

Life HEALTH CARE Group

INTEGRATED REPORT 2019

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About Life Healthcare

Life Healthcare Group Holdings Limited (the Group, Company or Life Healthcare) is an international healthcare service provider listed on the Johannesburg Stock Exchange (JSE). Our integrated report is our primary report prepared for the providers of financial capital, and includes information relating to our external operating environment, business model, stakeholders, key risks and opportunities, material matters and strategy.

NAVIGATION

For easy navigation and cross referencing, we use the following icons throughout this report:

A A non-financial indicator that was assured by PwC

Movements in our key performance indicators (KPIs)

Indicates a decrease or increase that is positive

Indicates a decrease or increase that is not positive

Indicates the KPI remained the same

Strategic focus areas

Growth

Efficiency

Quality

Sustainability

This icon indicates that further information is available online

This icon indicates that further information can be found elsewhere in this report

Stakeholders	Material matters
Patients	Healthcare funders
Doctors and specialists	Cost of care
Healthcare funders	Specialised skills shortage
Industry regulatory bodies	Increasing regulations
Shareholders, investors and financiers	Quality of care standards
Government	Labour relations and employee retention
Government as a customer	Government relationships
Employees	Portfolio performance
Suppliers	
Society	

REPORTING SCOPE AND BOUNDARY

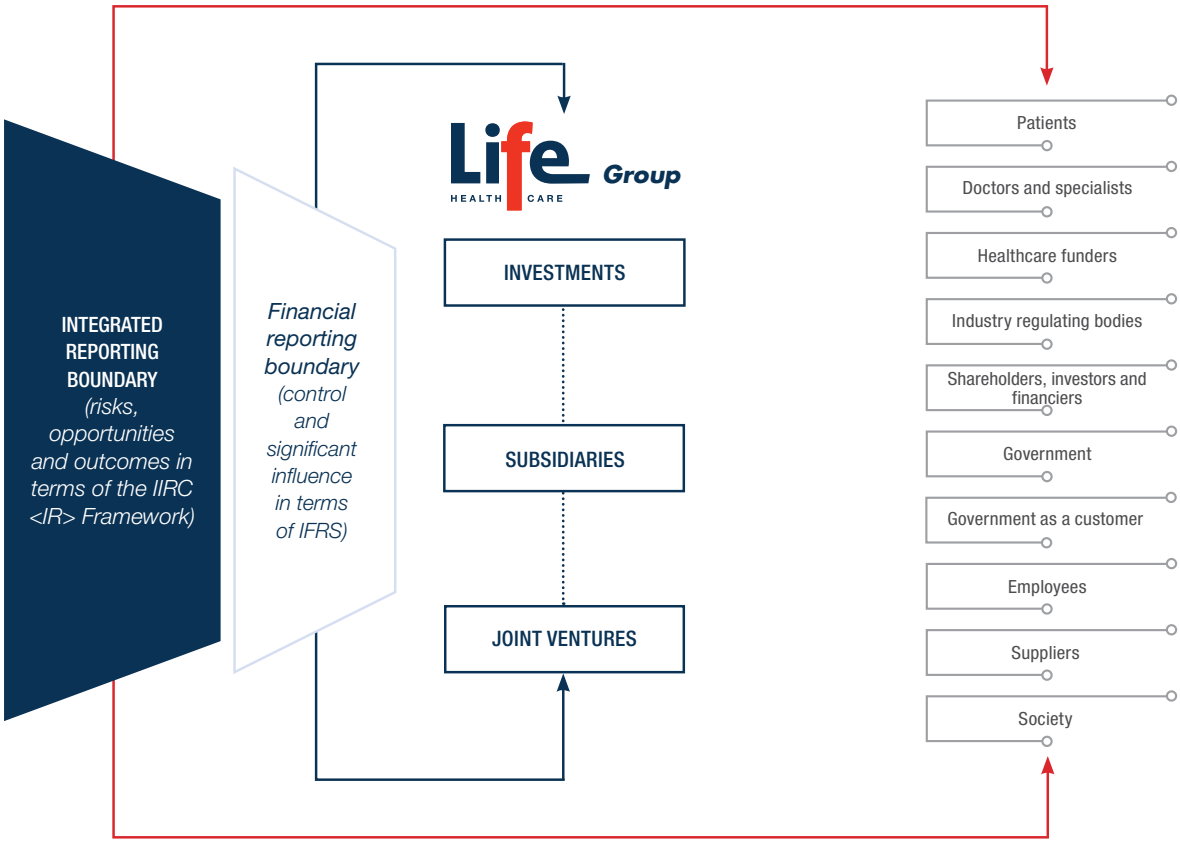
This integrated report covers the period 1 October 2018 to 30 September 2019, and was compiled with information that the board of directors (the board) and management believe is relevant and material to provide an integrated view of the Group's performance. We have also included any informative information and material events after year-end up to the approval of the integrated report on 6 December 2019.

To reflect how we create value, this report focuses on the performance, plans, risks and opportunities for our two geographical regions, namely:

- **Southern Africa:** Our primary operations are in South Africa, with activities also taking place in Botswana, which represent 72% of the Group's revenue and include both hospital and healthcare services divisions.
- **International:** Our growing international operation includes Alliance Medical Group Limited (Alliance Medical) across Europe, as well as Scanmed S.A. (Scanmed) in Poland. International operations represent 28% of the Group's revenue, and include diagnostic and healthcare services.

ABOUT THIS REPORT

Scope and boundary



We recommended that you read this integrated report in conjunction with the Group's annual financial statements.



Feedback

Life Healthcare seeks to provide accurate, transparent and balanced information to stakeholders.

We welcome feedback and invite you to contact the Group Company Secretary, A Parboosing on +27 11 219 9000 or avanthip@life.co.za should you have any questions.

ABOUT THIS REPORT continued

Materiality

We strive to only report on those material matters that could have a direct or indirect impact on our ability to create or preserve value for the Group and our stakeholders in the short, medium and long term. We consider a range of internal and external influences when identifying our material matters and, once identified, we prioritise these matters according to the likelihood and potential impact. Finally, we integrate the identified material matters into our strategy. We review our material matters annually.

We identified the following material matters during 2019:

- Healthcare funders
- Cost of care
- Specialised skills shortage
- Increasing regulations
- Quality of care standards
- Labour relations and employee retention
- Government relationships
- Portfolio performance

*For more information on our material matters, refer to **page 42**.*

Assurance

The Group follows the combined assurance process:

1

First line of defence, comprises our operational employees, who are required to completely understand their roles and responsibilities and carry them out correctly and completely.

2

Second line of defence consisting of our oversight functions, including risk and compliance management. These functions define work practices, monitor adherence to policies, and oversee the first line of defence with regards to risk and compliance.

3

Third line of defence, which comprises the internal and external assurance providers and the board. Internal and external auditors regularly review the first and second lines of defence to ensure that they are carrying out their tasks as required. The board mandates the audit committee to review the information provided by various board committees regarding tasks and business information. The board plays an oversight role and is responsible for approving the information reviewed by the audit committee, among others.

Our assurance process is applied in the compilation of the integrated report. The board, its committees and management were involved in finalising the report's disclosures. This report builds on the detailed monthly performance reports compiled and reviewed by management and, as such, management reviews are integral to its overall assurance.

The summarised financial information included in this report was extracted from the audited Group annual financial statements. The Group annual financial statements were independently assured by the external auditors, PricewaterhouseCoopers Inc. (PwC).

A number of non-financial indicators were assured by PwC. For the selection of indicators and the independent assurance report refer to page 169.

This report in its entirety was not independently assured.

OUR REPORTING SUITE AND FRAMEWORK

Our reporting suite comprises the following reports:

Integrated report	Assurance
We were guided by local and international guidelines during the preparation of our integrated report, including: ● the IIRC <IR> Framework; ● the reporting principles contained in King IV; ● the JSE Listings Requirements; ● the Companies Act; and ● IFRS.	● The board, assisted by the audit committee and other committees, oversees the integrated reporting process
Audited consolidated Group and Company annual financial statements	
Life Healthcare's financial statements were prepared in accordance with: ● IFRS; ● the Companies Act; and ● the JSE Listings Requirements.	● PwC Assurance statement
Notice of annual general meeting (AGM) and abridged shareholder report	
The required statutory information and notice of AGM are distributed to shareholders to convene the AGM.	● Proxies are attached for all tabled resolutions

Furthermore, our website contains additional detailed information on governance and sustainability matters as well as latest results and announcements.

Our reporting suite is available online at https://lifehealthcare.group.

Forward-looking statements

This integrated report contains forward-looking statements that, unless otherwise indicated, reflect the Group's expectations as at 6 December 2019. The actual results may differ materially from our expectations if known or unknown risks or uncertainties affect the business, or if estimates or assumptions prove inaccurate. The Group cannot guarantee that any forward-looking statement will materialise. Readers are cautioned not to place undue reliance on these forward-looking statements, and the Group disclaims any intention and assumes no obligation to update or revise any forward-looking statement.

BOARD RESPONSIBILITY

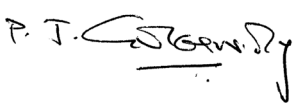
The board, assisted by its respective sub-committees, is ultimately responsible for overseeing the integrity and completeness of this integrated report.

After applying its collective mind to the preparation of this report, based on the completeness of the information collected and the assurance thereof, the board concluded that the report materially aligns with the IIRC <IR> Framework, providing a true and material account of the Group's performance and strategic direction.

On 6 December 2019, the board approved the 2019 integrated report.



Mustaq Brey
Chairman



Peter Golesworthy
Chairman: audit committee



Dr Shrey Viranna
Group Chief Executive Officer (CEO)



GROUP OVERVIEW

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WHO WE ARE

OUR VISION

To be a market-leading, international, diversified healthcare organisation.

OUR MISSION

We improve the lives of people through the delivery of high-quality, cost-effective care.

OUR PURPOSE

Making life better.

Our core values

We aim to leave a lasting impression of understanding and meeting our patients' needs. We achieve this by focusing on our core values:

Passion for people

those that are the life of our business

Qe

quality to the power of e (ethics, excellence, empowerment, empathy, energy)

Performance pride

we act for the right reasons, with quality in mind

Personal care

adding the human touch

Lifetime partnerships

with our patients at the very centre

A SNAPSHOT OF OUR OPERATIONS

SOUTHERN AFRICA

Registered beds
9 136
(2018: 9 055)

Permanent and temporary employees
16 376
(2018: 15 841)

Special care units
17
(2018: 16) (acute rehabilitation, mental health, specialised maternity)

Healthcare facilities
66
(2018: 66)

Specialists and healthcare professionals
3 800
(2018: 2 985)

Renal stations
329
(2018: 318)

Oncology units
5
(2018: 5)

INTERNATIONAL

Number of locations served
220
(2018: 220) by Alliance Medical

Diagnostics and molecular imaging scans
1 731 867
(2018: 1 593 417) by Alliance Medical

Permanent and temporary employees
4 060
(2018: 4 098) across the United Kingdom (UK) and Europe

Radiopharmacy doses
179 762
(2018: 169 741) across the UK and Europe by Alliance Medical

Registered beds
579 in Poland
(2018: 624)

Cardiac units
12 in Poland
(2018: 12)

Medical facilities
41 in Poland
(2018: 40)

OUR LEADERSHIP

The composition of the board reflects an appropriate balance between independent non-executive and executive directors. The board and executive management supplementary report includes a brief biography of each member and is available online at

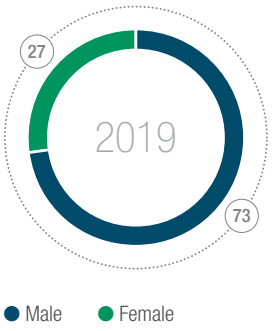
Detailed biographies of our board are available online at https://lifehealthcare.group.



1. Mustaq Brey[1]	2. Peter Golesworthy[2]	3. Prof Marian Jacobs[1]	4. Audrey Mothupi[1]	5. Joel Netshitenzhe[1]	6. Dr Malefetsane Ngatane[1]
Age	Age	Age	Age	Age	Age
65	61	71	49	62	65
Qualification	Qualification	Qualification	Qualification	Qualification	Qualification
CA(SA)	*BA (Hons) (first class), Accountancy Studies, CA*	*MBChB (UCT), Diploma in Community Medicine (UCT), Fellowship of the College of South Africa (with paediatrics)*	*BA (Hons), (PolSci), Trent University, Canada*	*MSc (University of London, School of Oriental and African Studies), PGDip (Economic Principles), Dip (PolSci)*	*BSc, MBChB, FCOG*
Date appointed	Date appointed	Date appointed	Date appointed	Date appointed	Date appointed
10 June 2010* Appointed Chairman – February 2013	10 June 2010	1 January 2014	3 July 2017	30 November 2010	10 June 2010*
Role	Role	Role	Role	Role	Role
Non-executive – Chairman	Lead independent non-executive director	Independent non-executive director	Independent non-executive director	Independent non-executive director	Independent non-executive director
Committees	Committees	Committees	Committees	Committees	Committees
Member: Nominations and governance, investment	**Chairman:** Audit, nominations and governance **Member:** Risk, investment, social, ethics and transformation	**Chairman:** Clinical governance, quality and safety **Member:** Risk	**Chairman:** Social, ethics and transformation **Member:** Audit, risk	**Chairman:** Risk	**Member:** Social, ethics and transformation, clinical governance, quality and safety, nominations and governance

[1] *South African.*
[2] *British.*
* *Refer to page 126 for further information in respect of tenure.*

Gender diversity (%)



Equity diversity (%)













7. Adv Mahlape Sello[1]	8. Garth Solomon[1]	9. Royden Vice[1]	10. Dr Shrey Viranna[1]	11. Pieter van der Westhuizen[1]
Age	Age	Age	Age	Age
57	52	72	44	48
Qualification	Qualification	Qualification	Qualification	Qualification
Master of Arts and Law (Russia), LLB (Wits)	*CA(SA)*	*CA(SA)*	*MBChB*	*CA(SA)*
Date appointed	Date appointed	Date appointed	Date appointed	Date appointed
3 July 2017	10 June 2010*	1 January 2014	1 February 2018	1 June 2013
Role	Role	Role	Role	Role
Independent non-executive director	Independent non-executive director	Independent non-executive director	Executive director – Group Chief Executive Officer	Executive director – Group Chief Financial Officer
Committees	Committees	Committees	Committees	Committees
Member: Remuneration and human resources, risk	**Chairman:** Investment **Member:** Audit, remuneration and human resources	**Chairman:** Remuneration and human resources **Member:** Audit, investment	**Member:** Risk, investment, social, ethics and transformation, clinical governance, quality and safety	**Member:** Risk, investment

GROUP EXECUTIVE COMMITTEE

Detailed biographies of our group executive committee are available online at https://lifehealthcare.group.











1. Dr Shrey Viranna[1]	2. Pieter van der Westhuizen[1]	3. Adam Pyle[1]	4. Brett Mill[1]	5. Tanya Little[1]
Age	Age	Age	Age	Age
44	48	52	45	37
Qualification	Qualification	Qualification	Qualification	Qualification
MBChB	*CA(SA)*	*BCom, LLB*	*BEconSC, FFA, FASSA (Economics and actuarial science)*	*BCom (Hons) (Economics) cum laude (UCT), MSc (Economics) cum laude (London School of Economics)*
Role	Role	Role	Role	Role
Group Chief Executive Officer (CEO)	Group Chief Financial Officer (CFO)	CEO – Southern Africa	Group Strategic Planning Executive	Group Operations Executive

[1] *South African.*
[2] *British.*







	6. Avanthi Parboosing[1]	7. Mark Chapman[2]	8. Suren Govender[1]
	Age	**Age**	**Age**
	44	47	47
	Qualification	**Qualification**	**Qualification**
	BA (Law and Political Science), BA Honours and Masters (Political Science and international Relations)	*BSc (Hons) Applied Statistics and Econometrics*	*Diploma (Electronic Engineering), Diploma (Datametrics), Masters (Business information systems)*
	Role	**Role**	**Role**
	Group Company Secretary	CEO – International	Group Chief Digital Officer

Group executive members who resigned during the year:

- Hubert Bajdo (CEO – Scanmed SA)
- Dr Charles Niehaus (Chief Medical Officer – Alliance Medical)
- Fazila Patel (Group Company Secretary)

OUR GEOGRAPHIC FOOTPRINT

Southern Africa

Life Healthcare provides quality healthcare to the southern African market, which includes South Africa and Botswana. Our primary service offering is organised into two divisions – namely, the hospital division and healthcare services division.

Revenue

R18.5 billion

(2018: R17.2 billion)

Number of paid patient days (PPDs)

2 269 756

(2018: 2 251 600)

ALLIANCE MEDICAL

Revenue

R5.6bn

(2018: R4.9 billion)

Earnings before interest, tax, depreciation and amortisation (EBITDA)

R1.3bn

(2018: R1.2 billion)

Number of locations served, including mobile, static and other

220

(2018: 220)

Number of permanent employees

2 040

(2018: 2 003)

SCANMED

Revenue

R1.3bn

(2018: R1.3 billion)

Earnings before interest, tax, depreciation and amortisation (EBITDA)

R97m

(2018: R85 million)

Number of permanent employees

2 020

(2018: 2 095)

Earnings before interest, tax, depreciation and amortisation (EBITDA)

R4.4 billion

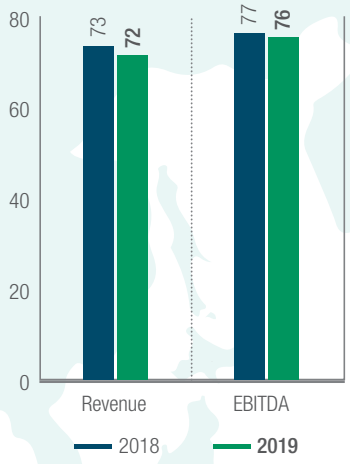
(2018: R4.3 billion)

Number of permanent employees

15 385

(2018: 14 725)

SA contributions to revenue and EBITDA (%)

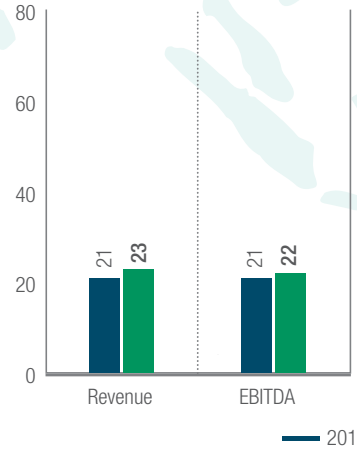


We **leverage** the strength of our **global footprint** to deliver on our purpose of making life better

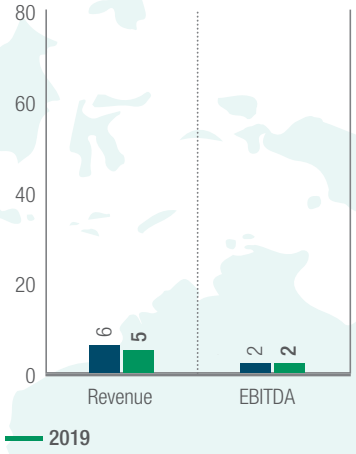
International

Our investment in international markets is supported by our vision of becoming a market-leading, international, diversified healthcare organisation. Our international healthcare portfolio includes our 100% shareholdings in both Alliance Medical and Scanmed.

Alliance Medical contributions to revenue and EBITDA (%)



Scanmed contributions to revenue and EBITDA (%)



WHAT WE DO

Southern Africa

In southern Africa, we strive to improve the lives of people through high-quality, cost-effective care offered through our hospital and healthcare services divisions.

HOSPITAL DIVISION

The hospital division primarily serves the private market, and comprises the acute hospitals and complementary services.

ACUTE HOSPITALS

Life Healthcare's acute hospitals are located in the metropolitan areas in seven of South Africa's nine provinces, as well as in Botswana.

Our hospital facilities comprise technologically advanced, multi-disciplinary hospitals offering specialised medical disciplines, community hospitals, same-day surgical centres and dedicated niche facilities. Furthermore, we offer intensive care units (ICUs), high-care units, operating theatres, emergency units, maternity units, cardiac units and paediatric units.

Approximately 3 800 specialist and healthcare professionals (2018: 2 985), as well as various other healthcare professionals, support the delivery of effective and compassionate care through these state-of-the-art facilities.

Facilities
49
(2018: 50)

Beds
8 225
(2018: 8 224)

Admissions
587 843
(2018: 589 603)

Theatre cases
316 179
(2018: 318 761)

Births
30 489
(2018: 30 097)

Cathlab cases
15 638
(2018: 14 189)

COMPLEMENTARY SERVICES

Life Healthcare provides specialised healthcare facilities that offer both inpatient and outpatient services, including acute rehabilitation, mental healthcare, renal dialysis and oncology. Our specialised care model promotes continuity of care and uniquely positions Life Healthcare to provide comprehensive therapeutic interventions for chronically ill patients.

ACUTE REHABILITATION

When people suffer disabling or traumatic brain injuries, they need assistance and a place where acute physical and cognitive rehabilitation can take place. Given how challenging the rehabilitation journey can be, Life Rehabilitation provides specialised care to patients recovering from head injuries, traumatic brain injuries or spinal trauma, severe orthopaedic injuries, stroke or nerve-related illnesses, amputation or joint replacement, over and above other disabling injuries or conditions. We focus on patient care which, in turn, will restore quality of life for patients and their families.

Life Rehabilitation uses the Functional Assessment Measure (FAM) for cognitive, behavioural, communication and community functioning, which provides insight on patients with brain injuries. We measure the clinical outcomes of each patient and track their overall progress to benchmark the performance of rehabilitation units and denote clear patient outcomes. In this way, we can support patients' families and provide in-depth detail to healthcare funders during the rehabilitation process.

Life Rehabilitation is International Standards Organisation (ISO) 9001:2008 certified, and also the sole licence holder for the Functional Independence Measure™ (FIM™) in South Africa, which allows us to evaluate the functional status of patients during their rehabilitation process.

Facilities
7
(2018: 7)

Beds
319
(2018: 319)

MENTAL HEALTH

Life Mental Health offers multi-disciplinary mental healthcare services to both adults and adolescents, including liaison and general psychiatry, treatment for substance dependence and compulsion anxiety, mental wellness care for work-related stress, bereavement and adjustment disorders, as well as support for diet-related mental illness. Selected facilities also offer a neuro-geriatric wellness programme.

Our facilities, designed for transitionary care, provide a dedicated tranquil and therapeutic environment for voluntary, assisted and involuntary patients. We also operate theatres with full anaesthetic capability for electroconvulsive therapy.

Facilities
9
(2018: 8)

Beds
592
(2018: 512)

HEALTHCARE SERVICES DIVISION

Healthcare services relate to specialised care offered by Life Esidimeni; and occupational health and employee wellness services offered by Life Employee Health Solutions.

