts that are directly linked to the Group's operations or services by its suppliers or other business relations;
- respect patients' rights, including but not limited to privacy, confidentiality, dignity, no discrimination, full information on health status and treatment, a second opinion, access to medical records, self-determination and participation, refusal of treatment and the right to complain;
- value diversity and equal opportunities for all in the workplace; and
- not tolerate any form of unfair discrimination, such as access to employment, career development, training or working conditions, based on gender, age, religion, nationality, race/ethnic origin, language, HIV/AIDS status, family status, disability, sexual orientation or other form of differentiation.

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.

MODERN SLAVERY AND HUMAN TRAFFICKING

The Mediclinic modern slavery and human trafficking statement, which is available on the Company's website at www.mediclinic.com, sets out the steps Mediclinic has taken to prevent any form of modern slavery and human trafficking, which includes any direct form of forced labour or child labour in its business, or indirectly through its supply chain. During the year, Mediclinic has developed additional steps to strengthen its position in monitoring slavery and human trafficking activities, in order to ensure that it is not taking place in its supply chains.

The Board as well as all relevant employees, especially employees managing the supply chain across the Group are informed about the regulatory requirements to ensure an understanding of the risks, the Group's position on slavery and human trafficking, to manage those risks accordingly and to further stay abreast of global developments in this regard.

Mediclinic does not tolerate any form of human rights violation and is committed to continuously ensure that no form of slavery or human trafficking in the supply chain or in any part of the business is taking place.

The Group's anonymous toll-free ethics lines, which are managed by an independent service provider, are available to all employees, suppliers or any third party who wish to report a concern that requires further investigation.

DIVERSITY

The Board's commitment to a diverse Board making good use of differences in the skills, geographic location, industry experience, background, race, gender and other characteristics of the Directors, is confirmed in the Company's Board Diversity Policy. The Board Diversity Policy contains four objectives to support the Board's commitment to achieving diversity, as set out below:

- the Board will not impose quotas regarding diversity, although it will remain committed to achieving diversity in the composition of the Board and executive management;
- the Nomination Committee will consider and make recommendations, if applicable, to the Board on its diversity objectives in respect of the Board and executive management annually;
- in reviewing the composition of the Board and executive management, the Nomination Committee will, in addition to considering the balance of skills, experience, independence and knowledge of the Board, also consider the diversity of the Board; and
- in identifying suitable candidates for appointment to the Board, the Nomination Committee will assess candidates on merit against objective criteria and with due regard to the benefits of diversity on the Board.

The **Nomination Committee Report** included in the **2018 Annual Report** provides feedback on issues and challenges the Board is facing when considering the diverse composition of the Board and executive management.

The Group values diversity and provides equal opportunities in the workplace. The diversity representation (by race, gender and age) of the Group's most senior governing bodies, as well as direct reports to members of those governing bodies are provided in **Figures 24 to 25**.

Adequate procedures are in place to enable disabled applicants to receive training to perform safely and effectively and to provide development opportunities to ensure they reach their full potential. Where an individual becomes disabled during the course of employment, Mediclinic will seek to provide, wherever possible, continued employment on normal terms and conditions. Adjustments will be made to the environment and duties or suitable new roles within the Company will be secured with additional training where necessary.

FIGURE 24: DIVERSITY REPRESENTATION ON BOARD AND EXECUTIVE COMMITTEES

	Total number of members	Race (only in respect of South Africa)				Gender				Age (Years)			
		Black		White		Male		Female		30 - 50		>50	
		Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Mediclinic International Board	12	2 Board members of colour (17%)				9	75%	3	25%	2	17%	10	83%
Mediclinic International Executive Committee	9	n/a	n/a	n/a	n/a	9	100%	-	-	3	33%	6	67%
Hirslanden Executive Committee	4	n/a	n/a	n/a	n/a	4	100%	-	-	2	50%	2	50%
Mediclinic Southern Africa Executive Committee	9	2	22%	7	78%	8	89%	1	11%	3	33%	6	67%
Mediclinic Middle East Executive Committee	9	n/a	n/a	n/a	n/a	7	78%	2	22%	5	56%	4	44%