LIFE ESIDIMENI

Our Life Esidimeni care centres partner with South African provincial health and social development departments to provide long-term chronic mental healthcare, frail care rehabilitation, step-down care, correctional services, primary healthcare and substance abuse recovery programmes to patients in the most vulnerable segment of South Africa. These services are offered on contract, which are awarded through the National Treasury tender processes.

Facilities
10
(2018: 10)

Beds
3 119
(2018: 3 119)

LIFE EMPLOYEE HEALTH SOLUTIONS

Life Employee Health Solutions (Life EHS) is an integrated service offering providing wellness, occupational and primary healthcare services to a range of corporate and institutional clients.

Occupational health services provide contracted on-site occupational and primary healthcare services to large employer groups in the commercial, industrial, mining and state-owned sectors, and specialises in the development, implementation and delivery of comprehensive employee health strategies.

Life EHS is a leading provider of outcomes-based employee wellness programmes, encouraging and supporting healthy and balanced living in employees, improving their well-being while promoting maximum productivity for employers. Employee wellness services are provided to companies and institutions across the public and private sectors.

Occupational health clinics
310
(2018: 301)

Employees cared for
210 589
(2018: 211 086)

Employee wellness clinics
81
(2018: 80)

Employees cared for
383 082
(2018: 367 670)

RENAL DIALYSIS

Life Renal Dialysis serves patients in renal failure who require outpatient-based chronic renal dialysis, home-based peritoneal dialysis and acute renal dialysis in hospital.

Facilities
26
(2018: 26)

Stations
329
(2018: 318)

ONCOLOGY

Our Life oncology centres offer technologically advanced diagnostic and interventional services supporting comprehensive cancer management. Our significant investment in technologies place our oncology centres at the forefront of advanced treatments in surgical, medical, gynaecological and radiation oncology.

Our holistic care model focuses on extensive patient counselling and support, including chemotherapy, surgery and radiotherapy (comprising brachytherapy and stereotactic radiotherapy). Furthermore, our linear accelerators and treatment planning software provides targeted, accurate and effective treatment for a variety of cancers.

Facilities
5
(2018: 5)

*For more information on our southern African performance, refer to **page 66**.*

WHAT WE DO

International

Alliance Medical primarily offers diagnostic and molecular imaging services across the UK and Europe, while the Poland-based Scanmed provides private healthcare and medical services in 41 locations across 23 cities.

ALLIANCE MEDICAL

Alliance Medical is western Europe's leading independent provider of diagnostic imaging services. We combine service excellence and innovative imaging technologies to improve patient care, and support public and private healthcare organisations with their imaging requirements. We work collaboratively with clinicians, healthcare organisations and academic institutions to provide high-quality and cost-effective imaging for our customers and better services for our patients.

Geographical segment	Total locations served 2019	2018	Principal service offerings	
UK				
Diagnostic imaging static sites	**33**	33	MRI	PET-CT
PET-CT national contract sites	**36**	34	CT	Radiopharmacy
Mobiles	**44**	45		
Cyclotrons	**4**	4		
Italy				
Owned clinics	**34**	34	MRI	Mammogram
Static sites	**8**	9	CT	Mammotomosynthesis
Cyclotron	**1**	1	PET-CT	Lab
			Radiopharmacy	Physiotherapy
			X-ray	Cone beam
			OPT	Ultrasound
				Dexa
Ireland				
Operating sites	**27**	23	MRI	
			CT	
			PET-CT	
Spain				
Operating sites	**11**	11	MRI	PET-CT
			CT	
			X-ray	
Northern Europe				
Relocatable buildings	**3**	3	MRI	Radiopharmacy
Mobiles	**15**	19	CT	Product development
Cyclotrons	**4**	4	PET-CT	

OUR PRINCIPAL OFFERINGS

Magnetic resonance imaging (MRI) scanners, operated in clinics, static hospital installations, as well as mobile scanners with a focus on outpatient procedures.

Computerised tomography (CT) scanners, which are offered in clinics, static hospital installations and mobile scanners.

By employing mobile and fixed location scanners throughout Europe, Alliance Medical's molecular imaging services provide positron emission tomography-computerised tomography (PET-CT) scans to public health services and independent organisations. Our services include manufacturing of certain radiopharmaceuticals for use in PET-CT scanning applications.

Radiopharmacy activities, during which we manufacture radioactive chemicals used in molecular imaging procedures. Radioisotopes are usually manufactured in a cyclotron – a type of particle accelerator.

Life Molecular Imaging (LMI) is a research and development company dedicated to the development and global commercialisation of innovative molecular imaging agents for use in PET-CT diagnostics. Operating out of its laboratories and offices in Berlin, Germany, LMI has developed a pipeline of novel imaging agents addressing major unmet clinical needs in neurological, oncological, and cardiovascular diseases. LMI's first registered molecular imaging tracer, Neuraceq (florbetaben F18) is a globally approved and commercialised product for assisting in the diagnosis of Alzheimer's disease.

SCANMED

Scanmed offers co-ordinated healthcare for private and institutional patients through public and private financing and has been offering broad-spectrum healthcare in Poland for nearly 15 years, including major cities such as Kraków, Warsaw, Wroclaw, Poznan, Gdansk, and Lublin.

	2019	2018
Facilities	**41**	40
Cardiac units	**12**	12
Beds	**579**	624

[1] *The number of registered beds declined as a result of new regulations introduced from January 2019 by the Ministry of Health in Poland that required an increase in the number of nurses per bed (resulting in deregistration of beds across the industry), as well as renovation of Blachownia Hospital where one ward was temporarily closed.*

OUR PRINCIPAL OFFERINGS

We offer a wide range of medical services to our patients – from primary care and outpatient specialist care, to hospital care and rehabilitation, including cardiology, orthopaedics, paediatrics, dermatology, gynaecology, obstetrics, and diagnostics. We are therefore well positioned to offer holistic care and quality service to our patients.

We provide access to comprehensive treatment methods, excellent medical equipment and experienced specialists who collaborate to ensure our patients recover rapidly. Through this commitment to safety and quality, we have consistently increased our patient numbers, with more than 350 000 individual patients and nearly 40 000 corporate clients selecting Scanmed as their preferred medical services provider.

For more information on our international performance, refer to page 96.

EXTERNAL OPERATING ENVIRONMENT:

GLOBAL HEALTHCARE INDUSTRY DRIVERS

We operate in the global healthcare market, and our operations are influenced by the economic and social context of the patients we serve.

The principal drivers that will influence the global healthcare landscape going forward are:

Driver	Trend	What this means for us
1 **Changing** demographics	As global demographics are changing, so are the healthcare needs of the world. This includes growing populations that tend to live longer with more complex healthcare issues. Other trends, such as the growing prevalence of obesity, also play a role in determining relevant healthcare services.	We expect the demand for healthcare services to increase in line with an ageing population and increased disease burden. This would also require increasingly complex treatments.
2 **Cost** of care	On a global scale, the cost of care continues to increase and is expected to become increasingly difficult to afford, placing pressure on margins for healthcare providers who want to provide quality care while remaining competitive in a challenging environment.	Disruptive changes and innovation will differentiate healthcare providers. Therefore, to remain competitive in a tough environment, healthcare providers need to drive positive industry change, engage with regulators and healthcare funders, decrease operational cost while maintaining excellent and efficient quality care.
3 **Evolving** technology	The way we care for our patients continues to be impacted by new treatments, new technologies and big data. Furthermore, patients are increasingly expecting on-demand online services from healthcare providers in line with the rise in consumerism in other industries.	Insights obtained from patient data and health-tracking technology empowers patients and clinicians to make better choices. Leveraging technological advances will increase efficiencies and transform healthcare delivery, patient monitoring and auxiliary services and, ultimately, better serve patients.
4 **Growing** consumerism	An increased number of patients expect consistently high-quality care, while value-based healthcare is becoming more important than ever.	To differentiate ourselves from our competitors, we provide patient-centered care with a focus on experience. This is delivered through the rigorous measuring of customer experience and by driving employees to instil a patient-centered focus.
5 **Regulations**	An increasingly complex and ever-evolving regulatory environment in all territories where we operate.	Governance and compliance with regulations and ethical standards remain a focus area and an integral part of the Group's culture. It is essential that we stay abreast of any changes to codes, regulations and compliance frameworks, so that we can deliver on our strategy. We have to be willing to adapt to an increasingly complex environment, while remaining cost efficient and providing effective care to our patients.

OUR INVESTMENT PROPOSITION

The Group offers investors exposure to the growing healthcare sector through a diversified and increasingly integrated portfolio of investments across southern Africa and Europe. We are dedicated to compassionate care, clinical excellence, quality service and a spirit of giving to those entrusted to our care.

We are a global healthcare organisation with a dual strategy offering an integrated healthcare model in southern Africa and leading diagnostic imaging internationally

Focus on future growth

We are transitioning from being a South African focused acute care group to a market-leading, international, diversified healthcare organisation.

3.2% of normalised EBITDA was invested in growth initiatives in 2019.

In southern Africa, future growth will be enabled by, among others, the geographical expansion of mental health, acute rehabilitation, renal dialysis and developing the imaging opportunity and broadening our business lines across the healthcare continuum.

Strong underlying growth in PET-CT in the UK, with average volumes up 15.9% over the past year. Furthermore, number of PET scans provided by Alliance Medical expected to continue with high growth between 2020 and 2025.

Creating shareholder wealth

Over the past five years, we have paid R7.2 billion in dividends to shareholders.



https://lifehealthcare.co.za/facility-measures/clinical-outcome-process-measures/

Continued focus on quality outcomes and patient experience

Our inherent drive for clinical excellence enables quality patient-centred care. We are the first private hospital group in South Africa to publish our hospital quality scores on our website, on a per hospital basis.

Our diversified product and service offering has a growing share of revenue and earnings from non-acute sources

Driving excellence

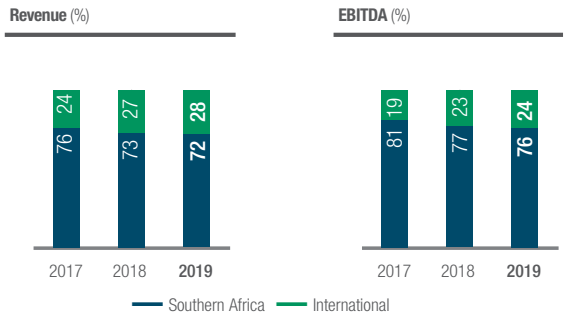
Group integration and continuous operational efficiency initiatives.

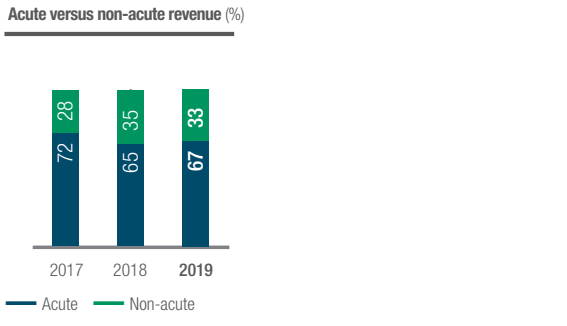
Unique service offering across the healthcare continuum.

Our quality efficient care initiatives focuses on reducing the cost per event through formulary compliance and management of utilisation.

Investment in data and analytics, with a focus on value-driven analytics use cases targeting improved clinical outcomes and operational efficiency.

Implementing a diversified strategy across business lines and territories





Our focus continues to be on clinical excellence and building an analytics-led, technologically-driven Group across all markets and businesses



Cultivating relationships

Our investment in relationships leads to a growing and highly skilled base of associated doctors and specialists.

Maintaining relationships with our doctors and specialists is critical, and we continue to build a robust portfolio to engage with hospitals, medical associations, and tertiary institutions to establish a pipeline of specialists for the future.

Across the Group, we work with local government to deliver access to high-quality care. We have an explicit intention to continue serving governments in the countries in which we operate, and strengthening these partnerships.

We will continue fostering and sustaining collaborative relationships with the various healthcare funders.

We will continue to maintain supplier relationships and promote fair and transparent procurement activities and, in particular, continue supporting enterprise development initiatives in South Africa.

Operating ethically and sustainably

We have a clear ethical culture embedded throughout our organisation, one that is supported by robust governance and good corporate citizenship.

We invest in our employees

Our employees are the life of our business, and we aim to create partnerships that last a lifetime which, in turn, enables us to provide the quality service and care in which we believe.

We are all united in a common goal: to create the best patient experience and the most positive patient outcomes.


99
100
HAPPY EASTER



VALUE CREATION

IN THIS SECTION

20 How we create value
22 Business model
24 How we created value for our stakeholders
26 Our stakeholders
30 Key risks and opportunities
42 Material matters
46 Responding strategically
47 How we performed against our strategy in 2019
51 Our 2025 strategy

HOW WE CREATE VALUE

Life
Well-being and quality of life

Health
Clinical excellence in world-class facilities

Care
Quality, service, respect and empathy for those entrusted to our care

For us, value means delivering these three elements to our stakeholders

We believe that our **external operating environment** (page 15), including economic conditions, technological change, societal issues and environmental challenges, along with the quality and nature of our **stakeholder relationships** (page 26) form the foundation for the value we create

By analysing these spheres, and taking into account our internal business context, we can identify our **risks and opportunities** (page 30), from which we derive those **material matters** (page 42) that have the most significant impact on our ability to create value in the short, medium and long term

We **respond strategically** (page 46) to our material matters to position our business for value creation into the future

- Growth
- Efficiency
- Quality
- Sustainability

We deliver value to our stakeholders in line with our purpose of making life better

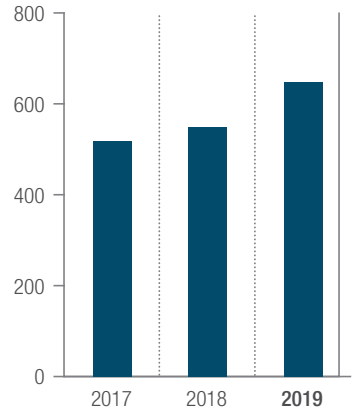
STATEMENT OF FINANCIAL VALUE ADDED

	2019 R'm	2018 R'm	2017 R'm
Revenue	**25 672**	23 488	20 797
Less: Purchased cost of goods and services	**(13 292)**	(11 936)	(10 309)
Financial value added	**12 380**	11 552	10 488
Other income[1]	**1 715**	104	110
Financial wealth created	**14 095**	11 656	10 598
Employees	**6 493**	5 976	5 443
Providers of equity	**1 321**	1 209	1 478
Providers of funding[2]	**1 018**	819	1 216
Governments	**1 022**	1 095	976
Maintenance and expansion of capital	**1 986**	1 704	1 410
Reinvestment in the Group[3]	**2 255**	853	75
Financial wealth distributed	**14 095**	11 656	10 598
Average number of employees	**21 795**	21 227	20 499
Financial wealth created per employee (R'000)	**647**	549	517
Weighted average number of shares (million)	**1 456**	1 451	1 310
Financial wealth created per share (R)	**9.69**	8.03	8.09

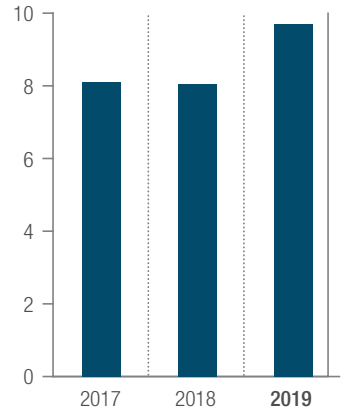
1 *Other income in 2019 includes the profit on disposal of Max of R1.5 billion before withholding tax.*
2 *The increase in 2019 is mainly due to the acquisition of the equity holding of 6.22% from the Alliance Medical management for GBP35.7 million (R640 million) in June 2018, and the acquisition of the European Scanning Centre (ESC) in December 2018 for GBP10.6 million (R195 million) offset by the settlement of debt during 2019. 2017 includes R778 million of funding costs for acquisitions, of which R427 million is non-recurring due to the settlement of a portion of the bridge funding via the rights offer.*
3 *Includes impairment of R164 million for 2019, with R125 million related to impairment of investment in Poland and R39 million being software development costs relating to our southern Africa operations. 2018 includes impairment of R34 million, being mainly software development costs relating to the southern Africa operations.*

The Group has undertaken a strategy of international growth and diversification to support the longer-term growth of the private healthcare market. This has resulted in a number of non-recurring costs in the prior year, including transaction costs and increased acquisition funding costs. Excluding these non-recurring items the financial wealth created per employee would be R661 638 (2018: R565 468 and 2017: R556 905), and the financial wealth created per share would be R9.68 (2018: R8.04 and 2017: R8.72).

Financial wealth created per employee (R'000)



Financial wealth created per share (R)



BUSINESS MODEL

Our business model drives our value creation process, leveraging the six capitals to direct our inputs and activities towards sustainable and positive outputs and outcomes for our stakeholders.

Capitals we use to create value for our stakeholders

FINANCIAL CAPITAL
Our pool of funds – comprising equity capital from shareholders, short and long-term loans from capital providers, together with profits generated from business activities and funds reinvested in our Group – allows us to operate a sustainable business.

MANUFACTURED CAPITAL
Our ability to procure, deliver and provide quality services to our patients depend on state-of-the-art facilities, maintained infrastructure (including information technology (IT)), and appropriate medical equipment.

INTELLECTUAL CAPITAL
Our intangibles, comprising service offerings, governance and quality standards, provide the Group's competitive advantage and sets us apart from our competitors.

HUMAN CAPITAL
Our employees leverage their skills, experience and knowledge to implement our strategy. They deliver the products and services our patients need, thereby creating value for stakeholders in the short, medium and long term.

SOCIAL AND RELATIONSHIP CAPITAL
We cultivate long-term relationships with patients, employees, doctors, suppliers, business partners, governments and other key stakeholders. We do this by leveraging our reputation and brand.

NATURAL CAPITAL
Renewable and non-renewable natural resources are used in the delivery of quality services to our patients.

Our key activities

We are an international service provider, providing healthcare according to three general tiers of healthcare, which are underpinned by our strategy.

1

Primary care, the broadest scope of healthcare, where we act as the first point of consultation for all patients in the healthcare systems, including patients who want to maintain optimal health, as well as those patients with all manner of acute and chronic physical, mental and social health issues.

2

Secondary, or acute, care, which comprises the necessary treatment by healthcare professionals for a brief but serious illness, injury or other health condition. It includes skilled attendance during childbirth, intensive care and medical imaging services.

Growth | Efficiency | Quality

*Our strategy is explained on **page 46**. How we performed against our strategy is detailed on **page 47**. Our 2025 Group strategy is detailed on **page 51**.*

3

Tertiary care, which consists of specialised consultative healthcare, usually for inpatients and those patients referred from a primary or secondary health care professional. This includes cancer management, neurosurgery, cardiac surgery, and other complex medical and surgical interventions.

Sustainability

Our outputs

We deliver high-quality, cost-effective care to our patients by offering the following services:

Southern Africa

Acute hospital business

Hospitals – including ICUs, high-care units, operating theatres, emergency units, maternity units, cardiac units and paediatric units

Complementary services

Acute rehabilitation, mental health, renal dialysis and oncology

Life Esidimeni

Long-term chronic mental healthcare, frail care rehabilitation, step-down care, correctional services, primary healthcare and substance abuse recovery programmes

Life Employee Health Solutions

On-site occupational and primary healthcare services and employee wellness programmes

Alliance Medical

Diagnostic imaging services, with a focus on MRI, CT, PET-CT, radiopharmacy and product development

Scanmed

Broad-spectrum healthcare, including medical consultations, primary healthcare, diagnostics, medical transportation, inpatient hospitalisation, analytical tests and home visits

For more information on our Group structure and services refer to page 10 to 14.

Outcomes

- **Patient experience** and **clinical outcomes**
- **Increased revenue**, **normalised EBITDA** and **dividends**
- Existing **infrastructure repurposed**, **integrated** and **optimised**
- **Efficiencies** embedded **throughout** the **business**
- **Qualified**, **experienced** and **motivated employees**
- Contributing to a **healthier society** through **partnerships**
- Unavoidable **impact** on the **environment** because of **our activities**

Managing trade-offs that influence our value creation

Balancing short-term performance with long-term sustainability

This year, we made the decision to upgrade and refurbish our cyclotrons, which are used to manufacture the radiopharmaceuticals critical for PET-CT procedures. This led to a shortage in supply in 2019 which, in turn, negatively impacted the number of procedures we could perform. However, we believe that this short-term investment will be beneficial for Life Healthcare in the long term through improved production capacity, allowing us to keep up with increased demand.

Related strategic pillars:

Balancing our diverse portfolio

We must continually balance our goal of maintaining a diverse portfolio with actual business performance. While the divestment of an operation has a negative impact in the short term, it also allows us to recycle capital to be invested in better opportunities. In 2018, we made the decision to divest our stake in Max Healthcare due to business underperformance. Despite India being a promising economy with good growth rates, our decision was further informed by continuous regulatory changes. The sale was concluded during the 2019 financial year, and we believe that our decision is in line with our growth strategy and financial targets.

During 2019, we also made the decision to explore strategic options to potentially exit our Poland-based operations.

Related strategic pillars:

Investing in future growth opportunities

While we strive to deliver strong financial returns, despite the tough environment, we understand that we must balance short-term results with long-term growth. To this end, we made the decision to pursue a variety of growth initiatives, including investigating entrance to the imaging market in South Africa, investing in new outpatient models, and investing in Life Molecular Imaging's product development business during the 2020 financial year.

While these initiatives require a sizeable upfront investment, we believe that in the long term our decision will allow us to deliver on our strategy to offer an integrated healthcare model in southern Africa, and a leading diagnostic imaging service internationally.