FIGURE 25: DIVERSITY REPRESENTATION OF DIRECT REPORTS TO EXECUTIVE COMMITTEE MEMBERS

	Total number of members	Race (only in respect of South Africa)				Gender				Age (Years)			
		Black		White		Male		Female		30 - 50		>50	
		Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Mediclinic International Executive Committee	24	n/a	n/a	n/a	n/a	18	75%	6	25%	16	67%	8	33%
Mediclinic Southern Africa Executive Committee	71	17	24%	54	76%	45	63%	26	37%	39	55%	32	45%
Hirslanden Executive Committee	44	n/a	n/a	n/a	n/a	30	68%	14	32%	28	64%	16	36%
Mediclinic Middle East Executive Committee	62	n/a	n/a	n/a	n/a	38	61%	24	39%	44	71%	18	29%

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (“B-BBEE”) (SOUTH AFRICA)

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 for ensuring that the appropriate focus is placed on the company's commitment to the development and implementation of sustainable B-BBEE initiatives. Mediclinic Southern Africa has embarked on a rigorous and comprehensive review of its transformation strategy. A review of the current structure and content of diversity management interventions throughout the company is underway. This process will yield a more structured approach and an important outcome would be an engaged workforce wherein inclusivity is the ultimate goal.

Mediclinic Southern Africa's new five-year employment equity plan was submitted to the Department of Labour in November 2017. The summarised employment equity report (EEA2) is summarised in **Figure 26**. The employment equity report is in respect of all Mediclinic Southern Africa employees, excluding the employees of wholly-owned subsidiaries ER24 and Medical Innovations, which are registered as separate employers with the Department of Labour.

The number of black employees increased year-on-year from 71.2% to 72.1% of total employees; and black management representation increased from 11% in 2006 to 29.4% in 2018 (2017: 27.7%), based on Mediclinic Southern Africa's employment equity report referred to earlier.

EMIRATISATION (UAE)

In the UAE, the subject of racial diversity, due to the expatriate nature of the population, is less relevant than gender diversity, especially at managerial level. Emiratisation strategies aimed at the employment of UAE nationals deserves continued effort with specific targets set for business units at division level, as further detailed on page 23.

Corporate social investment (“CSI”)

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

The Group's CSI activities are structured around the improvement of healthcare through training and education, sponsorships, donations, staff volunteerism, public private initiatives and joint ventures. Many of the Group's initiatives

FIGURE 26: MEDICLINIC SOUTHERN AFRICA'S SUMMARISED EMPLOYMENT EQUITY REPORT (SUBMITTED IN NOVEMBER 2017 TO THE SOUTH AFRICAN DEPARTMENT OF LABOUR)

Occupational levels	Male			Female			Foreign nationals		
	African Coloured Indian		White	African Coloured Indian		White			
	Target	Actual		Target	Actual		Male	Female	Total
Top management	3	2	6	0	0	1	0	0	9
Senior management	3	4	20	3	0	11	0	0	35
Professionally qualified and experienced specialists and mid-management	64	64	143	90	96	244	4	1	562
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	312	377	193	1 845	2 622	2 260	203	171	5 826
Semi-skilled and discretionary decision-making	909	1 062	123	4 419	5 540	1 103	3	15	7 846
Unskilled and defined decision-making	226	220	24	453	279	35	10	27	595
Total permanent employees		1 729	509		8 537	3 654	220	214	14 863

Target exceeded
Target met
Target not achieved

relate to providing training and to the 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.

Switzerland

During the year, Hirslanden invested CHF2.3m (2017: CHF2.5m) in order to offer medical and financial support to various programmes, projects and institutions, mainly in the scope of public health awareness, culture and medical partnerships with sport teams and events. Hirslanden acts as a valuable medical partner providing high quality medical care such as emergency interventions, physiotherapy, check-ups and numerous specialised sport medical treatments.

Hirslanden supports Mercy Ships, an international charity which operates the largest non-governmental hospital ship in the world. For over three decades, Mercy Ships has been helping to improve the quality of life for people along the coasts of Africa. Hirslanden's partnership with Mercy Ships will allow the aid organisation to benefit from our medical expertise and raising its profile in Switzerland.