Related strategic pillars:

HOW WE CREATED VALUE FOR OUR STAKEHOLDERS

Inputs

FINANCIAL CAPITAL

- Equity of **R17 491 million** (2018: R16 202 million)
- Net debt of **R11 318 million** (2018: R14 950 million)

MANUFACTURED CAPITAL

- **R1 166 million** (2018: R878 million) invested in maintenance capex
- **R894 million** (2018: R1 366 million) invested in growth capex

Southern Africa

- **49 acute hospitals, seven acute rehabilitation** and **nine mental health facilities**
- **391 Life Employee Health Solutions clinics** (2018: 381)
- **9 136 beds** (2018: 9 055) and **302 hospital theatres** (2018: 304)
- **Five oncology** (2018: five) and **329 renal dialysis stations** (2018: 318)

Alliance Medical

- **206 diagnostic imaging units** (2018: 200), **48 molecular imaging units** (2018: 51) and **nine radiopharmacy units** (2018: nine)

Scanmed

- **41 medical facilities, 579 beds** and **12 cardiac units** in Poland

INTELLECTUAL CAPITAL

- Our **governance framework**
- **Background systems** (including IT) and **analysis models**
- **Alternative reimbursement pricing** models
- **Legal** and **statutory compliance** understanding and monitoring processes
- **Quality** policies, procedures and **standards**
- Formulary **procurement processes**
- A **nursing dashboard** in southern Africa
- United States (US) **Food and Drug Administration** (FDA) **approved niche isotope**

*For more information, refer to our corporate governance overview on **page 121**.*

Strategic focus areas

Outcomes

FINANCIAL CAPITAL

- ✓ **R2 871 million** profit after tax (2018: R1 914 million) and **R5 727 million** normalised EBITDA (2018: R5 535 million)
- ✓ **7.7%** growth in cash generated from operations
- ✓ **93 cents per share** (cps) dividends paid (2018: 88 cps)
- ✓ Appropriate management of debt and equity with a net debt: normalised EBITDA ratio of **1.96 times** (2018: 2.73 times) and interest cover ratio of **5.6 times** (2018: 5.7 times)
- ✗ **Headline earnings per share of 88.7 cps** (2018: 108.8 cps)

MANUFACTURED CAPITAL

- ✓ Improved **hospital efficiency** as a result of capital investment and environmentally friendly facility upgrades
- ✓ **Technological superiority** recognised by patients and markets, supporting brand strength and differentiation internationally

INTELLECTUAL CAPITAL

- ✓ **New business lines** and service offerings developed
- ✓ Ability to **drive efficiencies** throughout the business
- ✓ Clinical governance, quality and safety board sub-committee ensures **quality standards** are maintained and improved
- ✓ IT utilised to **drive standardisation**, **reduction** in **administrative costs** and economies of scale
- ✓ **Knowledge sharing** of best practice collaboration among territories

Actions to enhance our outcome

– Focus on operational excellence, including lean operations, clinical excellence, integration for value, asset portfolio review and capex optimisation

– Offering relevant, world-class facilities and equipment to ensure optimal treatment
– Repurposing or refurbishing our existing infrastructure
– Expansion to offer high-quality, affordable diagnostic imaging services in southern Africa by integrating diagnostic services into our infrastructure; leveraging Alliance Medical's expertise
– Completing vital upgrades to our equipment

– Embedding our newly developed digital strategy throughout the business
– Focus on governance maturity
– Driving compliance with established processes and systems at the point of care

✓ *Positive* ✗ *Negative*

HUMAN CAPITAL

- **20 436 employees** across the Group, comprising **doctors, nurses, radiologists, pharmacists** and **other skilled employees** (2018: 19 939)
- **R201 million** invested in training in southern Africa (2018: R177 million)
- **Remuneration** practices
- **Transformation** policies
- Agency **agreements**
- A **leadership team** which sets a culture of ethical conduct throughout the Group

For more on our leadership, refer to pages 6 and 8.

SOCIAL AND RELATIONSHIP CAPITAL

- The brands and reputation of Life Healthcare, Alliance Medical and Scanmed
- Relationships with **3 800 healthcare professionals** in southern Africa (where work is on an associative basis)
- Healthcare **funder relationships** and **network agreements**
- **Community** relationships
- **Government partnerships** and relationships
- Supplier **contracts** and **agreements**
- Relationships with **shareholders**

NATURAL CAPITAL

- Continued investing in renewable energy solutions
- Monitoring of **water usage** through water meters – 765 055 kℓ water used (2018: 1 089 999 kℓ)
- **135 083 292** kWh electricity consumed (2018: 142 934 448 kWh)

HUMAN CAPITAL

- ✓ **R8 860 million** (2018: R8 064 million) paid to employees in salaries and benefits
- ✓ **1 005 nurses** were enrolled for training (2018: 1 075) and **562 nurses** graduated from the Life College of Learning (2018: 454)
- ✓ **1 083 learnerships** provided in southern Africa (2018: 722) 32 apprentices on programme in the UK (2018: 15)

SOCIAL AND RELATIONSHIP CAPITAL

- ✓ **Partnerships** developed and enhanced
- ✓ Reputation enhanced through **collaboration** with **partners** such as the Christie National Health Service (NHS) Foundation Trust (the Christie)
- ✓ Doctor **shareholding**
- ✓ Patient **experience**, **recommendation** and **clinical outcome**
- ✓ **Maintained level 4** broad-based black economic empowerment (B-BBEE) rating

NATURAL CAPITAL

- ✓ Creating awareness to reduce water utilisation, installations of more efficient autoclaves and boreholes, as well as the installation of water metering for improved monitoring of water usage
- ✓ Lowered grid electricity reliance through solar initiatives, heat pumps and light-emitting diode (LED) lighting projects
- ✓ Increased initiatives to reduce waste
- ✓ Improved usage of more environmentally friendly gases

– In southern Africa, focus on recruiting and developing talent, enhancing our employee value proposition (EVP), and investing in robust leadership development initiatives
– Internationally, optimising the mix of permanent and contract staff
– Develop our employees' expertise in different modalities to support employee retention

– Building long-term relationships with our stakeholders to differentiate our offerings
– Cultivate relationship with specialists within our facilities
– Increasing preferred network deals with designated service providers (DSPs)
– Engaging with governments
– Monitoring relationships with our suppliers

– Installing solar capacity at seven additional facilities in southern Africa during 2020
– Explore opportunities to reduce water consumption

OUR STAKEHOLDERS

The sustainability of our business depends on positive relationships with stakeholders. We pursue stakeholder engagement systematically, which allows us to understand those risks that could impact our business. We believe that open exchange with and between diverse stakeholder groups has the potential

STAKEHOLDER	WHAT THESE STAKEHOLDERS CARE ABOUT	OUR STRATEGIC RESPONSES
Patients	• Cost and quality of care • Reputation of doctors, specialists, healthcare and other service providers • Caring nursing staff • Clinical pathway experience	• Providing quality, patient-centered healthcare and related medical services to our patients • Living our core value of quality to the power of e (ethics, excellence, empowerment, empathy, energy) • Transparent measuring and monitoring of patients' experience • Using independent service providers to obtain feedback on patient experience • Promote positive patient and client interaction through our CARE programme
Doctors and specialists	• Clinical efficiency • Insurance • Quality of facilities • Technology • Clinical governance	• Striving for and developing long-term relationships with doctors and other healthcare professionals to sustain our operations • Working collaboratively with clinicians, healthcare organisations and academic institutes • Monitor activities and trends among doctors and specialists • Identify and respond to recruitment needs • Cultivate a pipeline of future doctors, specialists and healthcare professionals • Identify opportunities to improve efficiencies
Healthcare funders	• Clinical efficiency • Quality of care • Cost of healthcare	• Developing and sustaining collaborative relationships with public and private funders • Engaging with healthcare funders on their concerns • Differentiating our service offering by providing value-based healthcare services • Implementing an appropriate pricing strategy
Industry and regulatory bodies	• Compliance with regulatory obligations and environmental laws • Involvement in industry discussions	• Monitor and respond to changes to our regulatory landscapes, stay up to date with changes in codes, regulations and compliance frameworks • Adapt to an increasingly complex environment, while remaining cost efficient and providing effective care • Ensure compliance with all applicable legislation • Engage with regulatory bodies to provide input for any new proposed legislation
Shareholders, investors and financiers	• Increasing regulation • Dividends paid • Effective corporate governance • Experienced leaders • Sustainable growth • Decreasing operating margins	• Focusing on delivering operational efficiencies, growth and international diversification • Providing a diversified product and service offering, with a growing share of revenue and earnings derived from non-acute sources • Appropriately investing in cost-effective, environmentally friendly and innovative technologies • Engaging with shareholders on remuneration matters • Promoting an ethical culture and responsible corporate citizenship

for value creation. We are therefore committed to understanding the needs of our stakeholders at each point of our value chain, and responding appropriately so we can consistently create value in the short, medium and long term.

THE VALUE WE CREATE

We create value for our patients by delivering a standard of healthcare that improves the quality of their lives. We do this by holistically addressing the needs of patients and their families, and by operating with a level of outcomes efficiency that sets us apart from our competitors.

In southern Africa, our patient experience measure (PXM) **remained** at 8.4.

In Alliance Medical, our patient experience **improved** in territories and exceeded internal targets.

In Scanmed, our healthcare associated infections (HAIs) improved to 0.67 from 0.84 in the prior year. Our outpatient clinics received a score of 88.1% (very satisfied), consistent with the prior year.

*For more information, refer to **pages 78** and **107**.*

We provide our doctors and specialists with quality facilities and advanced medical equipment. This, along with our partnership model, creates value by enabling doctors and specialists to provide quality services to patients.

We also facilitate the education of doctors and specialists by providing bursaries and training to the value of **R6.5 million**.

*For more information, refer to **pages 87** and **114**.*

With certain healthcare funders, we have a model in place that minimises costs and improves tariffs. Our differentiated service offering sets us apart and makes us a service provider of choice, both in southern Africa and internationally.

In southern Africa, we continue to secure DSP network deals.

We consistently engage with regulatory authorities on critical issues relevant to our business to ensure the best outcomes for all stakeholders.

During the year, critical engagement continued around the HMI and NHI reports in our southern Africa business.

*For more information, refer to **page 69**.*

We expose our shareholders, investors and financiers to the healthcare sector by offering a diversified and integrated portfolio of investments in southern Africa and Europe.

During 2019, we distributed **R1 365 million** (2018: R1 290 million) in dividends to our shareholders.

OUR STAKEHOLDERS continued

STAKEHOLDER	WHAT THESE STAKEHOLDERS CARE ABOUT	OUR STRATEGIC RESPONSES
Government	• Employment opportunities • Creating a stronger healthcare system • Cost of healthcare • Regulatory compliance	• Striving to be a responsible corporate citizen • Addressing skills shortages through our Life College of Learning • Participated in government tenders in the provision of healthcare and diagnostic services
Government as a customer	• Efficiency • Quality • Cost of care	• Partnering with government through public-private partnerships (PPPs) in southern Africa and internationally
Employees	• Health and safety in the workplace • Transformation • Remuneration • Performance evaluation • Career advancement • Opportunities for learning and development	• Focusing on employee wellness and development, as well as fair and transparent remuneration • Recruiting and developing talent • Enhancing our employee value proposition • Investing in robust leadership development • Implementing strategies to ensure a highly engaged workforce • Encouraging a culture of safety within the workplace • Maintaining healthy relationships with organised labour • Succession management • Developing a pipeline of future leaders, with a particular focus on African, Coloured and Indian (ACI) individuals
Suppliers	• B-BBEE ratings • Timely payments • Beneficial relationships • The brand of Life Healthcare, Alliance Medical and Scanmed	• Prioritising fair and transparent procurement activities • Investing in enterprise and supplier development (ESD) initiatives • Monitoring relationships with our suppliers • Conducting reviews to ensure we obtain the best available pricing • Ensuring adequate diversification of suppliers • Selecting suppliers who provide quality, affordable supplies that meet our requirements • Supporting local entrants to the market • Seeking to balance transformation goals with cost management drives
Society	• Community upliftment • A healthy society • Opportunities to improve education • Protection of rights	• Support the community through investment in community upliftment, health and education • Through a steering committee, recommended projects to the Life Healthcare Foundation Trust for approval • Allocated funds to approved corporate social investment (CSI) programmes • Manage the use of renewable and non-renewable natural resources which impact the societies in which we operate

THE VALUE WE CREATE

We create value for the government by cultivating a pipeline of skilled nurses through various training and development initiatives. We also invest in community health projects, thereby uplifting the societies in which we operate.

562 nurses graduated from the Life College of Learning.

We partner with government – such as the NHS in the UK and Azienda Sanitaria Locale in Italy – to deliver integrated care, technical excellence and efficient service, thereby becoming an integral part of the UK and European public health sectors.

In the UK, through our partnership with the NHS, our services are facilitated by **49 diagnostic imaging scanners at 33 diagnostic imaging sites, 44 mobile scanners, 36 PET-CT scanners and four cyclotrons**. In Italy, we operate from **34 clinics, eight static sites and one cyclotron**. In Ireland we operate from **27 sites** and in Spain we operate from **11 sites**. In northern Europe we operate **18 mobile** and relocatable buildings.

We create value for our employees by offering them opportunities and benefits beyond remuneration.

Invested **R201 million** on training and development in southern Africa, with **1 083** learners enrolled in nursing, pharmacy and technical and vocational education training learnerships.

Granted bursaries to **463** employees to encourage studies in scarce skills in southern Africa.

Internationally, we have partnerships in place with **11** universities in the UK to provide elective and structured placements while, in Poland, we facilitate the education of specialist doctors.

For more information, refer to pages 87 and 114.

We continually support enterprise development initiatives from an ESD perspective.

During the year, we granted a total of **R18 million** to the B-BBEE Life Healthcare Nursing Education Trust.

We believe that we can make people's lives better by investing in projects that facilitate brighter futures for the societies in which we operate. Through our CSI programmes, we create both financial and non-financial value for these communities.

In South Africa, our CSI programmes complement shortfalls in public healthcare services and training. During the year, we invested a total of **R106 million**.

For more information on our CSI programmes, refer to page 134.

KEY RISKS AND OPPORTUNITIES

As a business, we face many risks and related opportunities. How we manage these risks and capitalise on opportunities ensures the ongoing profitability and thus the sustainability of our business.

RISK MANAGEMENT PROCESS

Our risk management processes are integral components of business processes and align with our core values and strategic focus areas. Our board is ultimately responsible for the governance of enterprise risk management and for ensuring that the enterprise risk management framework and processes are effective and robust. The board is supported and assisted by the risk committee and the Group risk management function. The Group Risk Manager engages with key executives and senior management across the Group to identify risks, and the Group risk register incorporates risks from southern Africa, Alliance Medical and Scanmed.

We follow a combined assurance process with three lines of defence to ensure accountability and to distinguish between owning and managing risks, overseeing risks, and providing independent assurance. We ensure that risks and opportunities are appropriately identified, assessed, evaluated and managed by implementing an enterprise risk management strategy and framework, which take into account the principles of King IV and is based on the ISO 31000 international standards on risk management. We further monitor risks according to their nature, potential impact and likelihood.

Embedding risk management processes into our day-to-day operations ensures that the Group is better equipped to identify events impacting our objectives and to manage risks in line with our strategy. Both line management and employees are responsible for implementing risk management policies and processes.

The risk committee receives periodic, independent assurance on the effectiveness of risk management processes from internal audit. The board, along with the risk committee, confirms that it is satisfied that there are adequate, ongoing risk management processes in place to provide reasonable assurance that key risks and opportunities are identified, evaluated and managed.

The analysis on the next page highlights the key risks and related opportunities we are exposed to as a Group. These risks are reviewed through internal operational mechanisms. This section should be read in conjunction with the material matters section on page 42. The analysis further highlights how assurance is leveraged through our combined assurance process.



KEY RISKS AND OPPORTUNITIES continued

1 1st line of defence
2 2nd line of defence
3 3rd line of defence

1 Funder risk

(Ranking in 2018: 1)

DESCRIPTION OF THE RISK AND ITS CONTEXT	POTENTIAL OPPORTUNITIES
In southern Africa, Life Healthcare is under continuous pricing pressure from healthcare funders seeking to manage the overall cost of healthcare. This is primarily driven by a difficult economic environment that has placed pressure on them to contain increases in member contributions in an environment that is seeing a reduction in the number of medically insured lives. This, coupled with escalations in healthcare costs and utilisation, has led to funders instituting managed care initiatives, more affordable plans but with less cover, stringent case management and increased restricted provider networks. Our admission rates could be impacted by our ability to secure preferred network agreements with healthcare funders, as well as more stringent case management. Alliance Medical operates across a number of markets that provide a portfolio of healthcare services. Funding challenges remain prevalent across all northern European health economies. Alliance Medical has a mix of public and private income streams, with public revenue comprising 85% of total revenue in the UK, 62% of revenue in Italy and 39% in Ireland. Scanmed relies on servicing the National Healthcare Fund – Narodowy Fundusz Zdrowia (NFZ) – for a significant 80% portion of its revenue, with limited diversification in its revenue sources, placing revenue at risk when pressure is applied by the NFZ.	• Through increased engagement, targeted interventions and a differentiated service offering, we can position ourselves as the service provider of choice locally and internationally

2 Regulatory and compliance risk

(Ranking 2018: 2)

DESCRIPTION OF THE RISK AND ITS CONTEXT	POTENTIAL OPPORTUNITIES
The Group is required to comply with all applicable laws and regulations of the countries in which we operate. In addition to these general compliance requirements, the global healthcare industry is subject to an increasing number of new regulations. In South Africa, the Competition Commission's HMI – together with the potential impact of impending regulations such as the Protection of Personal Information Act, 4 of 2013 (POPIA), the NHI Bill and the Medical Schemes Amendment Bill – continue to require our attention. In addition, the Department of Health (DOH) introduced the Office of Healthcare Standards: Norms and Standards. Internationally, we remain committed to adhering to the General Data Protection Regulation (GDPR), which applies to the European Union (EU) and the European Economic Area (EEA).	• Through continued engagement with regulators and relevant bodies, we can assist the industry to develop appropriate solutions • We are committed to compliance to ensure we enhance and protect our reputation • Transparent engagement processes have the potential to enhance our relationship with a variety of stakeholders, including regulatory bodies

HOW WE ADDRESS THIS RISK

- Implementing an appropriate pricing strategy with a focus on efficiencies and input costs
- Maintaining a focus on safeguarding good relations with healthcare funders, and engaging with them on their specific issues and concerns
- Providing a differentiated service offering
- Focusing on interventions with doctors to increase clinical outcome data and efficiency
- Long-term contracts in place between our international businesses and their respective National Healthcare Funds
- Executing a strategy to include growth in the private sector volumes

STAKEHOLDERS IMPACTED



RELATED MATERIAL MATTERS AND ASSURANCE

- Healthcare funders
- Cost of care
- Quality of care standards
- Portfolio performance



HOW WE ADDRESS THIS RISK

- Proactively monitor and, where possible, provide input for any new proposed legislation, in the interest of all stakeholders in each of the respective territories
- Ensure compliance through our quality standards
- Continue to engage with the Competition Commission through our established multi-disciplinary task team, which allows us to communicate our position on various issues effectively
- Continuous engagement with our doctors and other stakeholders throughout the HMI to stay up to date of any developments
- Ongoing assurance by internal audit with adherence to regulatory requirements in the regions where we operate

STAKEHOLDERS IMPACTED



RELATED MATERIAL MATTERS AND ASSURANCE

- Cost of care
- Increasing regulations
- Quality of care standards
- Government relationships



KEY RISKS AND OPPORTUNITIES continued

1 1st line of defence
2 2nd line of defence
3 3rd line of defence

3 Skilled healthcare professional shortages

(Ranking in 2018: 4 and 6)

DESCRIPTION OF THE RISK AND ITS CONTEXT	POTENTIAL OPPORTUNITIES
There is a general shortage of doctors in the South African and Polish healthcare markets, and a shortage of radiologists and radiographers in the regions where Alliance Medical operates. Such shortages of healthcare professional skills affect the Group's growth prospects, our ability to deliver quality care and services and, ultimately, the sustainability of our operations.	• Through our interventions, we can assist in alleviating critical skills shortages while also positioning Life Healthcare as a business that supports the healthcare professionals we associate with

4 Country risk

(Ranking in 2018: 10)

DESCRIPTION OF THE RISK AND ITS CONTEXT	POTENTIAL OPPORTUNITIES
We operate in the global healthcare market, with our operations spread across different countries. There is the risk that country-specific factors, such as economic factors, political factors, or government policies, could adversely affect the Group. The downturn in the South African economy impacting the affordability of healthcare, as well as the uncertainty around the possible impact of Brexit, specifically a hard Brexit, remain top-of-mind.	• By actively working with local governments, we can build relationships based on trust, positively impacting the healthcare markets within the countries we operate in

HOW WE ADDRESS THIS RISK

A clear recruitment and retention strategy is in place, including:

- Providing bursaries and sponsorship programmes to specialists, as well as facilitating continuous professional development training for them
- Ongoing engagement
- Doctor partnership model and support policy, with regional clinical managers appointed to enhance doctor relationships and implement quality improvement initiatives
- Improved infrastructure and equipment at facilities
- Enabling reduced professional indemnity premiums through enhanced clinical measures
- Internationally, the shortage of radiologists and radiographers that could affect Alliance Medical is addressed through investment in a variety of reward, development, recruitment, cultural initiatives and university partnerships
- In Poland, we host internships for selected and identified specialisations to secure their ongoing service
- Organising paid internships, vocational practices and apprenticeships in Poland

STAKEHOLDERS IMPACTED



RELATED MATERIAL MATTERS AND ASSURANCE

- Specialised skills shortage

1 2

HOW WE ADDRESS THIS RISK

- Actively monitoring country-specific factors in the countries where we operate
- Ongoing engagement with regulators and governments
- Brexit contingency and continuity planning
- Divestment where appropriate

STAKEHOLDERS IMPACTED



RELATED MATERIAL MATTERS AND ASSURANCE

- Healthcare funders
- Government relationships
- Portfolio performance

1 2

KEY RISKS AND OPPORTUNITIES continued

1 1st line of defence
2 2nd line of defence
3 3rd line of defence

5 Cybercrime and data breach

(Ranking 2018: 7)

DESCRIPTION OF THE RISK AND ITS CONTEXT	POTENTIAL OPPORTUNITIES
The threat of cybersecurity continues to pose a key risk to our business globally. Due to the widespread use of computers and network-enabled medical devices, threats are evolving, becoming more unpredictable and increasingly frequent. This includes the threat of Group data and information being compromised.	• By investing in information security controls, we are able to offer comfort to our stakeholders that we have measures in place to safeguard our data

6 Key human resource risk

(Ranking in 2018: 5)

DESCRIPTION OF THE RISK AND ITS CONTEXT	POTENTIAL OPPORTUNITIES
Due to the highly specialised nature of the healthcare industry, and in light of key growth strategies, certain executive and management employees have a significant impact on the Group's performance. Failure to attract and to retain employees with the appropriate skillsets for these key roles could hamper performance and, ultimately, the achievement of strategic objectives.	• Through targeted succession planning we ensure business continuity and are able to attract talented leaders • Quality resources improve business performance

HOW WE ADDRESS THIS RISK	STAKEHOLDERS IMPACTED
• We have a matured Information Security Management System (ISMS) that is internationally certified by the British Standards Institution (BSI) (ISO 27001:2003) • Regular risk assessments are performed, including annual internal and external security assessments • An information management security strategy is in place to improve security, manage residual risks and implement further measures to protect the Group's intellectual property from hacking and other illegal cyber activities • Logical and physical IT security controls are in place, including advanced email protection, firewalls, end-point protection, cybersecurity enhancements and protection of personal information • Proactive tools are in place to detect and respond to cyber threats • Regular information security and cyber awareness training for staff • Policies, processes and controls in place to ensure adherence to the General Data Protection Regulation (GDPR)	 **RELATED MATERIAL MATTERS AND ASSURANCE** • Cost of care • Increasing regulations 1 2 3

HOW WE ADDRESS THIS RISK	STAKEHOLDERS IMPACTED
• Recruit high calibre resources for key roles • Executive succession planning in place • Successors are identified and monitored • Enhance our EVP, including employee share schemes, remuneration and other benefits, to attract and retain employees • Develop employees in all levels of management • Monitor various indicators, such as employee turnover, and develop response strategies to correct any negative trends that emerge	 **RELATED MATERIAL MATTERS AND ASSURANCE** • Specialised skills shortage • Labour relations and employee retention 1 2 3

KEY RISKS AND OPPORTUNITIES continued

1 1st line of defence
2 2nd line of defence
3 3rd line of defence

7 Clinical and patient safety risk

(Not ranked in 2018)

DESCRIPTION OF THE RISK AND ITS CONTEXT	POTENTIAL OPPORTUNITIES
Continuing to improve the quality and safety of healthcare services provided by the Group is of utmost importance to us. Failure to consistently deliver safe, high-quality care to our patients is a risk.	• Through an ongoing focus on quality and safety we can enhance the patient experience and protect our reputation

8 Information technology (IT) infrastructure, disaster recovery and project implementation

(Ranking 2018: 3)

DESCRIPTION OF THE RISK AND ITS CONTEXT	POTENTIAL OPPORTUNITIES
Our IT systems are critical in delivering quality service to our patients, increasing patient safety and decreasing medical errors, as well as strengthening the interactions between patients and healthcare providers. With healthcare becoming more consumer friendly, there is a drive towards electronic health records and digitisation. It is therefore imperative that our IT infrastructure and systems are appropriate and fit-for-purpose to respond to this cultural shift. There is also a risk of failure to maintain reliable information systems for business operations in the event of an IT disaster. Furthermore, we remain exposed to the implementation risk regarding information management projects which are under way to improve the existing infrastructure and ensure better Group-wide integration.	• By investing in our IT infrastructure, we are able to offer better and more efficient services to our patients, thereby lowering the cost of care while maintaining quality • Appropriate and effective IT infrastructure and systems support growth initiatives and performance expectations, therefore providing the opportunity to be more competitive

HOW WE ADDRESS THIS RISK	STAKEHOLDERS IMPACTED
• A Quality Management System (QMS) is in place to ensure quality healthcare is provided and that established quality control procedures are in place • QMS certification, and ISO 9001 and ISO 13485 accredited through BSI • Monitoring of clinical performance indicators • Quarterly national quality review meetings are held • Internal quality assessments carried out yearly at each hospital by the Quality Systems Support Specialist (QSSS) • Medical malpractice and professional indemnity insurance are in place • Ongoing training of staff on quality procedures	

RELATED MATERIAL MATTERS AND ASSURANCE

- Quality of care standards

1 2

HOW WE ADDRESS THIS RISK	STAKEHOLDERS IMPACTED
• Regular, periodic assessments of our IT infrastructure are conducted, with action plans implemented to effect enhancements and address shortcomings • Disaster recovery capabilities are maintained and aligned with agreed business tolerances • Disaster recovery tests are performed annually with action plans documented and implemented to address any identified shortcomings • Rigorous project management methodology is followed, with strong business sponsor leadership and oversight • A formal Systems Development Lifecycle (SDLC) process is in place and a Total Cost of Ownership (TCO) costing model is applied to each project • Project prioritisation is conducted • Risk registers are maintained for projects and a response plan is in place for identified risks	

RELATED MATERIAL MATTERS AND ASSURANCE

- Cost of care

1 2 3

KEY RISKS AND OPPORTUNITIES continued

1 1st line of defence
2 2nd line of defence
3 3rd line of defence

	DESCRIPTION OF THE RISK AND ITS CONTEXT	POTENTIAL OPPORTUNITIES
9 **Reputational risk** *(Ranking in 2018: 8)*	**Adverse events while performing clinical procedures and services, or other activities, could negatively affect the Group's reputation and relationships with key stakeholders.** Furthermore, events outside of our control can adversely affect our brand.	• Through an ongoing focus on quality and a clear communication strategy, we can enhance and protect our reputation



HOW WE ADDRESS THIS RISK

- Quality management processes are in place across the business with ISO 9001 certification held
- A media strategy is in place for dealing with complaints raised through the media, as well as other media-related issues

STAKEHOLDERS IMPACTED

RELATED MATERIAL MATTERS AND ASSURANCE

- Increasing regulations
- Quality of care standards

1 2 3



MATERIAL MATTERS

Life Healthcare's material matters have direct or indirect impacts on our ability to create economic, environmental and social value for the Group and its stakeholders. We manage our material matters strategically to ensure we maintain our ability to create value for our stakeholders in the short, medium and long term.

IDENTIFY

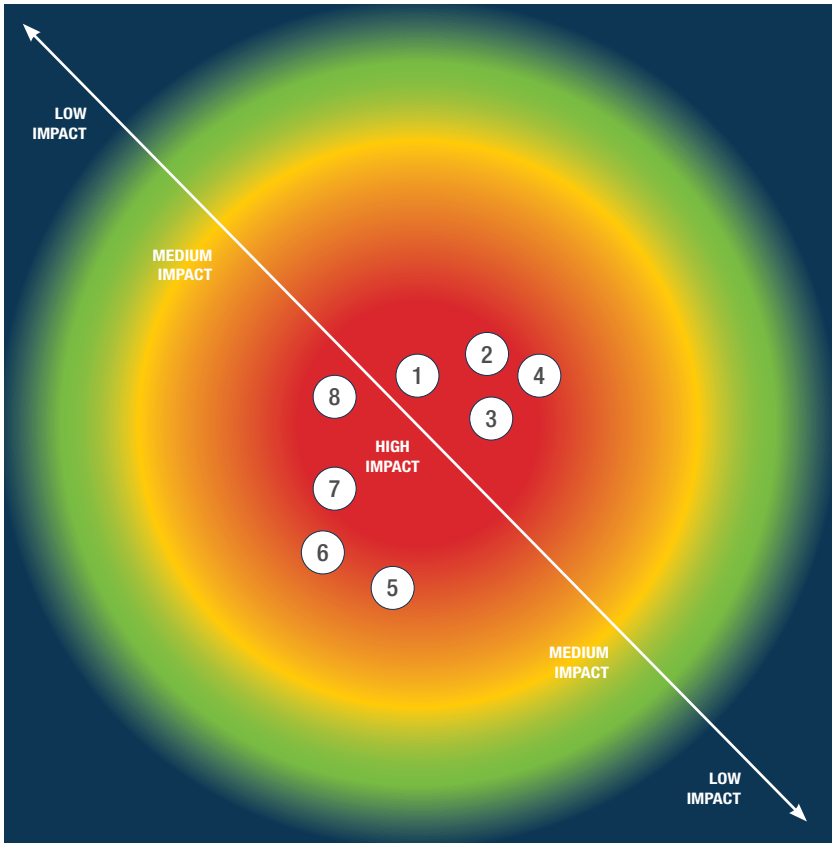
We consider a range of internal and external influences when distilling these material matters, including the Group's strategy (page 51), the board's agenda, management reports, the external operating environments of the regions in which we operate (pages 69 and 99), the needs and expectations of our key stakeholders (page 26), as well as our key risks and opportunities (page 30).

PRIORITISE

All our material matters could potentially impact our business in the short, medium and long term. The material matters were prioritised in terms of their likelihood and potential impact, and are plotted on the following heat map.

INTEGRATE

Those matters most material to our ability to create value for our business and stakeholders are integrated into our Group strategy.



1 Healthcare funders
2 Cost of care
3 Specialised skills shortage
4 Increasing regulations
5 Quality of care standards
6 Labour relations and employee retention
7 Government relationships
8 Portfolio performance

Life Healthcare identified the following matters as material in the short, medium and long term. We engage and respond to these matters through our strategic focus areas.

Healthcare funders

Healthcare funders directly impact our patients' ability to access healthcare services at our facilities, influencing revenue and market share.

The following factors impact healthcare funders as a material matter:

- The increasing prevalence of DSP network agreements, as healthcare funders reimburse 95.1% of the hospital division revenue in southern Africa (2018: 95.5%)
- The Group has significant exposure to Discovery Health Medical Scheme (DHMS) and the Government Employees Medical Scheme (GEMS) in South Africa, with these two funders making up approximately 49% (2018: 46%) of the hospital division's turnover in southern Africa
- The consolidation of healthcare funders in South Africa has resulted in increased bargaining power, which could ultimately reduce the prices the Group can charge for services
- Internationally, public funders and our agreements with them influence the viability and sustainability of our businesses
- The affordability of private medical insurance in southern Africa, together with existing members buying down their medical insurance options

Affected stakeholder groups



Key risks and opportunities

- Funder risk
- Country risk

Our response – strategic focus areas



Cost of care

Cost of care continues to increase in all the regions we operate. This impacts our profitability, as well as our ability to deliver on our mission of improving the lives of people through the delivery of high-quality, cost-effective care.

The following factors impact the cost of care as a material matter:

- The costs of input materials and services needed to provide our patients with a high level of quality (this is closely linked to the quality of care standards as a material matter)
- Fluctuating exchange rates impacting the cost of imported necessities, such as surgical consumables and medical equipment
- Cost pressures on healthcare funders, who provide access to patients and therefore directly influence our revenue and market share (this is closely linked to healthcare funders as a material matter)
- Labour costs, which comprise approximately 44% of total Group costs (2018: 42%), including increases in salaries and wages, as well as scarce and critical skills such as specialised and registered nurses, specialist doctors and radiographers
- The ability to align nursing and radiographer staff levels with occupancies and to meet the needs of the patients, therefore balancing the mix of permanent and agency employee levels
- Partnerships with doctors and other medical professionals

Affected stakeholder groups



Key risks and opportunities

- IT infrastructure, disaster recovery and project implementation
- Cybercrime and data breach
- Regulatory and compliance risk
- Funder risk

Our response – strategic focus areas



MATERIAL MATTERS continued

Specialised skills shortage

The limited availability of doctors, pharmacists, specialist nurses, registered nurses, specialised ICU nurses, and other healthcare professionals in South Africa remains a concern, potentially impacting clinical quality and the cost of care, along with constraining future growth. Our businesses in Europe and Poland are also experiencing skills shortages, with uncertainties surrounding Brexit compounding problems in the UK.

The following factors impact specialised skills shortages as a material matter:
- A highly competitive employment market for skilled healthcare professionals, characterised by above-inflation wage increases
- South African immigration regulations and labour-related agreements that restrict the ability of people to work across borders
- The limited availability of skills development initiatives, training, bursaries and sponsorships
- Leveraging skills and the transfer of knowledge from facilities in Alliance Medical, in western Europe, and Scanmed, in Poland, to South Africa, specifically in areas such as radiology, oncology, gynaecology and cardiology

Affected stakeholder groups



Key risks and opportunities

- Key resource risk
- Skilled healthcare professional shortages

Our response – strategic focus areas



Increasing regulations

We operate in a highly regulated industry. While we believe that this level of regulation is often necessary, it does impact the cost of care and growth of the Group. We fully support the intentions of regulators; however, the ever-evolving operating environment places a burden on the business as the pace and scale of regulatory change remain unprecedented. Non-compliance may lead to penalties or withdrawal of our licence to operate and holds reputational risk for the Group.

The following factors impact increasing regulations as a material matter:
- Regulations relating to matters such as licences, conduct of operations, security of medical records, occupational health and safety, quality standards and certain categories of pricing
- Uncertainty around the possible impacts of the HMI, NHI and the Medical Schemes Amendment Bill on our South African operations
- While we expect Brexit to have an impact on our operations in the UK, the degree of this impact is uncertain at this time

Affected stakeholder groups



Key risks and opportunities

- Cybercrime and data breach
- Regulatory and compliance risk
- Reputational risk

Our response – strategic focus areas



Quality of care standards

Maintaining and improving the quality of care in all our territories is integral to the Group's core values and to building strong relationships with our key stakeholders. The delivery of quality care is also critical to protecting the Group's reputation. Quality of care is closely linked to the cost of care, as it is critical to achieve a balance between effective and profitable service provision.

Quality of care standards as a material matter is guided and impacted by a variety of factors, including:
- Government and other regulators that require that we adhere to various standards and practices
- The Group's clinical quality policies, procedures, frameworks and standards
- Environmental, health and safety requirements
- Shortages in specialised doctors and skilled personnel such as pharmacists, nurses and radiographers
- Innovation in information systems and security

Affected stakeholder groups



Key risks and opportunities

- Regulatory and compliance risk
- Funder risk
- Clinical and patient safety risk
- Reputational risk

Our response – strategic focus areas



Labour relations and employee retention

High wage increases affect the affordability of healthcare, while the shortage of skilled and specialised employees affect the quality of care.

The following factors impact labour relations and employee retention as a material matter:

- Competition for specialised and scarce skills in all regions where we operate
- South African and Polish nursing wage increases that are higher than inflation
- Industrial action in South Africa could impair the delivery of healthcare
- Talent management, succession planning, development, and training

Affected stakeholder groups



Key risks and opportunities

- Key resource risk

Our response – strategic focus areas



Government relationships

As one of our primary stakeholders, governments impact our business in many ways – from originating laws and regulations to issuing licences to operate. Internationally, the government is the primary source of revenue for Alliance Medical and Scanmed, and also contributes significantly to our revenue in southern Africa.

The following factors impact government relationships as a material matter:

- Bed licences are required for brownfield and greenfield expansion in southern Africa
- Revenue and profitability may be impacted by healthcare regulatory reforms, changes in the budget allocated for healthcare services, and healthcare tariff changes
- The public sector provides a significant portion of Alliance Medical and Scanmed's revenue, making regulatory reforms, the award of contracts, as well as reductions or delays in payments, highly significant to profitability of these businesses

Affected stakeholder groups



Key risks and opportunities

- Regulatory and compliance risk
- Country risk

Our response – strategic focus areas



Portfolio performance

Given our global footprint, the performance of each business unit is critical to delivering our growth ambitions.

The following factors impact our portfolio performance as a material matter:

- Local socio-economic and political conditions
- The demand for healthcare services
- The competitive environment in each territory
- Strength of local management teams
- Investment decisions made at a local and board level

Affected stakeholder groups



Key risks and opportunities

- Country risk
- Funder risk

Our response – strategic focus areas



RESPONDING STRATEGICALLY

Our strategy is designed to respond to the current and expected future operating environments of the global healthcare industry, the needs and expectations of our key stakeholders (page 26), the risks and opportunities we face as a Group (page 30), as well as the resultant material matters that potentially could impact our value creation (page 42).

Accelerate the transition from a South African focused acute care group to a market-leading, international, diversified healthcare organisation by providing a diversified product and service offering, with a growing share of revenue and earnings from non-acute sources

Evolve the Group's delivery model with a dual focus on moving to an integrated healthcare model in southern Africa and being a leading diagnostic imaging provider internationally

Focus on clinical excellence and building an analytically-led, technologically-enabled Group, across all territories and businesses

STRATEGIC FOCUS AREAS	WHAT THIS MEANS	RELATED MATERIAL MATTERS
Growth Continue to grow our southern Africa business while establishing a sizeable international business, and diversify our sources of revenue	The Group seeks to be a market-leading, international, diversified healthcare organisation. This is achieved by effectively partnering with healthcare professionals to operate our acute hospital and complementary services business. Life Healthcare aims to achieve our growth objectives through a number of key initiatives, including: • Expanding our complementary services footprint in South Africa • Building an imaging business in South Africa, leveraging Alliance Medical's expertise, scale in procurement, best practice clinical protocols, and operational efficiencies • Delivering an outpatient care model in South Africa which offers convenient, affordable and quality care through the use of cutting-edge technology and outstanding clinical employees • Focus on lean operations, clinical excellence and integration for value • Focusing on driving commercial sales of Neuraceq and progress to reimbursement, as well as to develop pipeline products through Life Molecular Imaging	• Portfolio performance • Government relationships
Efficiency Deliver cost-effective care through efficient, optimal utilisation of processes, information, technology, research, innovation and other resources	We are focused on providing high-quality care while effectively managing all costs, including cost of sales, labour and overheads. This allows the Group to maintain high levels of clinical and operational efficiency while optimally allocating resources. Relationships with our employees, healthcare funders, procurement partners and doctors are included as efficiency-enabling opportunities.	• Cost of care • Healthcare funders
Quality Deliver market-leading quality care	Strict adherence to protocols and processes, reporting, analysis and action for quality metrics are essential in delivering world-class healthcare to our patients. The Group aims to maintain and improve its quality performance through rigorous quality reporting and benchmarking. This includes clinical outcomes, patient satisfaction and stakeholder health and safety.	• Quality of care standards • Healthcare funders • Labour relations and employee retention
Sustainability Effectively engage with our stakeholders to ensure our long-term sustainability	Social, environmental and financial stability, underpinned by effective stakeholder engagement, support the sustainability of our operations, both locally and internationally. The Group recognises the importance of our licences to operate in various territories and the stakeholders in each who directly influence our success. Life Healthcare remains focused on its sustainability goals.	• Cost of care • Specialised skills shortage • Government relationships • Increasing regulations • Labour relations and employee retention • Healthcare funders

*For more information on how we performed against our strategy, refer to **page 47**.*

HOW WE PERFORMED AGAINST OUR STRATEGY IN 2019

We use KPIs and statistics to measure our progress against our strategy.

GROWTH

Geographical location and indicator	Year-on-year trend	2019	2018	2017
Life Healthcare Group				
Net debt: normalised EBITDA (ratio), debt covenant is <3.5 (2018: 3.5)[1]	↓	**1.96**	2.73	2.55
Interest cover (ratio), debt covenant is >4 (2017: >5.0)[1]	↓	**5.6**	5.7	4.2[1]
Capital expenditure as percentage of revenue (%)	↓	**8.0**	9.6	8.0
Normalised earnings per share (EPS) (cps)	↑	**116.4**	110.2	93.9
Normalised EPS excluding amortisation (cps)	↑	**148.1**	139.3	120.6
Headline earnings per share (HEPS) (cps)	↓	**88.7**	108.8	77.4
Operating profit	↑	**3 944**	3 848	3 620
Free cash flow before transaction costs	↑	**2 342**	2 237	1 928
Southern Africa				
PPDs[2]	↑	**2 269 756**	2 251 600	2 226 337
Occupancy (%)	↔	**69.7**	69.7	70.0
Length of stay (LOS) (days)	↑	**3.76**	3.72	3.71
Number of healthcare facilities	↔	**66**	66	65
Number of registered beds	↑	**9 136**	9 055	8 983
Number of acute facilities	↓	**49**	50	50
Number of dedicated acute rehabilitation facilities	↔	**7**	7	7
Number of dedicated mental health facilities	↑	**9**	8	8
Number of specialised maternity units	↔	**1**	1	1
Number of renal stations	↑	**329**	318	303
Number of oncology units	↔	**5**	5	4
Number of Life Esidimeni facilities	↔	**10**	10	11
Number of Life Esidimeni registered beds	↔	**3 119**	3 119	3 080
Number of Life Esidimeni PPDs	↑	**1 054 391**	1 006 717	873 954
Number of Life EHS clinics (Life occupational health)	↑	**310**	301	288
Number of lives covered through the Life EHS occupational health	↓	**210 589**	211 086	222 895
Number of Life EHS (occupational health) on-site clinics (employee wellness)	↑	**81**	80	78
Number of lives covered by Life EHS (employee wellness)	↑	**383 082**	367 670	248 804

[1] *Waiver consent letters were received from the relevant banks accepting the breach of covenants for a period of 13 months from the Alliance Medical acquisition date.*

[2] *Indicator is externally assured.* (A)

HOW WE PERFORMED AGAINST OUR STRATEGY IN 2019
continued

GROWTH

Geographical location and indicator	Year-on-year trend	2019	2018	2017
Alliance Medical				
UK				
Diagnostic imaging static sites	↔	**33**	33	37
PET national contract sites – wave 1 and 2	↑	**36**	34	31
Mobile units	↓	**44**	45	45
Radiopharmacy units	↔	**4**	4	4
Diagnostic imaging static sites (scans)	↑	**298 186**	281 020	323 744
Mobile (days)	↑	**11 070**	10 051	10 089
PET-CT (scans)	↑	**96 956**	83 639	72 807
Radiopharmacy (doses)	↑	**106 960**	106 123	98 464
Mobile utilisation	↔	**82%**	81%	81%
Italy				
Owned clinics	↔	**34**	34	25
Statics	↓	**8**	9	13
Radiopharmacy units	↔	**1**	1	1
MRI and CT scans – public and private	↑	**268 820**	259 814	228 565
Other – public and private (scans and other)	↑	**2 391 727**	2 292 657	2 120 972
Ireland	↔			
Operating sites	↑	**27**	23	20
MRI and CT scans – public and private (scans)	↑	**201 029**	189 070	160 678
Spain				
Operating sites	↔	**11**	11	11
Molecular imaging – PET-CT (scans)	↓	**783**	3 406	1 431
Diagnostic imaging and other (scans)	↓	**97 068**	102 541	101 192
Northern Europe				
Mobile and relocatable buildings	↓	**18**	22	21
Radiopharmacy units	↔	**4**	4	4
Diagnostic imaging and other (scans)	↑	**27 843**	25 259	29 799
Radiopharmacy (doses)	↑	**68 776**	60 071	52 823
Scanmed				
Occupancy (%)	↔	**69**	69	69
Number of medical facilities	↑	**41**	40	40
Number of registered beds[1]	↓	**579**	624	624
Number of cardiac facilities	↔	**12**	12	12

[1] *Decrease is mainly due to new regulation on increase in number of nurses required per bed introduced January 2019 resulting on deregistration of beds across the entire industry, and a temporary closure of a ward in Blachownia due to renovation.*