Employees submitted applications for the mission to Guinea on the African Mercy, currently the biggest hospital ship in the world, to be part of the effort to provide first-rate, free healthcare to people in need. While this is an unpaid mission, Hirslanden will provide financial support to five of its employees during the volunteer mission. This year, 10 employees will be part of this project and provide their professional expertise to the 2018 African Mercy mission. For more information on this program please visit: <https://www.hirslanden.ch/en/corporate/hirslanden-private-hospital-group/mercy-ships.html>.

Southern Africa

Mediclinic Southern Africa's operations are structured into three tiers with the first tier comprising the large majority of the investment into CSI. Tier 1 is focused on partnerships with national and provincial government, tier 2 concerns partnerships with NGOs in health, sport, education and welfare sectors while the third tier embodies employee volunteerism.

Over recent years the biggest portion of the investment has been to support 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. The 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. During the year, Mediclinic Southern Africa contributed R5m towards the fund.

During the year, Mediclinic Southern Africa has chosen to direct its CSI initiatives on strengthening ties with the public health sectors across the country and has performed over 100 surgical procedures on patients from the public sector's waiting lists. As a result, Mediclinic was able to collaborate with three different regions' health departments to assist patients. This includes the Department of Health from the Western Cape, Free State and Limpopo regions. The *pro bono* procedures relieve the pressure on public surgical waiting lists at local and regional public hospital facilities. Mediclinic's participation is based on shared capacity and expertise between the private and public healthcare sector.

The CSI partnerships were very well received by the public, media and public health sector. Mediclinic believes that these collaborations are sustainable and are valuable in developing a level of collaboration between the private and public sector.

During the year, R29.3m (2017: R27.5m) was spent on CSI in Southern Africa, as set out in **Figure 27**. This figure includes contributions from both Mediclinic Southern Africa and ER24, a wholly owned subsidiary of Mediclinic.

Through our subsidiary ER24, Mediclinic Southern Africa provided emergency medical services and patient transport to indigent patients to the value of R19 million.

In addition to division-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 division provides medical services at sporting and cultural events; such as the Cape Town Cycle Tour and the Cape Town Marathon.

FIGURE 27: MEDICLINIC SOUTHERN AFRICA CSI EXPENDITURE

	2017	2018
Tier 1 Public Health Enhancement Fund	R10 000 000	R5 000 000
Tier 1 (surgical support in partnership with public hospitals)	n/a	R1 407 835
Tier 2 (value of donations to NGOs)	R280 290	R1 477 860
Tier 3 (volunteerism)	R911 345	R966 849
Operational costs	R576 311	R615 509
Emergency medical services (to indigent patients)	R15 740 235	R19 614 745
Trauma counselling project	n/a	R235 400
Total	R27 508 181	R29 318 198

UAE

Mediclinic Middle East is involved in various social and charitable community activities which support healthcare, welfare, education and sport. The division contributed AED1.0m (2017: AED992 000) on event sponsorship and charitable activities during the reporting period which included AED83 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. CSI initiatives run by the group have included

charity campaigns such as sponsorship of the Red Crescent Iftar tents initiative, 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.



CASE STUDY

MEDICLINIC BRINGS NEW TECHNOLOGY TO CSI COLLABORATION

Mediclinic Southern Africa partnered with the Western Cape Department of Health and Tygerberg Hospital where life-saving prostatectomies were performed on 10 patients. Both the Urologist, Dr Gawie Bruwer, and the Anaesthetist, Dr Gerry Brynard, are based at Mediclinic Durbanville and performed these surgeries on a *pro bono* basis.

The unique aspect of the partnership at Mediclinic Durbanville was that it was the first time that the renowned da Vinci robot was utilised as part of the collaborative surgery. Introduced to Mediclinic Durbanville several years ago, this robotic surgery has already provided some remarkable benefits to patient recovery. The precision of the da Vinci robot aids the thorough removal of cancerous tissue as well as offering the ability to perform nerve-sparing surgery, which enables a faster return of erectile function as well as a better chance for urinary continence. This technology is giving patients the option of improved clinical outcomes that may not be possible with open surgery.