QUALITY

Geographical location and indicator	Year-on-year trend	2019	2018	2017
Southern Africa				
Quality metrics				
Definitely recommend – inpatient (%)	↔	**70.70**	70.70	70.00
Definitely recommend – emergency units (%)	↓	**66.50**	67.30	67.20
Patient experience – inpatient (target >8.4)	↔	**8.4**	8.4	8.1
Patient experience – emergency units (target >8.2)	↓	**8.0**	8.1	8.1
Complaint rate (per 1 000 PPDs)	↓	**0.80**	0.83	0.71
Clinical indicators				
Patient safety adverse events[2,3] (per 1 000 PPDs)	↓	**2.44**	2.68	2.69
Healthcare associated infections (HAIs)[3,4] (per 1 000 PPDs)	↔	**0.41**	0.41	0.42
Ventilator associated pneumonia (VAP) (per 1 000 ventilator days)	↓	**0.90**	1.09	1.48
Surgical site infections (SSI) (per 1 000 theatre cases)	↑	**1.05**	0.99	0.96
Central line associated bloodstream infections (CLABSI) (per 1 000 central lines)	↓	**0.83**	0.99	0.85
Catheter associated urinary tract infections (CAUTI) (per 1 000 catheter days on one line)	↑	**0.34**	0.31	0.40
FIM™/FAM score[5] (target >0.9)	↓	**0.84**	0.90	1.00
MHQ14 efficiency[6] (average gain/PPD) (target >2.25)	↑	**2.35**	2.20	2.50
Employee adverse events (per 200 000 labour hours)	↓	**4.11**	4.09	4.43
Alliance Medical[9]				
Patient experience (satisfied and very satisfied)	↑	**95.30%**	94.40%	95.4%
Friends and family score	↑	**94.90%**	94.52%	94.2%
Written patient complaints per 10 000 scans	↓	**3.2**	4.4	4.9
Escalated events per 10 000 scans[8]	↑	**0.9**	0.7	n/a
CQC/IRMER incidents per 10 000 scans	↔	**0.1**	0.1	0.02
RIDDOR reportable incidents per 10 000 scans	↓	**0**	0.1	0.1
Clinical audit: level 1 and 2 discretionary scores	↑	**0.05%**	0.02%	0.06%
Scanmed				
HAI[7] (%)	↓	**0.67**	0.84	0.85
Surgical site infections (SSI) (%) (SSI)	↓	**0.09**	0.16	0.17
Ventilator associated pneumonia (VAP) (%)	↓	**0.07**	0.17	0.15
Central line associated bloodstream infections (CLABSI) (%)	↑	**0.03**	0.02	0.05
Catheter associated urinary tract infections (CAUTI) (%)	↑	**0.12**	0.08	0.12

[2] *Patient safety adverse events: Unintended or unexpected events which could have, or did, result in harm – this includes medication, falls, pressure ulcers, procedure-related incidents, behaviour, death due to unnatural causes, burns, other patient incidents, patients absconding and other patient information incidents.*
[3] *Indicator is externally assured.* (A)
[4] *HAI: Combines all the healthcare associated infections determined according to the Centre for Disease Control (CDC) guidelines – VAP, SSI, CLABSI, CAUTI and other infections associated with the hospital stay.*
[5] *FIM™/FAM: Weekly assessment of patients' function, while in an acute rehabilitation facility.*
[6] *MHQ14 efficiency: Patient reported feedback in a mental health facility.*
[7] *The calculations differ from the other areas – HAI: total number of HAI/total number of patients x 100%.*
[8] *New category.*
[9] *UK only.*

HOW WE PERFORMED AGAINST OUR STRATEGY IN 2019
continued

EFFICIENCY

Geographical location and indicator	Year-on-year trend	2019	2018	2017
Life Healthcare Group				
Cash generated from operations as percentage of EBITDA, target is >95%	↑	**103.5**	99.4	93.2
Normalised EBITDA margin (%)	↓	**22.3**	23.6	24.0
Southern Africa				
Normalised EBITDA margin (%)	↓	**23.8**	24.9	25.5
Alliance Medical				
Normalised EBITDA margin (%)	↓	**22.4**	24.5	23.8
Scanmed				
Normalised EBITDA margin (%)	↑	**7.2**	6.7	4.0

SUSTAINABILITY

Geographical location and indicator	Year-on-year trend	2019	2018	2017
Southern Africa				
Number of permanent employees	↑	**15 385**	14 725	14 466
Number of nurses enrolled in training	↓	**1 005**	1 075	1 358
ACI employees (%)	↑	**75.82**	74.0	72.6
Electricity usage[1] (kWh)	↓	**135 083 292**	142 934 448	148 560 938
Water usage[1] (kℓ)	↓	**765 055**	1 089 999	1 246 804
Healthcare risk waste[2,3] (HCRW) (kg/PPD)	↑	**1.96**	1.88	1.81
Alliance Medical				
Number of employees	↑	**2 040**	2 003	1 715
Scanmed				
Number of employees	↑	**3 646**	3 523	3 345
Electricity usage[1] (kWh)	↓	**5 853 701**	5 994 753	4 478 604
Water usage[1] (kℓ)	↓	**32 322**	43 536	33 853

1 *These figures are based on best estimates using available information.*
2 *Indicator is externally assured.* (A)
3 *Monitoring the amount of healthcare risk waste generated by hospital – including pharmaceutical waste, anatomical waste, sharps, cytotoxic, infectious non-anatomical waste and radioactive waste.*

OUR 2025 STRATEGY

The global healthcare landscape continues to evolve rapidly. Changes in technology, regulations, consumerism, funder behaviours and the economic climate all impact the way we do business. To remain sustainable and future-fit, this year we reviewed our strategy and approved a new Group 2025 strategy.

Our 2025 strategy

A dual focus on offering an integrated healthcare model in southern Africa, and leading diagnostic imaging internationally

Providing a diversified product and service offering, with a growing share of revenue and earnings derived from non-acute sources

Focusing on clinical excellence and building an analytics-led, technologically enabled Group across all markets and businesses

Underpinned by our current strategic pillars


Growth


Efficiency


Quality


Sustainability

Our strategic enablers

Our people	Data, analytics and information technology	Clinical quality
Our employees are critical for driving our core business and pursuing growth initiatives across the globe. We will continue to review and improve our people practices to motivate, inspire, retain and attract the best talent in the market.	Ultimately, we want analytics to be a key competitive differentiator. Our ambition is to build a future-fit data and analytics capability, underpinned by enabling technology, to empower our Group to be adaptable, innovative, decisive and insight driven.	Clinical quality is at the core of what we do. We will continue to improve our clinical governance practices across the Group to remain a clinically-led organisation, taking a process-based data-driven approach to continuous quality improvement.

OUR 2025 STRATEGY continued

UNPACKING OUR 2025 STRATEGY

While we have different focus areas for southern Africa and our international business, these centre around **operational excellence, new growth segments and new market expansion across the short, medium and long term**. We will deliver on our strategy over three horizons.

Horizon		Southern Africa	International
		In southern Africa we will expand our focus beyond acute hospitalisation across the healthcare continuum, serving new local markets and ultimately become a global leader in hospital management.	Internationally, we will leverage our expertise to position ourselves as a global leader in diagnostic imaging.
		Focus areas	**Focus areas**
Horizon 1	Operational excellence	• Lean operations • Clinical excellence • Integration for value • Asset portfolio review	• Lean operations • Clinical excellence • Capex optimisation • Asset portfolio review
Horizon 2	New growth segments	• Clinical products • Complementary services • Imaging • Wellness • Outpatient care • Public private partnerships • Employed uninsured population	• Selective opportunities in existing markets • Life Molecular Imaging • Radiopharmaceutical opportunities
Horizon 3	New market expansion	• Home-based care • Step-down and sub-acute • Healthcare management organisation	• Targeted expansion into new markets • Capital-light partnerships



As part of our commitment to exploring new growth segments, our focus areas will be on the following:

Diagnostic imaging in southern Africa

Alliance Medical is the leading independent provider of medical imaging services in Europe, operating across 10 geographies. In South Africa we have an opportunity to offer high-quality, affordable diagnostic imaging services by integrating diagnostic services into our infrastructure; leveraging Alliance Medical's expertise; and improving scale, standardisation and efficiency.

Outpatient care

In South Africa, the employed uninsured population is not adequately served by traditional primary healthcare models. We want to improve healthcare access and affordability by offering this segment of the population convenient, quality, nurse-led outpatient care, delivered via cutting-edge technology and scaled via partnerships.

Life Molecular Imaging

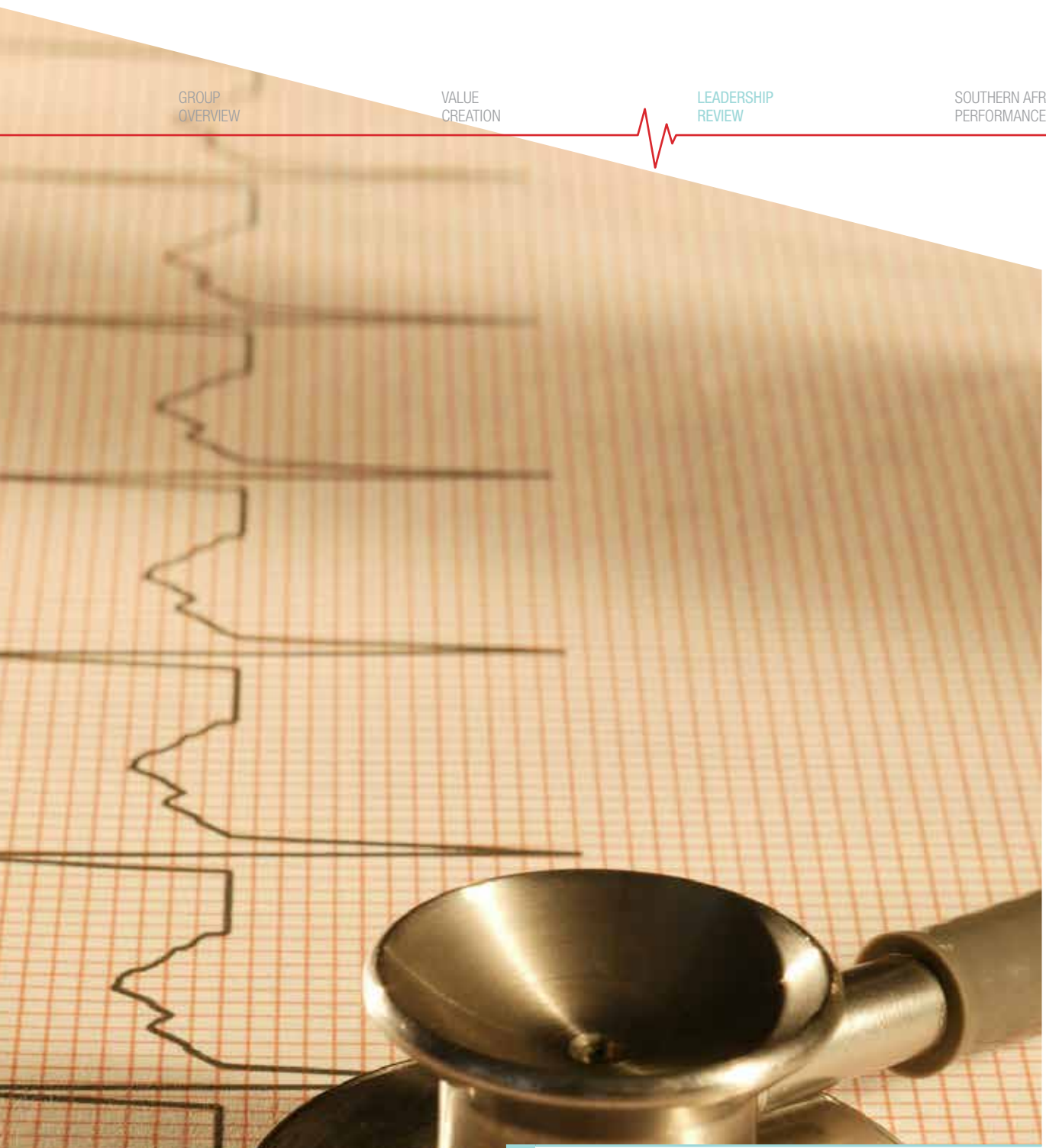
Life Molecular Imaging focuses on innovative Positron Emission Tomography radiopharmaceuticals to improve the diagnosis of life-threatening diseases in neurology, oncology and cardiology.

Our strategy is to drive commercial sales of Neuraceq and progress to reimbursement, and to develop pipeline products.

Government

Across the Group we work with local government to deliver access to high-quality care. We have an explicit intention to continue serving governments in the countries in which we operate, and strengthening these partnerships.


SIEMENS

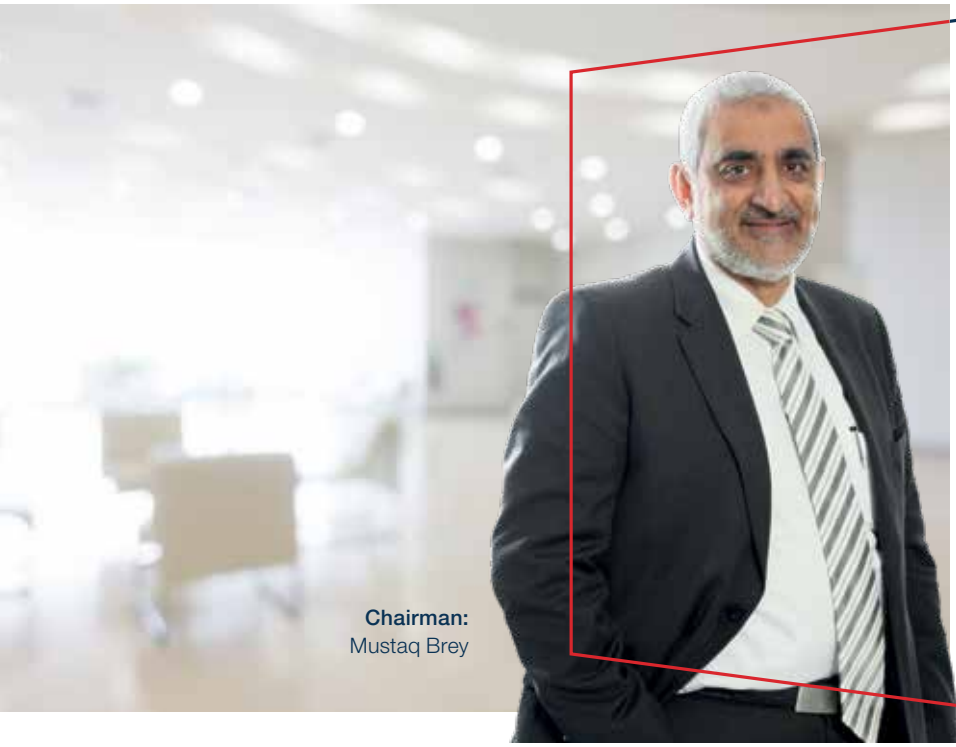


LEADERSHIP REVIEW

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61 Group Chief Financial Officer's review

CHAIRMAN'S REVIEW



Chairman:
Mustaq Brey

Life Healthcare's **vision** is to be a **market leading**, international, diversified healthcare **organisation,** with a distinct and **high-quality** asset portfolio. We are committed to achieving this vision in the most productive and responsible way, while also being part of the solution to local and global healthcare challenges.

OUR OPERATING CONTEXT

The healthcare market continues to present challenges, as well as associated opportunities, in all our operating environments. Globally, the healthcare landscape is constantly changing, impacted by advances in technology, regulations, consumerism, ageing, changing disease burdens and funder behaviour. In addition to these macro-trends, locally in South Africa, we have seen little growth in insured lives leading to a stagnant market. Within the United Kingdom (UK) and in the context of a potential hard Brexit, impact has been felt over the last two years with a reduction of EU applicants for key healthcare professional roles, in particular radiographers. The impact is being mitigated by various efficiency, growth, quality and sustainability initiatives guided across the Group. In southern Africa, we are managing the impact of no growth in insured lives by consistently delivering excellent quality care to our patients, continued focus on increasing operational excellence, cost efficiencies and broadening our product and service offering.

REFLECTING ON 2019

Life Healthcare's approach to quality remains stringent, as service quality and clinical outcomes are directly related to the health of our patients, sustainability and efficiency. We continued in our delivery of world class quality care across all our operations. In southern Africa we became the first hospital group to publish quality scores on a per hospital basis, and internationally we implemented the Life Healthcare Group clinical quality and governance framework that provided the foundation to a number of clinical governance and quality integration projects. Our global integration initiatives delivered in line with our original intention due to focused efforts of our international executive team and are being embedded into business as usual activities in all countries.

Life Healthcare delivered a good overall performance in 2019 despite a weak H1 and difficult trading environments experienced in most of our markets. We are pleased that we successfully concluded the disposal of our interest in Max Healthcare Institute (Max Healthcare) for approximately R3.8 billion of net proceeds. 2019 also reflected significant headway in the respective growth initiatives both in southern Africa and internationally.

CHAIRMAN'S REVIEW continued

REGULATORY LANDSCAPE

In South Africa, given the enormity of the healthcare challenges facing our country, we believe healthcare providers have a moral obligation to partner with government in finding solutions. Addressing the healthcare gaps in the public sector, as well as current affordability issues in the private sector, are significant undertakings. Nevertheless, we are committed to contributing to the objectives enshrined in the National Development Plan 2030, and we fully support the fundamental principle of universal healthcare coverage.

We continue to operate in a complex regulatory environment in South Africa. The Health Market Inquiry (HMI) published its final report on 30 September 2019, which highlighted the increasing costs of healthcare and medical scheme cover, as well as significant over-utilisation without significant improvement in health outcomes.

As a Group, Life Healthcare fully supports the HMI in its undertaking to understand the general state of competition within the private healthcare sector and to identify the factors that contributed to greater than CPI increases in healthcare costs. Since inception, we have sought active engagement and participation in the quest to find solutions.

Our initial review of the HMI final recommendations report leads us to believe that these recommendations have potential to address the broader challenges faced by the private healthcare sector in South Africa. Recommendations for significant structural changes within the sector are aligned with Life Healthcare's vision to provide quality, affordable healthcare to all South Africans and thereby contribute to government's objective of providing universal health coverage.

While the merits and impact of the NHI scheme on hospital groups, medical aid schemes and quality patient care continue to be widely debated, we support the goal of the NHI to extend affordable, quality healthcare to all South Africans, irrespective of their socio-economic status. As a Group, our role is to ask how we can help this process in making quality healthcare available to all the citizens of South Africa. It is incumbent on all stakeholders in the healthcare sector, both private and public, to adopt innovative approaches to make the NHI successful and thus improve healthcare in South Africa. We therefore take a collaborative approach and seek to work with regulators as they try to address one of the country's greatest challenges, and we look forward to engaging with government and other stakeholders in this regard, and drawing on our collective expertise and capabilities to find ways to extend access to quality healthcare services.

We have invaluable experience in this regard in our international operations, where government-led healthcare systems are the norm. Locally, we have also learned that effective healthcare delivery, quality patient care and efficient operations depend on strong partnerships.

Our international operations will potentially be impacted by Britain's exit from the European Union in the next 12 months. Although the final implications are unknown as the politicians and administrators in these territories have not finalised the negotiations, we believe that our operations have prepared for the areas where there will be a potential impact.

PROMOTING A CULTURE THAT SUPPORTS ROBUST GOVERNANCE

In the recent past there have been numerous corporate governance failures in South Africa, both in the private and public sector. We continue building on our culture of honesty, ethical values and accountability, and understand that robust governance across our Group is critical to enhancing the trust we have with our stakeholders. There are no grey areas when it comes to good corporate governance. With this in mind, Life Healthcare's board strives to provide effective and ethical leadership and strategic direction.

Our approach to governance goes beyond a compliance mentality. While we meet the requirements of the relevant regulations applicable to our business, including King IV, the JSE Listings Requirements and the Companies Act, we believe that more is required of us. We strive to be mindful about how we approach governance, and consistently explore ways for improving how we do business. We continuously look to develop our governance and reflect an ethical and accountable leadership focused on genuine value creation for all stakeholders.

Ensuring that we have the best mix of skills, experience and diversity around the boardroom table is critical to value creation. As Chairman, I believe we have the right board in place, one that encourages robust and respectful debate, and we continue to review the skills and experience of the board to ensure effective decision making.

For more information on our corporate governance practices, refer to page 121.

LOOKING AHEAD

To remain sustainable and future-fit in a rapidly changing environment, we regularly review our strategy.

We continue to focus on our people, clinical quality and building an analytics-led, technologically enabled Group across all markets, keeping operations lean while integrating systems and processes to create value and optimise our asset portfolio.

In South Africa, we are expanding our focus beyond acute hospitalisation, to operate across the healthcare continuum and serve new markets. Our focus includes complementary services and wellness, public private partnerships, outpatient care and diagnostics. We believe our strategy for South Africa will support the sustainable implementation of the NHI. In particular, our MyLife Healthcare Centres (primary health) (MyLife) are already strengthening our offering to the employed uninsured market, and we continue to seek innovative ways to achieve scale from an outpatient perspective. This work will continue as we believe that excellent primary healthcare offerings are critical for universal healthcare coverage going forward.

Internationally, we will leverage our expertise and position as a global leader in diagnostic imaging to realise targeted expansion into new markets and to build partnerships aligned to our business strategy.

In the coming year, we will embark on the next stage of our journey as we embrace our 2025 strategy. We will continue to strengthen Life Healthcare's longstanding reputation as a lean operator with superior margins, strong organic growth and attractive total returns. Furthermore, our focus on providing a diversified product and service offering, with a growing share of revenue and earnings derived from non-acute sources, will remain top-of-mind and we will see the benefits of growth initiatives delivering. While we might face challenges as we expand, I look forward to the future.

From a board perspective, our key focus areas will be the continued integration globally, expanding new areas of business, operational challenges within our radiopharmacy production units, and SA government engagement and response to NHI and HMI. We will continue monitoring the Group's delivery against its key strategic objectives and delivery of the strategy that will result in shareholder value growth.

APPRECIATION

To our senior management team and our board members, my sincere appreciation for your commitment, guidance and support throughout the year. I would like to specifically thank Dr Shrey Viranna, Pieter van der Westhuizen and key senior management for the role they played in the finalisation of the Max Healthcare sale.

To our almost 22 000 employees, nurses, support staff and doctors worldwide, thank you. I have personally witnessed the dedication, commitment and care shown by our team to our patients, which makes me proud to be the Chairman of Life Healthcare. To our patients – thank you for choosing us as your partner in health.



Mustaq Brey
Chairman

GROUP CHIEF EXECUTIVE OFFICER'S (CEO) REVIEW



Group Chief Executive Officer:
Dr Shrey Viranna

Life Healthcare's continued **commitment** to **patient-centered care**, **efficiency** and **growth** will **unlock** the significant **potential** we see in our business.

Revenue contribution acute versus non-acute (%)



Group revenue

R25.7bn
Increase of 9.3%
(2018: R23.5 billion)

Group EBITDA

R5.7bn
Increase of 3.5%
(2018: R5.5 billion)

Normalised EPS

116.4 cents
Increase of 5.6%
(2018: 110.2 cents)

I am pleased to present our 2019 integrated report as I near the end of my second year as Group CEO. Despite a challenging macro-economic backdrop, Life Healthcare delivered a healthy overall performance in 2019 as supported by the numbers presented. In addition, we have strengthened our balance sheet during 2019, through a combination of continued focus on cost efficiency, capital discipline, and utilising the proceeds from the disposal of our associate investment in India to reduce debt levels. Furthermore, our business is starting to see the benefits from our key efficiency and cost optimisation initiatives.

OUR MACRO-ENVIRONMENT

Globally, the healthcare landscape is evolving rapidly due to macro-economic, political and regulatory and technological factors that influence the Group's performance in southern Africa and internationally. We are acutely aware of the requirements to anticipate and respond to these dynamics. As a management team we pride ourselves in the speed at which we adapt our plans and strategies to respond to these factors.

Although the key markets we operate in were destabilised by a number of factors, including uncertainties related to poor economic growth in South Africa, Brexit, as well as trade and political tensions between the United States and China, the key factor impacting our business remains the poor economic growth in South Africa. This negatively affects the healthcare sector as the number of privately insured people remained static due to low employment growth and some consumers opting for lower cost medical aid plans. In an environment like this we, however, still see pockets of growth and we are actively focusing to adapt our operating model in the acute hospitals to remain relevant in a low-growth environment.

OUR 2019 OPERATING AND FINANCIAL PERFORMANCE

Southern Africa

We continue to focus on improving our clinical quality, clinical outcomes and patient experience. This focus has resulted in adverse patient safety events that are declining and, overall, our patient experience is consistently in line with targets. Our southern Africa business in 2019 became the first hospital group in South Africa to publish quality scores on a per hospital basis, which was disclosed from October 2018.

In spite of a quiet Q1, the southern Africa operations ended with strong revenue growth for the financial year and 0.8% PPD growth. The management team in southern Africa was able to correct the slow start to the financial year through renewed focus on cost management and benefitting from doctor recruitment in 2018 and 2019 to deliver a healthy performance in the South African market. The overall weighted occupancy for the year remained in line with the prior year at 69.7%, with the addition of 17 acute brownfield expansion beds and 80 mental health beds. Complementary services continued to show good growth with revenue increasing by 9.2%, benefitting from the opening of the new mental health unit at Life Brackenview and good growth in renal dialysis. The southern Africa healthcare services segment performed well with revenue growing by 12.2%, largely due to new contracts gained by Life Employee Health Solutions. The normalised EBITDA margin continues to be impacted by the dynamic in southern Africa of below inflationary increases in pricing while costs increased by above inflation. In this environment, the Group has done well with the margin decreasing by 1.4% only excluding the factors listed below. The margin decreased to 23.8% from 24.9% in 2018 and was primarily impacted by the lower PPD activity in the first four months of the 2019 financial year, which affected operational leverage in H1 FY2019, the costs of additional human resource capacity at corporate level to support growth initiatives and the initial cost of efficiency programmes which are expected to deliver future efficiency gains. Normalised EBITDA excluding corporate costs increased by 6.4%.

International

Likewise to southern Africa, our international business continued to focus on providing the highest levels of patient care and technical excellence. We continue differentiating offerings through quality service delivery and standards, building long-term stakeholder relationships. Our newly developed Group clinical quality and governance framework provided the foundation for the initiation of a number of clinical governance and quality integration projects across the various country teams.

Alliance Medical's revenue grew by 13.4% to R5.6 billion. The main factors driving revenue growth were the PET-CT scan volumes increasing 15.9% from the prior year, the acquisition of the Italian clinics during H2 FY2018, an acquisition of three scanning facilities (ESC) in the United Kingdom in the current period, and a good performance in Italy and Ireland. Normalised EBITDA increased by 3.9% to R1.3 billion (2018: R1.2 billion). The normalised EBITDA margin declined to 22.4% (2018: 24.5%), being primarily impacted by short-term operational challenges within our radiopharmacy production units in the UK which resulted in increased costs as we undertake an 18-month planned refurbishment programme. Excluding this impact, the margin was 23.6%.

Healthcare services' (Scanmed) revenue for the year increased by 7.1% to R1.4 billion while normalised EBITDA increased to R97 million (2018: R85 million) resulting in the normalised EBITDA margin increasing to 7.2% (2018: 6.7%). Healthcare services' performance was impacted by reduced over-quota referrals during FY2019, increased competition in orthopaedics, costs relating to IT automation projects, and costs associated with bolstering the strength of our management team.

GROWTH INITIATIVES

Our strategy centres on operational excellence first but also to grow the business. We have identified a number of new growth segments we are exploring.

In southern Africa, we are making good progress in developing new growth segments. We are developing the imaging opportunity, investing in data analytics and broadening our business lines across the healthcare continuum.

Alliance Medical is the leading independent provider of medical imaging services in Europe, operating across 13 countries. In South Africa, we have an opportunity to offer high-quality, affordable diagnostic imaging services by integrating these services into our infrastructure, leveraging Alliance Medical's expertise and improving scale, standardisation and efficiency. We intend to make a substantial short to medium-term deep investment into providing imaging services in southern Africa to both government and private healthcare organisations as a key pillar of future growth.

GROUP CHIEF EXECUTIVE OFFICER'S (CEO) REVIEW continued

As the employed uninsured population is not adequately served by traditional primary healthcare models, we want to improve healthcare access and affordability by offering convenient, quality outpatient care, delivered via cutting-edge technology and scaled through partnerships. During 2019, Life Healthcare opened its first outpatient clinic called MyLife Healthcare Centre. We proved our ability to operate a low cost, efficient, high-quality service, with consistently high patient experience scores. This pilot site has enabled us to evolve our operating model, and we are now working to expand and scale this offering with the launch of a partnership with a large retailer to test the outpatient model in some of their stores.

Internationally, we are growing our radiology product development business within Alliance Medical through our investment in LMI, which outperformed and contributed revenue of R268 million (2018: R66 million). LMI will focus on driving sales of Neuraceq, a radioactive tracer used to identify Amyloid plaques in the brain in order to diagnose Alzheimer's disease. A pipeline of products is progressing well through various stages of development, with a phase 2 study for TAU tracer commenced in the year. We have a positive outlook for the LMI business following the Biogen announcement of the success with a disease modifying drug and the filing with FDA for approval.

MAX HEALTHCARE SALE

On 21 June 2019, the Group concluded the disposal of its Max Healthcare 49.7% equity shareholding for R4.3 billion. The net proceeds of approximately R3.8 billion was utilised to reduce debt levels.

OUTLOOK

Even though we anticipate continued tough operating conditions, largely due to slow economic growth and increased network arrangements that place pressure on tariffs in South Africa and uncertainty in the regulatory environment in Europe due to a potential Brexit, the Group foresees pockets of growth.

In southern Africa, we expect flat acute PPD growth depending on network arrangements and an upward trend in complementary services. The Group will continue to take a cautious approach with regard to bed expansion and is targeting adding only 50 beds in 2020. We maintain our focus on operational excellence, improving clinical quality and driving new growth initiatives, and expect the efficiency programmes we implemented in 2019 to assist in stabilising EBITDA margins. As a Group, our contribution to building SA's healthcare needs in training and development of nurses and other healthcare professionals will continue to grow.

In the UK, we will complete the roll-out of the PET wave 2 contract and resolve radioisotope production issues. We expect an additional cyclotron to be operational in H2 2020 that is expected to resolve the current production issues we face. Until this cyclotron is operational, the business will focus on careful management of radioisotope production in an environment of an expected increase in PET-CT volumes. In the other international imaging markets we operate, we will continue to focus on operational excellence and to pursue select bolt-on acquisitions to grow these markets. In Poland, we have appointed an adviser to explore a potential disposal of the business.

We will continue to progress the opportunity in the southern Africa imaging market, implement the outpatient model, deliver on our LMI strategy, continue with global integration, and deepen initial analytics-use cases targeting operational efficiency improvements.

APPRECIATION

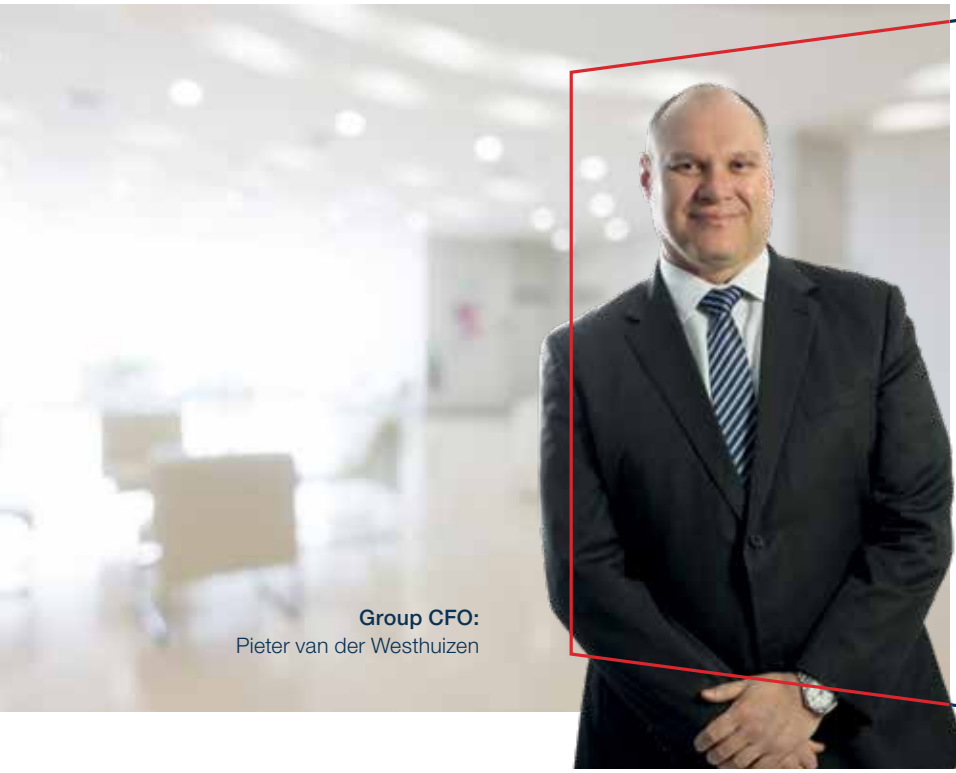
I would like to thank our board and executive management teams for their dedication during the year. To our employees and the healthcare professionals with whom we work, thank you for your passion and fervour every day. Your commitment to providing quality care to our patients is key to the success of our business.

I believe our business is well positioned to continue providing high-quality care to our current and future patients, and to continue creating sustainable value for our stakeholders. I look forward to seeing Life Healthcare deliver on our ambitions for the year ahead.



Dr Shrey Viranna
Group CEO

GROUP CHIEF FINANCIAL OFFICER'S (CFO) REVIEW



Group CFO:
Pieter van der Westhuizen

Cost stewardship, capital **discipline** and continued **strong cash flow** generation is key to **delivering** on the **long-term success** of the Group.

Despite a challenging trading environment, the Group delivered strong revenue growth of 9.3% as a result of robust volume growth in the PET-CT contract in the UK and a strong H2 FY2019 performance in South Africa. The normalised EBITDA for the year increased by 3.5% and was primarily impacted by the investments into capacity building at a corporate level in southern Africa, establishment of efficiency programmes and costs related to short-term issues in manufacturing of radioisotopes in UK. The attributable profit for the year increased by 63.1% primarily impacted by the profit on the disposal of the Max Healthcare investment and the impairment of one of the Polish operations. The Group had an exceptionally good year in cash collections and was able to achieve cash from operations of 103.5% due to this.

GROUP CHIEF FINANCIAL OFFICER'S (CFO) REVIEW continued

Indicator	Year-on-year trend	2019	2018
Growth			
Net debt: normalised EBITDA (ratio), debt covenant is <3.5	↓	**1.96**	2.73
Interest cover (ratio), debt covenant is >4.0	↓	**5.6**	5.7
HEPS (cps)	↓	**88.7**	108.8
Dividend (cps)	↑	**93.0**	88.0
Dividend yield[1] (%)	↑	**4.1**	3.6
EBITA	↑	**4 491**	4 402
Free cash flow before transaction costs	↑	**2 342**	2 237
Efficiency			
Cash generated from operations as percentage of EBITDA, target is >95%	↑	**103.5**	99.4
Normalised EBITDA margin (%)	↓	**22.3**	23.6

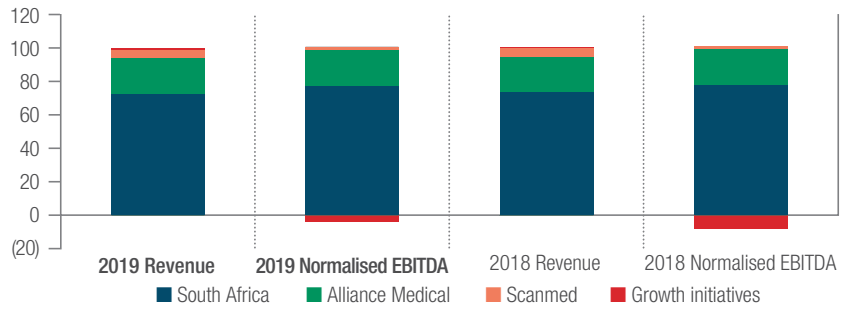
STATEMENT OF COMPREHENSIVE INCOME

Summarised Group statement of comprehensive income

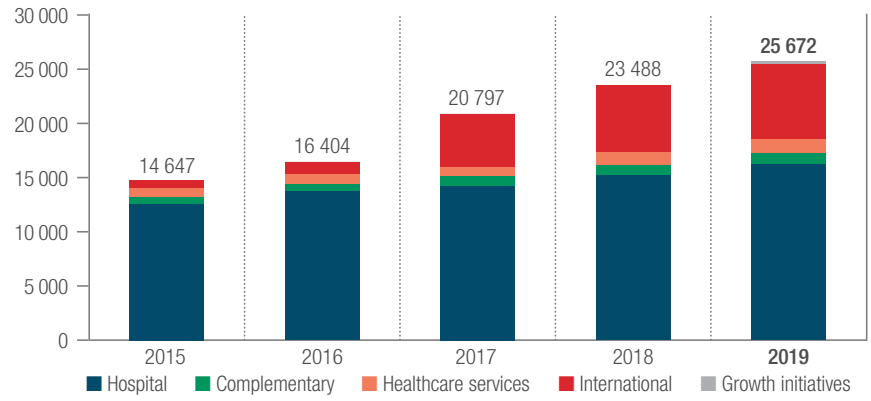
	Change %	2019 R'm	2018 R'm
Revenue	9.3	**25 672**	23 488
Normalised EBITDA[2]	3.5	**5 727**	5 535
EBITA	2.0	**4 491**	4 402
Operating profit	2.5	**3 944**	3 848
Non-operating income	>100	**742**	56
Net finance cost	3.7	**(998)**	(962)
Share of associate's net profit after tax	>100	**18**	(105)
Profit for the year	50.0	**2 871**	1 914
Profit attributable to ordinary equity holders	63.1	**2 569**	1 575

[1] Dividend yield is calculated at a share price of R22.68 (2018: R24.56).
[2] Life Healthcare defines normalised EBITDA as operating profit before depreciation on property, plant and equipment, amortisation of intangible assets and non-trading related costs and income.

TERRITORY CONTRIBUTIONS (%)



REVENUE (R'm)



REVENUE AND EBITDA

Group revenue increased by 9.3% to R25.7 billion (2018: R23.5 billion) consisting of a 7.1% increase in southern African revenue to R18.5 billion (2018: R17.2 billion); a 12.1% increase in international revenue to R6.9 billion (2018: R6.2 billion) and R269 million revenue contribution from growth initiatives (2018: R66 million).

Normalised EBITDA was impacted by investments in growth initiatives. The Group also implemented a number of efficiency programmes focusing on cost of sales management, improved procurement, nursing optimisation and other administrative costs. Although the benefits of these efficiency programmes started to realise in H2 FY2019 the full programme set-up costs of R124 million were expensed in the current year.

Normalised EBITDA excluding growth initiatives and investments in efficiency programmes increased by 5.3%.

Southern Africa

Revenue from the southern African operations increased by 7.1% to R18.5 billion (2018: R17.2 billion). Revenue from hospitals and complementary services grew by 6.8% mainly due to a 5.8% increase in revenue per paid patient day (PPD) and a 0.8% growth in PPDs (2018: +1.1%). The increase in revenue per PPD is made up of a 4.8% tariff increase and a 1.0% positive case mix change. Even though the Group experienced negative activity volumes in the first half of the financial year (H1 FY2019: -0.3%), it delivered positive PPD growth of 0.8% for the full year due to strong PPD growth of 1.8% in H2 FY2019. This growth is largely due to doctor recruitment gains over the last two years, network gains and an increase in acuity from surgical cases. The overall weighted occupancy for the year remained in line with the prior year at 69.7%, with 17 brownfield expansion beds being added and 80 mental health beds. Complementary services continued to show good growth with revenue increasing by 9.2%, benefitting from the opening of the new mental health unit at Life Brackenview and good growth in renal dialysis. Healthcare services performed well with revenue growing by 12.2% largely due to new contracts gained by Life Employee Health Solutions.

Normalised EBITDA increased by 2.6% with an EBITDA margin of 23.8% for the year (2018: 24.9%). The EBITDA margin was impacted by the lower PPD activity in December 2018 and January 2019 which affected operational leverage in H1 FY2019, the costs of additional human resource capacity at a Group level to support growth initiatives and the initial cost of efficiency programmes which are expected to deliver future efficiency gains. Normalised EBITDA excluding corporate costs increased by 6.4%. This increase has been driven by the strong growth in H2 FY2019 combined with good cost management, resulting in the H2 FY2019 normalised EBITDA excluding corporate costs margin increasing by 0.9% from H1 FY2019 to 29.5% (H1 FY2019: 28.6%).

International

Diagnostic services' revenue grew by 13.4% to R5.6 billion (2018: R4.9 billion) driven by strong growth in PET-CT scan volumes in the UK (up 15.9%), the full year impact of the acquisition of the Italian clinics during H2 FY2018, an acquisition of scanning facilities in the United Kingdom in December 2018, and a solid underlying performance in Ireland. Normalised EBITDA increased by 3.9% to R1.3 billion (2018: R1.2 billion). The results were positively impacted by the weakening of the rand against the pound sterling and euro.

The normalised EBITDA margin decreased to 22.4% (2018: 24.5%). The margin was negatively impacted by supply challenges within our radiopharmacy production units, while we are currently undertaking an 18-month planned refurbishment programme, resulting in increased costs. Excluding this impact the margin was 23.6%.

Healthcare services' in Poland (Scanmed) revenue for the year increased by 7.1% to R1 349 million (2018: R1 260 million). Normalised EBITDA increased to R97 million (2018: R85 million) resulting in the normalised EBITDA margin increasing to 7.2% (2018: 6.7%). Healthcare services' performance was impacted by reduced overquota referrals in FY2019, increased competition in orthopaedics, costs relating to IT automation projects and costs associated with strengthening of the management team.

GROUP CHIEF FINANCIAL OFFICER'S (CFO) REVIEW continued

Regulatory changes impacted minimum employment costs in Poland and this primarily resulted in a R125 million impairment in the carrying value of the Polish investment in the Group's results. This impairment relates mainly to one of the Polish hospitals

Growth initiatives

Growth initiatives comprise the new outpatient model business, developing the imaging opportunity, investing in data analytics and clinical quality products within South Africa and product development internationally.

Growth initiatives contribution (R'm)	**2019**	2018
Revenue	**269**	66
Normalised EBITDA	**(25)**	(45)
Depreciation	**(10)**	(2)
EBITA	**(35)**	(47)
Amortisation	**(18)**	(19)
Operating loss	**(53)**	(66)

SALE OF EQUITY INVESTMENT IN MAX

The Max disposal impacted the results and the Group's leverage positively. This transaction was concluded during the current year and funds were received on 21 June 2019.

The impact was as follows:

(R'm)	**2019**
Proceeds from disposal	**4 347**
Investment in joint venture	**(2 846)**
Transaction costs	**(118)**
Hedging costs	**(292)**
Withholding tax paid	**(94)**
Profit on disposal after withholding tax	**1 289**

The net cash proceeds of R3.8 billion, after withholding taxes, the hedge costs and transaction costs was utilised to repay debt.

Earnings per share (EPS)

EPS increased by 62.4% to 176.4 cps (2018: 108.6 cps) primarily due to the impact of the disposal of Max. The decrease of HEPS by 18.5% to 88.7 cps (2018: 108.8 cps) is due to the impact of the mark-to-market loss of R292 million (net of tax) on the Max foreign exchange option contracts, diluting HEPS by 20.1 cps. NEPS, which excludes the non-trading-related items below, increased by 5.6% to 116.4 cps (2018: 110.2 cps).

	Change %	**2019**	2018
Weighted average number of shares (million)	0.3	**1 456**	1 451
EPS (cents)	62.4	**174.6**	108.6
Impairments of assets and investments		**9.6**	2.3
Profit in disposals (investments and PPE)		**(97.3)**	(2.1)
HEPS (cents)	(18.5)	**88.7**	108.8
Adjustments to contingent consideration		**2.9**	1.2
Transaction costs relating to acquisitions and disposals		**10.2**	2.6
Fair value loss on Max option contracts		**20.1**	(1.2)
Deferred tax raised on historical losses		**(5.5)**	–
Other		**–**	(1.2)
Normalised EPS (cents)	5.6	**116.4**	110.2
Normalised EPS excluding amortisation (cents)	6.3	**148.1**	139.3

FINANCIAL POSITION

Net debt to normalised EBITDA improved from 2.73 times to 1.96 times in 2019. This is largely due to debt settlements as a result of utilising Max proceeds. The Group is in the process of refinancing its international debt of R5.5 billion to extend the tenor as well as to reduce the carrying cost. This is anticipated to be concluded by March 2020.

The bank covenant for net debt to EBITDA is 3.50 times and this provides the Group with sufficient headroom for any expansions related to the imaging opportunity in southern Africa and funding of other growth initiatives.

Cash flow and capex

The Group produced excellent cash flows from operations due to strong working capital management primarily in southern Africa. The cash generated from operations was 103.5% of normalised EBITDA (2018: 99.4%).

The capex for the year was R2.3 billion (2018: R3.4 billion), comprising mainly capital projects of R2.1 billion (2018: R2.2 billion) and new acquisitions (net of cash acquired) by Alliance Medical of R190 million. The maintenance capex for the year was R1.2 billion (2018: R878 million).

Borrowings

Proceeds from the disposal of Max Healthcare Institute Limited were used to repay the most expensive debt within the Group. This resulted in an immediate saving in interest cost and reduced gearing. The additional headroom places the Group in a strong position to pursue opportunities that align with our 2025 strategy.