"I wish to thank Mediclinic for the extension of the collaborative surgery programme to the patients of Tygerberg Hospital. The partnership is also about strengthening our working relationship between private and public hospitals and working together to change the lives of our people. We are taking hands with our partners in the private sector in seeking a better health future for all the people of the Western











Cape, and South Africa. The collaboration with Mediclinic allows us to reap the benefits of access to the additional capacity available in Mediclinic surgical facilities and the talent of the surgeons practicing in their hospitals, while also being able to alleviate the number of urology patients on the public waiting list," said Western Cape MEC for Health, Dr Nomafrrench Mbombo.

Another key aspect to the relationship between Mediclinic and Tygerberg Public Hospital was the training element. A team of theatre staff including a scrub nurse, anaesthetist and fellow urology registrars were included either in the theatre or as part of a live broadcast to the doctors. With no current access to the da Vinci robot in public hospitals, this opportunity provided a valuable teaching opportunity across the private and public platforms. Both registrars from the Tygerberg facility as well as the students training at Mediclinic Durbanville under the mentorship of Dr Rust Theron, had access to view and learn about these procedures.

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 28**. 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 28: COMBINED ASSURANCE

ASSURANCE OUTPUT*		BUSINESS PROCESSES ASSURED	PROVIDER/STANDARD
External calculation of carbon footprint based on carbon emissions data of Mediclinic Southern Africa		Carbon footprint calculation	Carbon Calculated
ISO 14001:2004 certification of 42 of Mediclinic Southern Africa's 52 hospitals		Environmental management system	British Standards Institute, as accredited by United Kingdom Accreditation Service ("UKAS")
COHSASA accreditation of 34 of Mediclinic Southern Africa's 37 participating hospitals		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")
B-BBEE verification		Broad-based black economic empowerment	Empowerdex
ISO 9001:2008 certification of all Hirslanden hospitals and Hirslanden Corporate Office. Five hospitals are already ISO 9001:2015 certified with the remainder to be concluded by September 2018		Process and Quality management	Swiss Association for Quality and Management Systems ("SQS")
Self-assessment against EFQM Excellence Model by all 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	European Foundation for Quality Management ("EFQM") Excellence Model
ISO 14001:2015 certification of Hirslanden Klinik Belair		Environmental management system	SQS
JCI reaccreditation of Mediclinic Al Noor Hospital in Abu Dhabi in November 2017 JCI accreditation and re-accreditation of all Mediclinic Middle East facilities (hospitals and clinics) is scheduled for mid-2019		Quality and safety of patient care	Joint Commission International ("JCI") Accreditation
All Mediclinic Middle East laboratories operating within Mediclinic hospital and clinic facilities are ISO 15189:2012 accredited.		Pathology laboratories of Mediclinic Middle East hospitals and clinics in Dubai, Abu Dhabi, Al Ain and Western Region	International Organisation for Standardisation ("ISO")
CAP re-accreditation of the laboratory of Mediclinic City Hospital in 2017		Pathology laboratory of Mediclinic City Hospital	College of American Pathologists ("CAP")

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

Key:  = Mediclinic Southern Africa  = Hirslanden  = Mediclinic Middle East

COMPANY INFORMATION

COMPANY NAME AND NUMBER

Mediclinic International plc
(incorporated and registered in England and Wales)
Company number: 08338604

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LISTING

FTSE sector: Health Care Equipment & Services
ISIN code: GB00B8HX8Z88
SEDOL number: B8HX8Z8
EPIC number: MDC
LEI: 2138002S5BSBIZTD5I60
Primary listing: London Stock Exchange (share code: MDC)
Secondary listing: JSE Limited (share code: MEI)
Secondary listing: Namibian Stock Exchange
(share code: MEP)

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Danie Meintjes (*Chief Executive Officer*) (*South African*),
Jurgens Myburgh (*Chief Financial Officer*) (*South African*),
Dr Muhadditha Al Hashimi (*ind ne*) (*Emirati*),
Jannie Durand (*ne*) (*South African*), Alan Grieve (*ind ne*)
(*British*), Dr Felicity Harvey (*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*)

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and UBS Investment Bank
JSE sponsor (South Africa):
Rand Merchant Bank
(a division of FirstRand Bank Limited)
NSX sponsor (Namibia):
Simonis Storm Securities (Pty) Ltd

Legal Advisors

UK legal advisors: Slaughter and May
SA legal advisors: Cliffe Dekker Hofmeyr Inc.

Remuneration Consultant

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2018/19 financial year

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