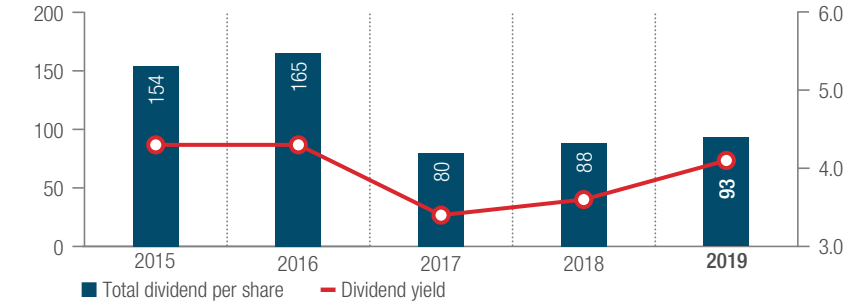
DISTRIBUTION

The Group's dividend policy is to pay a progressive dividend that takes into account the underlying earnings and available funding of the Group both in southern Africa and internationally, while retaining sufficient capital to fund ongoing operations and growth projects, as well as, manage gearing to acceptable levels.

The board has declared a final dividend for the year of 53 cps (2018: 50 cps) and a total dividend of 93 cps up 5.7% from the prior year.

Our return to a cash dividend is reflective of our outlook on the future and we see meaningful potential to deliver improved returns, driving our strategy with a relentless focus on innovation, collaboration and continued clinical excellence.

DIVIDEND (cps) (%)





Pieter van der Westhuizen
Group Chief Financial Officer



SOUTHERN AFRICA PERFORMANCE REVIEW

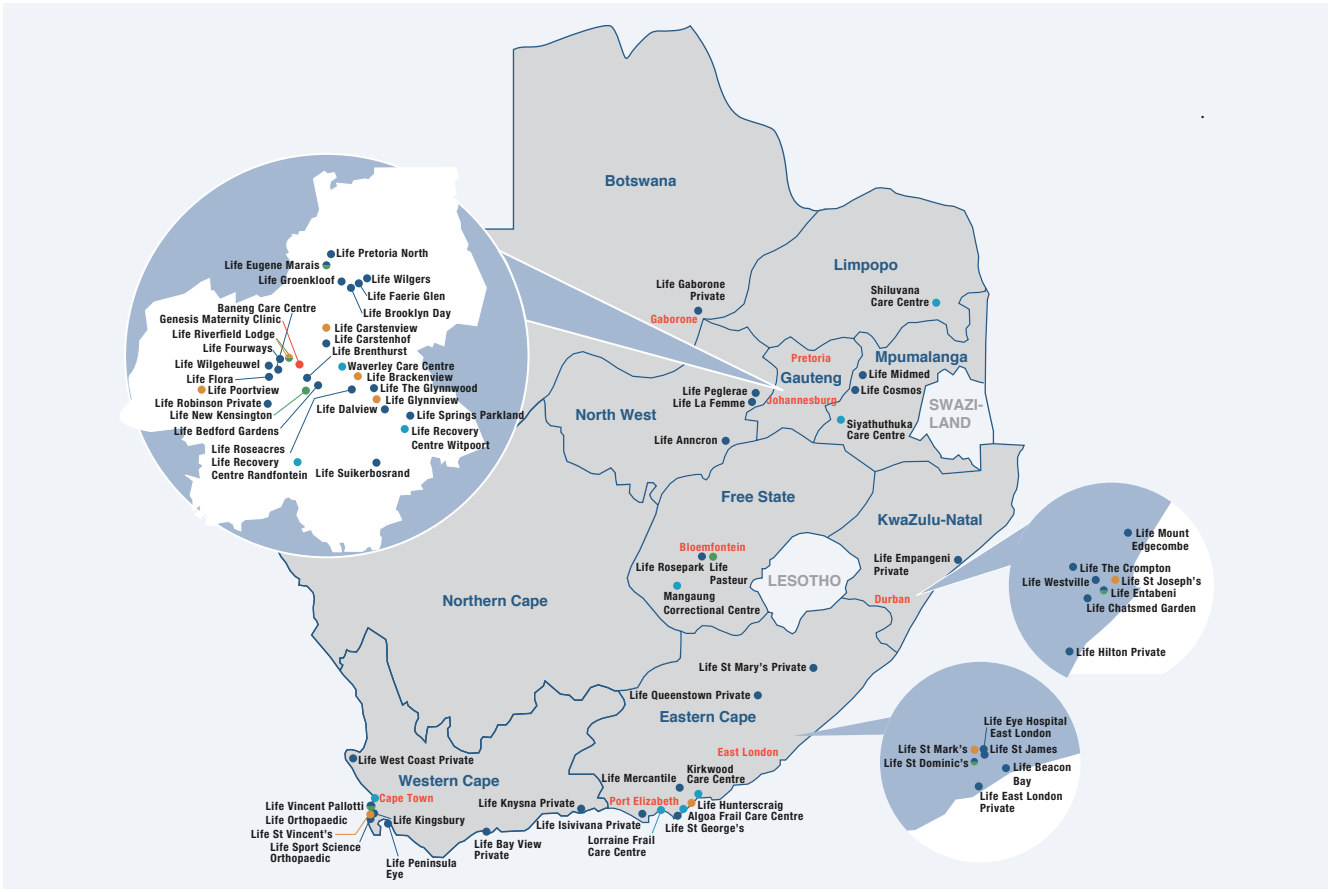
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OUR GEOGRAPHIC PRESENCE

Our southern African operations, with facilities in South Africa and Botswana, are a significant part of our Group, with revenue from southern Africa comprising 72.0% of the Group (2018: 73.4%).



BOTSWANA
- Life Gaborone Private

NORTH WEST
- Life Anncron
- Life La Femme
- Life Peglerae

FREE STATE
- Life Pasteur
- Life Rosepark

MPUMALANGA
- Life Cosmos
- Life Midmed

GAUTENG
- Genesis Maternity Clinic
- Life Bedford Gardens
- Life Brenthurst
- Life Brackenview
- Life Brooklyn Day
- Life Carstenhof
- Life Carstenview
- Life Dalview
- Life Eugene Marais
- Life Faerie Glen
- Life Flora
- Life Fourways
- Life Glynnview
- Life Groenkloof
- Life New Kensington
- Life Poortview
- Life Pretoria North Surgical
- Life Robinson Private
- Life Roseacres
- Life Riverfield Lodge
- Life Springs Parkland
- Life Suikerbosrand
- Life The Glynnwood
- Life Wilgeheuwel
- Life Wilgers

WESTERN CAPE
- Life Bay View Private
- Life Kingsbury
- Life Knysna Private
- Life Orthopaedic Centre
- Life Peninsula Eye
- Life Sports Science Orthopaedic
- Life St Vincent's
- Life Vincent Pallotti
- Life West Coast Private

EASTERN CAPE
- Life Beacon Bay
- Life East London Private
- Life Eye Hospital East London
- Life Hunterscraig Private
- Life Isivivana Private
- Life Mercantile
- Life Queenstown Private
- Life St Dominic's
- Life St George's
- Life St James
- Life St Mark's
- Life St Mary's Private

KWAZULU-NATAL
- Life Chatsmed Garden
- Life Empangeni Private
- Life Entabeni
- Life Hilton Private
- Life Mount Edgecombe
- Life St Joseph's
- Life The Crompton
- Life Westville

LIFE ESIDIMENI
- Algoa Frail Care Centre
- Baneng Care Centre
- Kirkwood Care Centre
- Life Recovery Centre, Randfontein
- Life Recovery Centre, Witpoort
- Lorraine Frail Care Centre
- Mangaung Correctional Centre
- Shiluvana Care Centre
- Siyathuthuka Care Centre
- Waverly Care Centre

• Hospitals and same-day surgical centres • Rehabilitation units • Mental health facilities • Specialised maternity unit • Life Esidimeni

EXTERNAL ENVIRONMENT

In southern Africa, our business continues to be impacted by broader macro-economic, regulatory and infrastructure challenges.

PLACING OUR PERFORMANCE IN CONTEXT

Macro-economic context	How we are responding
Low growth and high unemployment	
• Low gross domestic product (GDP) growth rate, coupled with high levels of unemployment and low business confidence • Ongoing political and policy uncertainty in South Africa • Volatile exchange rates impact the cost of medical equipment and medical consumables	• Consistent delivery of excellent quality care to our patients • Focus on increasing cost efficiency • Broadening our product offering
Infrastructure challenges remain	
• An ageing infrastructure with inadequate maintenance, resulting in supply challenges for both electricity and water	• Ensure we have adequate sustainability strategies to mitigate any potential impacts on our business • Focus on reducing our water and electricity consumption
Complex regulatory landscape	
Changes to regulations around the training of nurses • Changes to legislation required that nursing education be positioned in the higher education band • A national policy for nursing education and training has been developed, which calls for a uniform framework in terms of which matriculants can pursue nursing qualifications at certificate, diploma or bachelor's degree levels	• We have been registered as a Higher Education Institution since 2008 and have been accredited to offer the diploma and certificate programmes in three of our seven learning centres to date • The limited numbers approved per intake for the private sector is a challenge and we continue to engage with concerned parties
Government regulation NHI and HMI • For more information on the Health Market Inquiry (HMI) and National Health Insurance (NHI) refer to page 56	
High levels of competition	
• Limited growth in medically insured lives • Shortages of specialised skills, combined with competition for skilled employees • Increased pressure on healthcare funders and private insurers • Consolidation of funders leading to heightened negotiating power • Changing demands in reimbursement practices	• Ensure innovative service delivery • Improve clinical quality, clinical outcomes and cost efficiency • Optimise our facilities and utilisation • Secure network deals with designated service providers (DSPs) • Expand our focus across the healthcare continuum • Continue to innovate our pricing models

EXTERNAL ENVIRONMENT continued

Macro-economic context continued

How we are responding continued

Bed licences

- The provincial Department of Health (DOH) approves bed licences for both present and future facilities
- The efficiency of the application process, as well as the inconsistent application of the regulations by different provinces, remains a challenge and could impact our growth rate, as well as our capital expenditure levels
- Annual inspections and changes to legislation and compliance requirements may require changes to our facilities, which will entail unintended costs

- Engage with various provincial DOHs to understand their concerns and try to address them where possible
- Amend growth strategy, where necessary, to address changes to bed licence allocation
- Ensure facility compliance to licence regulations across the different provinces

Doctor relationships

- In accordance with the Health Professions Council of South Africa (HPCSA) regulations, doctors and other health professionals are independent practitioners within our hospitals, which effectively prohibits their employment by Life Healthcare
- An exception was granted in July 2017, which allows medical doctors to be employed in our intensive care units (ICUs), maternity wards and accident and emergency units, subject to specific conditions

- Be a preferred healthcare provider by partnering with doctors to provide patients with efficient, quality care
- Focus on increasing preferred network deals with DSPs
- Provision of excellent nursing
- Offering relevant, world-class facilities and equipment, along with a range of clinical services, to ensure optimal treatment



Q & A WITH ADAM PYLE, OUR CHIEF EXECUTIVE OFFICER – SOUTH AFRICA



Chief Executive Officer – South Africa
Adam Pyle

A **solid business performance** underpinned by good **underlying growth**, implementation of **key efficiency initiatives** and a strong focus on **people and quality**

Q From your perspective, how would you describe the 2019 environment for southern Africa?

We continue to operate in a difficult, low-growth and competitive environment in addition to the macro challenges facing South Africa. The lack of growth in insured lives has resulted in a stagnant market with private insurers remaining under pressure to contain costs.

From a regulatory perspective, the release of both the NHI bill and the HMI report have brought some clarity to the healthcare landscape, although there is still a road to travel with regard to the implementation of NHI. Skills' shortages across the industry remain challenging, and we continue to look at innovative ways to improve our employee value proposition (EVP).

This requires us to innovate, broaden our services across the continuum of care, carefully focus on pockets of growth and continually drive both our clinical excellence as well as our clinical efficiency.

Q How did the southern African business perform throughout the year?

While we remain unequivocally focused on delivering on our strategic objectives, the 2019 financial year proved to be a year of two differing halves. Despite a slow start to the year, we saw significant improvements during the second half, due to business initiatives implemented. We focused on improving occupancies, repurposing existing infrastructure and driving efficiency initiatives across the business and improving our clinical quality.

Revenue increased by 7.1%, up from R17 240 million in 2018 to R18 472 million, driven by an improved performance in the hospital division and good growth in our complementary and healthcare services divisions. Even though the Group experienced negative activity volumes in the first half of the financial year (H1 FY2019: -0.3%), we delivered positive PPD growth of 0.8% (2018: 1.1%) for the full year due to strong growth of 1.8% in H2 2019. This growth is largely due to doctor recruitment gains over the last two years, network gains and an increase in acuity from surgical cases. In our complementary business, we continue to expand our renal dialysis offering, and we opened Life Brackenview, a dedicated 80-bed mental health facility specialising in the treatment of psychiatric disorders.

Q The increases in the cost of healthcare delivery remain a global challenge. How has Life Healthcare improved effectiveness across the business during the year to address these issues?

When we talk about the cost of healthcare, we understand that we are talking about people and the health of their families.

As a leader in the healthcare industry, Life Healthcare has the responsibility to develop strategies that contribute to sustained quality healthcare delivery and meaningful cost containment measures.

Q & A WITH ADAM PYLE, OUR CHIEF EXECUTIVE OFFICER – SOUTHERN AFRICA continued

As part of this commitment, we launched DOMINO, an internal programme aimed at driving clinical excellence and efficiency across our operations. This initiative is managed from the centre, and we have instituted a committee comprising representatives from across our regions, who prioritise and review potential actions that improve our clinical efficiency. We believe this to be a key intervention that will enhance our sustainability in an increasingly cost-conscious environment.

With DOMINO, we extended cost of sales management beyond procurement to include utilisation optimisation, nursing efficiency, as well as interventions to reduce waste, limit inappropriate utilisation and, ultimately, reduce overall cost per event. Underpinning the programme is an unwavering commitment to maintaining or improving patient safety and clinical outcomes.

Furthermore, in February 2019, we launched our nursing excellence initiative, which will deliver continuous improvement in nursing cost management and streamline processes. The project is already demonstrating efficiencies, enhancing patient care and experience.

Q How did Life Healthcare focus on doctor recruitment in 2019 to address the shortage of specialised skills?

Sourcing and retaining appropriately trained and qualified doctors is crucial for specialist hospitals to operate optimally. During the year, we renewed our focus on doctor recruitment and retention, and appointed a Doctor Stakeholder Manager to drive our efforts to grow our team of doctors in southern Africa in the short, medium and long term. To date, these initiatives have proven successful – while 62 doctors left our operations in 2019, mainly due to retirement or emigration, we have recruited 200 new doctors. We remain focused on cultivating good relationships with specialists in our facilities by treating them as partners and involving them in the ownership of the operations and we strive to continue to do so into the future.

Q How is Life Healthcare leveraging the potential synergies between the Alliance Medical radiology business and southern Africa?

In 2019, we focused on diversifying our delivery model in southern Africa as we transition into an integrated healthcare organisation.

We have gained valuable insights into the radiology and imaging market in Europe through our investment in Alliance Medical. Life Healthcare has taken these insights and developed an imaging services business model in conjunction with Alliance Medical that will enable us to enter the imaging services market in South Africa in partnership with radiologists. We are also exploring opportunities to collaborate with government to provide imaging services to the public sector and enable more people to access these services.

Q What are your focus areas for southern Africa going forward?

While we expect the constrained operating environment and pressures on the healthcare market to continue in 2020, we are optimistic about the year ahead.

Our focus will be on improving our occupancies with the hospital and mental health businesses, bed growth in a few select facilities, enhancing our renal dialysis services footprint and efficiency, and leveraging our footprint to increase and optimise our oncology services.

Our transition from a focused, acute Group to a Group that provides a diversified product and service offering, with a growing share of revenue and earnings derived from non-acute by 2025 is a top priority.

Life Healthcare has a track record of driving operational excellence and we will continue to build on the success of the efficiency initiatives implemented during the year, utilising technology and data analytics to further optimise our performance which, in turn, will improve operating margins, return on capital and capital efficiency.

With regard to Life EHS, we will continue integrating this offering into our various businesses, delivering optimal solutions to employers across southern Africa.

Our commitment to delivering clinical quality excellence and leading patient experience will continue with engagement and partnership with our doctors to ensure we continue to deliver high-quality care to our patients.

Finally, my sincere appreciation goes out to the executive team as well as our management and employees – their dedication is key to driving the business forward. I would also like to thank our nurses, doctors and pharmacists for their unwavering devotion to the business and our patients.

GROWTH

Our growth objectives are supported by a number of key initiatives in southern Africa, including expanding our complementary services footprint, building an imaging services business by leveraging Alliance Medical's expertise, and delivering an outpatient care model that offers convenient, affordable and quality care by using state-of-the-art technology and outstanding clinical employees.



OUR 2019 PRIORITIES	OUR PROGRESS
Doctor recruitment and retention	• Recruited 200 new doctors to replace those who retired during the year • Appointed a Doctor Stakeholder Manager to drive doctor recruitment, retention and training initiatives
Growth opportunities in our complementary services division	• Invested in our facilities to retain our competitive edge • Expanded our renal dialysis and oncology offering
Continue to expand across the healthcare continuum	• Exploring cost-effective approaches to offering better primary healthcare services, with the first concept clinic piloted at Campus Square in Johannesburg, as well as a second standalone clinic in Kenilworth linked with a large retail pharmacy. In partnership with a large retailer, MyLife Healthcare Centres have opened at On Nicol in Bryanston and Constantia in Cape Town, with additional clinics launching in Steeldale and eMalahleni by the end of 2019. The first MyLife container clinic opened for business in November adjacent to Life Brenthurst Hospital
Develop and launch new clinical products	• Continued to develop and launch new clinical products in partnership with our clinicians and funders to secure our market share
Continue with upgrades at select facilities, as well as the replacement and maintenance of oncology equipment and the introduction of high-tech robotic systems	• Successfully completed upgrades to Life Anncron Hospital, as well as significant ward upgrades at Life Entabeni Hospital, Life Mount Edgecombe Hospital and Life Eugene Marais Hospital • Installed the new Da Vinci surgical robotic system at Life Kingsbury Hospital • Upgraded the theatre complex at Life Groenkloof Hospital • Replacement of the radiation oncology machine at Life Rosepark Hospital
Participate in government tenders to provide medical services within the acute sector	• Engaged with government at various levels (provincial and national) to build stronger relationships and explore opportunities to assist government in providing healthcare services • Successful agreement reached at Life Anncron Hospital to provide services to local government in the field of cardiology
Focus on growing appropriate preferred network deals with funders	• Intentionally explored opportunities to increase network deals with private medical insurers on appropriate commercial terms with DSPs

GROWTH continued

OUR 2019 PRIORITIES continued	OUR PROGRESS continued
Engage funders on the introduction of several clinical products to secure market share	• Continue to expand our clinical products offering, having introduced a maternity pilot with a major funder from 1 January 2020
Opening of Life Brackenview during the second quarter of 2019	• Opened the new 80-bed mental health facility Life Brackenview in April 2019
Integrate and grow our Life Employee Health Solutions offering	• Continued with the integration of Life EHS service offering to current clients as well as focused expansion across multiple industries through consolidation of structures, operational optimisation and strategic sales strategy implementation • Offering value-added services into the acute hospital business including, for example, call centre support for Major Joints for Life and trauma debriefing services for Polmed members (police and their families) who have been affected by a traumatic event in the line of duty • Initiatives under consideration include cardiac rehabilitation, homecare, health risk management and wellness support to our medical practitioners

OUR 2020 PRIORITIES

- Continue to focus on doctor recruitment, retention and training
- Increase the portion of our revenue sourced from non-acute
- Focused bed growth in select acute hospitals
- Expand geographic presence of our complementary services division
- Introduce new products across acute and complementary services
- Expand our presence in the imaging services market
- Expand across the continuum of care into primary care provision, sub-acute, outpatient care, homecare and broad-based wellness
- Continue to engage funders on the introduction of several clinical products to secure market share
- Embed our information technology (IT) strategy to optimise performance
- Further execution of efficiency projects started in 2019

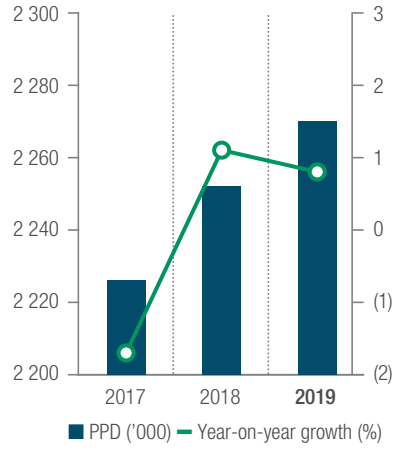
HOSPITAL DIVISION

In 2019, our PPDs increased by 0.8%, in comparison to a growth of 1.1% in 2018, mainly driven by doctor recruitment gains over the last two years, network gains and an increase in acuity from surgical cases. Occupancy levels remained at 69.7% (2018: 69.7%). Our complementary services division is the fastest growing segment of the southern African business, with a 14.7% compounded annual growth rate in revenue over the past four years. This year saw significant growth in medical admissions, as opposed to a decline therein during 2018, the majority of which took place during the winter months.

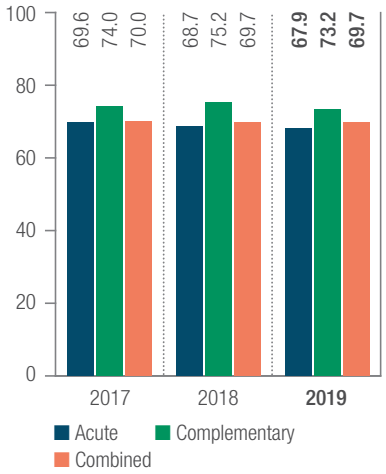
Indicator	Year-on-year trend	2019	2018	2017
PPDs[1,2]	↑	**2 269 756**	2 251 600	2 226 337
Occupancy[3] (%)	↔	**69.7**	69.7	70.0
Length of stay (LOS) (days)[4]	↑	**3.76**	3.72	3.71

[1] *PPDs refers to a unit of time during which the services of the institution or facility are used by a patient.*
[2] *This indicator is externally assured.* (A)
[3] *The number of beds in the Group utilised by patients.*
[4] *The average amount of time spent in hospital per patient visit.*

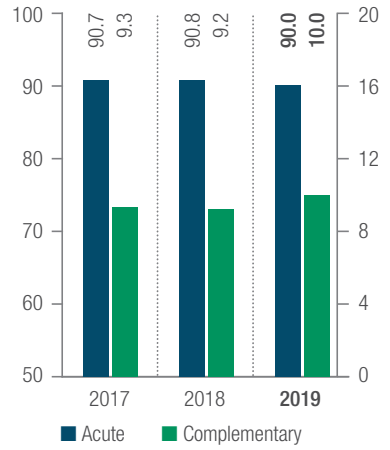
PPD GROWTH



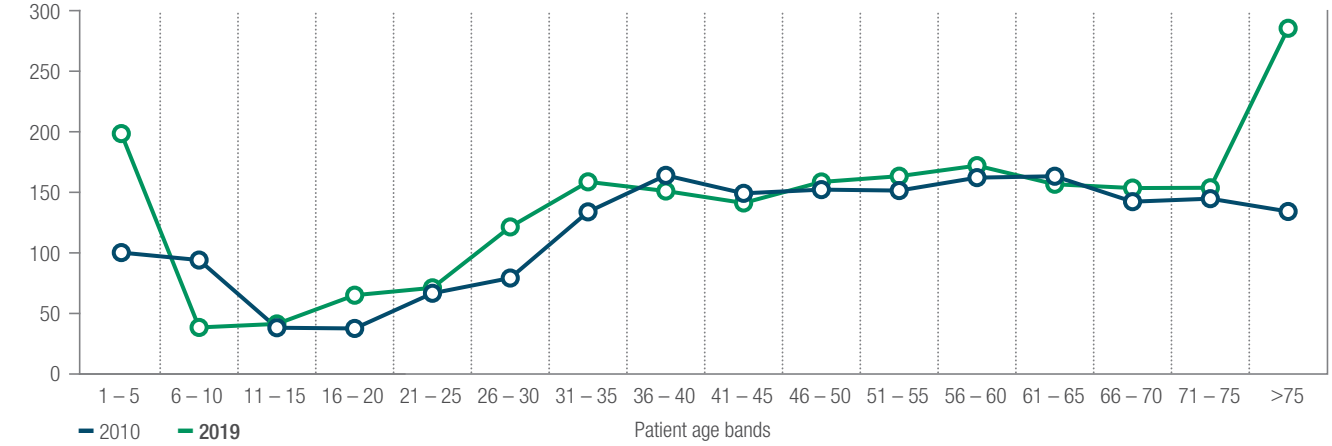
SOUTHERN AFRICA OCCUPANCY (%)



SOUTHERN AFRICA (% of beds)



PPDs BY PATIENT AGE ('000)



GROWTH continued

During the year, considerable effort went into optimising the existing facilities in our hospital division. To this end, we successfully completed upgrades to Life Anncron Hospital, including opening an ICU in March 2019 and a new cathlab in November 2018. We believe that our investment in this new cardiac facility fills a gap in the market, and we are particularly excited about the opportunity to offer bypasses, angiograms and other specialised services to the community surrounding the hospital. We also recruited two cardiologists and a cardiothoracic surgeon to this facility.

As part of our focus on improving our operating model, leveraging our existing assets and scale, as well as our expansion across the continuum of care, we piloted a new primary healthcare clinic concept at Campus Square in Johannesburg. This model offers convenient and affordable quality care and world-class clinical protocols that are enabled by advanced technology and outstanding clinical employees. We have received encouraging patient feedback thus far, with a patient experience score above 9.6, and were able to pilot and implement new products and services to just under 4 500 customers. A key learning from our pilot was the amount of space required for an optimal performing clinic and the decision was made to relocate the Campus Square clinic to Life Brenthurst Hospital in November to implement our first container clinic. As part of our strategy to explore partnerships to facilitate scale and geographic expansion, MyLife has partnered with a large retailer. We have launched clinics at On Nicol in Bryanston and Constantia in Cape Town with Emalahleni and Steeldale coming on line before the end of the year. An additional standalone clinic implemented in Kenilworth aims to test a different market segment and new services.

In 2020, we will focus on improvements to certain of our hospitals, with Life Wilgeheuwel Hospital undergoing a major refurbishment. Furthermore, we aim to secure our growth by expanding our mental health, acute rehabilitation and renal dialysis offerings, either through repurposing existing infrastructure or optimising utilisation.

Acute hospitals

During the year, we focused on refurbishing our infrastructure to drive an increase in occupancy. A limited number of brownfield beds opened during 2019 where local demand dictated such an opportunity. We are also exploring ways to repurpose or reconfigure existing infrastructure to optimise utilisation.

Acute rehabilitation

No additional beds were added during the year. However, we experienced high occupancies in our acute rehabilitation facilities. We are exploring opportunities to add capacity.

Mental health

This year, we focused on select mental health growth. We completed the construction of and opened a new 80-bed facility at Life Brackenview, which complements our existing facilities and adds to our geographic network of mental health facilities.

Renal dialysis

Growth in our renal dialysis offering centred around expanding chronic stations around the country, providing more acute renal dialysis in our hospitals, and growing through improved utilisation of existing renal dialysis facilities.

Oncology

We remained challenged in this area of our business due to tough market conditions and increased competition. However, we believe that our oncology business has the potential for value creation in the long term. During the year, we appointed a Clinical Head of Oncology to review our current operating model as we move towards a comprehensive oncology delivery service.

While we have an established footprint in the oncology space, we are focused on optimising our facilities and increasing utilisation. Our specific focus will be on increasing stereotactic cases at three of our facilities, recruiting oncologists and increasing occupancies of our hospitals.

Category	Total 2019	Locations
Capacity expansion at existing facilities	49	Life Entabeni Hospital Life Fourways Hospital Life Gaborone Private Hospital Life Oncology at Life Eugene Marais Hospital Life Peglerae Hospital
Mental health beds	80	Life Brackenview
Total beds		
Renal dialysis stations	129	Life Rosepark Hospital
	11	Life Springs Parkland Hospital
		Life Vincent Pallotti Hospital
		Life Robinson Private Hospital
		Life Gaborone Private Hospital

HEALTHCARE SERVICES DIVISION

Life Esidimeni

Life Esidimeni has delivered healthcare and related services to the public sector for over five decades, and our primary aim is to cultivate a dignified therapeutic environment. We focus on patient-centered compassionate services, which ensures that we are able to provide the highest level of care to the patients entrusted to our care.

We partner with the government to provide professional, quality and cost-effective healthcare services to the most vulnerable segment of South Africans. We also provide frail care and substance abuse recovery services, and we are a third-party primary healthcare provider for the department of correctional services. We operate across five provinces, and have a total of 3 119 registered beds in 10 facilities.

Our focus during 2019 was on stabilisation rather than growth, and we successfully secured long-term contracts to replace month-to-month agreements.

Life Employee Health Solutions

Our Life EHS service offerings include occupational healthcare and employee wellness. Overall, our Life EHS business performed well in terms of revenue growth, but margins remained under pressure due to pricing pressures and macro-economic headwinds in South Africa. In response, we initiated an organisational realignment process to ensure that Life EHS is optimally structured to meet market requirements and deliver on strategic plans aimed at diversifying our healthcare solutions.

In 2019, Life EHS launched various new service offerings. This includes Injury on Duty Case Management, as well as the integration of Emergency Medical Services (EMS) into our National EMS contact centre. With this integration, we have employed dedicated 24-hour, seven-days-a-week emergency medical services contact centre agents. Our focus is on aligning ourselves with promulgated legislation (National Health Act, EMS Regulations), and to offer bespoke integrated services to our existing and new clients.

Life EHS is the country's leading provider of contracted on-site occupational and primary healthcare services to large employer groups. Pleasingly, the business retained existing clients, while also increasing the number of lives covered as a result of contracting with new clients. The number of lives increased by 2.6%, from 578 756 in 2018 to 593 671 in 2019.

Our Life EHS clinics operate in terms of the Occupational Health and Safety Act, 85 of 1993 (OHS Act). We have International Standards Organisation (ISO) 9001:2015 and British Standard Occupational Health and Safety Assessment Series (BS OHSAS) 18001:2007 certifications and operate on-site, off-site and mobile clinics throughout the country. Our offering, which includes aspects such as occupational risk assessments and the management of injuries on duty, allows employers to comply with relevant legislation and administrative requirements. More than this, however, our flexible approach enables bespoke and tailormade packages to suit the individual needs of our corporate customers.

Our wellness business continued to gain several new contracts and clients during 2019. The number of lives under administration increased by 4.2%, up from 367 670 in 2018 to 383 082 in 2019. We continue to strengthen our employee wellness network of affiliates, with a focus on enhancing our geographic footprint to reduce costs required to service clients in remote areas of the country.

For more information on our employee wellness programme, refer to page 87.

Going forward, we will continue to integrate the service offerings of Life EHS, enhancing our contract value propositions and focusing on core digital requirements to enable efficiency and growth.

For more information on our Life Employee Health Solutions offerings, refer to page 13.

QUALITY

In pursuit of clinical excellence, we focus on providing world-class healthcare to our patients while positioning Life Healthcare as a preferred healthcare provider. We aim to holistically address the needs of our patients and their families by improving patient experience through rigorous quality reporting and benchmarking.



OUR 2019 PRIORITIES	OUR PROGRESS
Refine the flow of patients through emergency units and roll-out enhanced service offering to patients	• The value stream mapping process for the flow of patients at emergency units has been completed • An emergency department strategy is in place which is focused on prioritisation of patients and management of triaged patients, especially low acuity
Report on degree of harm on patient incidents (no harm/ none, low harm/mild, moderate harm, severe harm, and death)	• Year-on-year decrease in the number of serious reportable events (SREs) • Reporting on patient safety adverse events, patient falls, medication adverse events, pressure ulcers, procedure-related adverse events, healthcare-associated infections (HAIs), ventilator-associated pneumonia (VAP), surgical site infection (SSI), central line-associated bloodstream infections (CLABSI), and catheter-associated urinary tract infection (CAUTI) rates
Adjusted mortality rates for specific diagnostic groups	• Started reporting on the risk-adjusted mortality rate as far as it relates to strokes
Refinement of quality, clinical outcomes, nursing sensitive and environmental sustainability scorecards	• An all-hospital scorecard has been developed, which includes all clinical and quality metrics, with indicators to highlight areas where targets are achieved, partially achieved or not achieved • Quality single score developed to compare hospitals based on their performance across different quality metrics, taking into account patient experience, patient safety, clinical outcomes and employee safety
Begin reporting other relevant patient health and safety metrics on the website	• Continued to report quality measures on our website per hospital

OUR 2019 PRIORITIES continued	OUR PROGRESS continued
Increased focus on clinical outcome measures and report on BetterObs, Major Joints for Life, care of the new-born and stroke	• With regards to Major Joints for Life, initiated reporting on post-op quality of life indicators using patient-reported outcome measures (PROMs) • Measuring all-cause 30-day re-admission rates and one-year condition-specific re-admission rates
Targeting growth in occupancies to improve operational leverage through doctor efficiencies and clinical products	• Focused on increasing occupancies of existing facilities, together with improved optimisation and utilisation
Publishing of clinical quality and patient experience scores on a per hospital basis	• Publishing the infection prevention bundle compliance and antimicrobial stewardship (AMS) compliance per acute facility, as well as on a Group level • Daily updates of patient experience scores

OUR 2020 PRIORITIES

- Develop a standard operating procedure for the patient journey throughout Life Healthcare's emergency units
- Deliver clinical quality excellence and leading patient experience
- Benchmark the performance of facilities of the same size
- Continue reporting and updating our published data post-external assurance audit
- Drive enhanced compliance with established processes and systems at the point of care

CLINICAL EXCELLENCE

Clinical governance and quality management systems (QMS)

Our clinical governance function holds the Group accountable for continuously improving the quality of our services and safeguarding high standards of care by creating an environment in which clinical excellence can flourish. Our clinical governance and quality management hierarchy and activities are as follows:



For more information on our AMS programme and committee, refer to page 81.

QUALITY continued

Life Healthcare manages all quality-related elements through a single QMS and aligns all processes and systems that may impact the delivery of quality services to our patients with the system. Our quality department is tasked with administering these processes and systems and implements internal clinical and quality strategies throughout the business. Our quality department is supported by the board's clinical governance, quality and safety committee, which meets regularly to promote clinical and quality leadership and excellence, thus ensuring that Life Healthcare remains responsible and accountable for quality care and patient safety.

In 2019, we realigned our safety and risk focus to address the changing profiles of our patients. We did this by enhancing our processes and systems already in place which, in turn, allows us to remain relevant in our dynamic operating environment. Our focus for 2020 will be on driving enhanced compliance with established processes and systems at the point of care.

The quality department also supports the clinical directorate on the journey to grow clinical outcome and process measures. Our priority is to truly understand the underlying causes of our risks to be able to respond appropriately and timeously. Our quality and clinical governance structure on national, regional and hospital levels ensures that all relevant functions are integrated to address areas such as patient safety, clinical outcomes, patient experience, employee safety, and assurance. At a Group level, we thus have a comprehensive, standardised view of processes and outcomes to ensure our continuous improvement. The board's clinical, quality and safety committee adds strategic value and direction to the existing clinical and quality governance structure.

This year, we also established 12 clinical review panels covering 12 different disciplines. The objectives of these panels are to build relationships with doctors to increase clinical and operational excellence in our facilities.

The above initiatives already improved the quality of care for those risks identified at our 10 largest hospitals in terms of revenue. Through this structured approach, we hope to replicate best practices throughout the Group to ultimately improve our overall quality.

Our regional clinical managers are now firmly entrenched throughout the business. They are responsible for identifying opportunities to improve efficiencies within our hospitals and play a key role in building and managing relationships with health professionals, as well as research and development of clinical products. At a hospital level, our hospital managers are, among others, responsible for driving improvement initiatives and identifying and mitigating risk factors involving patients, customers and employees.

We conduct internal and external audits based on international best practice to assess our hospitals' overall compliance with quality and environmental management standards, adequate allocation of leadership responsibilities, and industry-specific quality standards. We also conduct management self-assessment audits. Furthermore, we have external quality audits on our ISO 9001 and ISO 14001 certifications. Each hospital is audited at least once every three years.

Standards

We are proud to retain multi-site ISO 9001:2008 quality management Group certification for our acute hospitals and our occupational health clinics. Furthermore, Life Employee Health Solutions occupational health division also retained its ISO 45001 occupational health and safety management system certification. In 2018, we began implementing the new ISO high-level structure to comply with the 2015 standards. We made good progress in 2019, with all of our hospitals aligned to the 2015 ISO 9001 standards.

Up until the 2018 financial year, the minimum standards for quality in all hospitals were promulgated by the 2011 DOH National Core Standards. However, in 2019 this was replaced by the Minister of Health-promulgated Norms and Standards Regulations. Life Healthcare has entrenched these norms and standards into our QMS processes, making it part of our standard operating procedures. We conduct periodic internal audits to ensure we comply with these regulations.

Patient safety adverse events

Offering our patients quality care is top-of-mind, and we are dedicated to ensuring the best possible outcomes for our patients and preventing harm from occurring to them while in our care. Great patient experiences are critical to the success of our business, and Life Healthcare entrenches a patient-first culture throughout the Group. In support of this, we specifically target certain roles with tailormade training interventions to further establish professional and positive behaviours.

This year, the patient safety adverse events rate decreased by 9.0%. We report on all patient safety adverse events, which are investigated by the responsible managers at hospital and Group level. This allows us to identify the cause of any incident which, in turn, enables us to implement corrective action to mitigate the risk of recurrence. In addition, a proactive alert reporting system is in place in our hospitals.

Indicator (per 1 000 PPDs)	Year-on-year trend	2019	2018	2017
Patient safety adverse events[1]	↓	**2.44**	2.68	2.69
Medication adverse events	↓	**0.92**	1.10	1.13
Falling adverse events	↑	**0.71**	0.68	0.71
Pressure ulcer rate	↓	**0.10**	0.12	0.13
Procedure-related adverse events	↓	**0.46**	0.55	0.51

[1] *This indicator is externally assured.* (A)

Clinical infections

In terms of reporting, we primarily focus on HAIs as these metrics are the most material for proactively managing clinical infections. This metric encompasses all HAIs determined according to the Centre for Disease Control and Prevention (CDC) guidelines, including VAP, SSI, CLABSIs, CAUTIs, as well as various hospital-acquired infections.

Clinical indicators[1] (per 1 000 PPDs)	Year-on-year trend	2020 target	2019	2018	2017
Patient safety adverse events[2,3]	↓	2.25	**2.44**	2.68	2.69
HAIs[3]	↔	0.40	**0.41**	0.41	0.42

[1] *For more quality indicators refer to page 49.*
[2] *Includes unintended or unexpected events which did, or could have, resulted in harm, such as falls, behaviour, medication, pressure ulcers, death due to unnatural causes, burns, procedure-related incidents, other patient incidents, patients absconding, and other patient information incidents.*
[3] *Indicator is externally assured.* (A)

*For more information on our key performance indicators, refer to **page 47**.*

Our electronic surveillance system (ICNet) captures patient data on inpatient admissions, laboratory results, surgical procedures, and SSIs. A contributing factor for this implementation of the new module introduced to ICNet last year, is the increase in SSIs from 0.99 in 2018 to 1.05 in 2019. The most common SSIs were identified as caesarean sections, spinal and colorectal surgeries. ICNet also functions as a re-admission alert management system, and notifies the hospital's IPS when a patient is re-admitted post-surgery, as this can be indicative of a possible HAI.

We monitor the cleanliness of high-touch areas in patient care zones, along with the cleanliness thereof, on a weekly basis and report on it monthly. This drives environmental cleanliness and is dependent on a multi-disciplinary approach.

The methodology involves the systematic application of an invisible fluorescent ink prior to cleaning, and an assessment of residual ink through the use of a UV light highlighting the high quality of AMS related interventions that are being suggested, and the commitment of the multifunctional team to stewardship.

Life Healthcare's AMS programme

Due to the increasing incidence of antimicrobial resistance globally, the World Health Organization (WHO) highlights the importance of a one-health approach to address the issue. The WHO Global Action Plan and Antimicrobial Resistance document emphasises that antimicrobial resistance is a crisis that must be managed with the utmost urgency, and that an all-out effort is needed.

During the year, Life Healthcare continued to build on its well-established and multi-functional AMS programme, tracking compliance with internationally recognised key stewardship principles. The number of inpatients assessed for AMS bundle compliance increased by 14.2% (2018: 10.3%). The AMS bundle compliance percentage increased by 2.0% to 95.0% (2018: 93.0%), above the Group target of 93.0%. We continue to develop interventions to address any non-compliance. The acceptance of interventions suggested by pharmacy or nursing personnel to address non-compliance decreased slightly to 80.4% (2018: 83.3%), which is above the Group target of 80.0%, highlighting the high-quality of AMS related interventions that are being suggested, and the commitment of the multinational team to stewardship.

One of the key objectives of the WHO's Global Action Plan on Antimicrobial Resistance is to optimise the use of antimicrobial medicines in human health. For Life Healthcare to align with this global action plan, one of our key focus areas is to reduce inappropriate antibiotic utilisation, with particular focus on carbapenems, an antibiotic class that should be reserved as therapy for serious infections only, and often only indicated as last-line therapy. Through rigorous AMS practices, carbapenem load (number of units per PPD) decreased by 5.4%, and overall antibiotic load by 1.4%.

QUALITY continued

Due to antimicrobial exposure being one of the main risk factors for clostridium difficile (c.difficile) infections, the c.difficile infection rate per 1 000 PPDs is being monitored as an AMS programme outcomes measure. The c.difficile infection rate per 1 000 PPDs has decreased by 13.8% compared to last year.

We also invested in a clinical decision support system (CDSS) to enable the expansion of clinical pharmacy services to more patients, which will further improve patient safety and quality care. Our ICNet ABX software alerts pharmacists of clinically significant medication-related potential interventions required, combining laboratory tests, drug therapy, key drug interactions, medical conditions and co-morbidities, surgery and demographics. The system will assist clinical pharmacists with prioritisation of patients and facilitates efficient practice. For AMS specifically, the system prompts pharmacists when a micro-organism is resistant to an antimicrobial, or when a micro-organism was cultured and the patient is not yet receiving the appropriate antimicrobial treatment.

Patient-reported outcomes measures

Our clinical pharmacy programme continues to focus on improving patient outcomes. This year, the number of interventions increased to 64.9% (2018: 62.9%). Progress is further reflected in the number of ward rounds that pharmacists have conducted with our doctors, which increased by 45.8% during the year.

In our Major Joints for Life programme, we continue to conduct telephonic follow-ups six months post-surgery for hip or knee replacements, using an internationally accepted rating system of the outcome of the surgery to perform the evaluation. In 2019, we started reporting on post-operative quality of life indicators using PROMs. We also measure all-cause 30-day re-admission rates, along with one-year condition-specific re-admission rates.

The BetterObs programme

The BetterObs programme was established in 2015 in collaboration with the South African Society of Obstetricians and Gynaecologists (SASOG), and aims to reduce the number of maternal deaths and complications. The programme is centred around four main pillars, namely the obstetrician, the paediatrician, the hospital and the patient, and comprises unambiguous practice guidelines that, together with good teamwork, promote professional integrity while delivering optimal patient care in labour wards.

Life Healthcare has run the BetterObs programme in its maternity units since 2017 and 2019 proved to be another successful year. We expect full compliance with the prescribed protocols, and regularly conduct observational audits to ensure such compliance. We continue to see significant reductions in labour ward-related adverse events, including fewer morbidity and mortality incidents affecting both mother and child.

Our midwives continue to be upskilled through continuing professional development (CPD) training. Furthermore, we run periodic drills to simulate obstetric emergencies.

IMPROVING PATIENT EXPERIENCE

Our commitment to our core value of quality to the power of e (ethics, excellence, empowerment, empathy and energy) allows us to provide excellent experiences for those patients treated in our facilities. This is further facilitated by various programmes implemented throughout our business, as well as transparent measuring and monitoring of our patients' experiences. These disclosures assist our patients to make more informed decisions, and directly support the delivery of excellent patient experience.

Measuring and improving patient experience

Over recent years, Life Healthcare has developed robust internal processes for measuring and reporting quality measures. We report all quality incidents using an online reporting

Quality measures

Quality metrics[1]	Year-on-year trend	2020 target	2019	2018	2017
Definitely recommend (%)	↔	71.6	**70.7**	70.7	70.0
Patient experience measure (PXM)	↔	8.5	**8.4**	8.4	8.4

[1] *Mortality rates, re-admission rates and other quality measures are monitored according to American standards, which are aligned with those used by Medicare in the United States of America.*

For information on our quality measures, as well as real-time PXM scores, refer to our website www.lifehealthcare.co.za/quality-measures/.

system, which provides standardised categories to allow for effective data management. Quality incidents are classified as either a major or minor incident and we annually identify data trends for proactive management.

We communicate electronically with our patients once they are discharged from one of our facilities. Life Healthcare has contracted independent, third-party service providers to conduct patient surveys, which are based on the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) in the United States. We also include additional questions in the survey, relating specifically to the hospital admissions process and food. Our acute facilities, emergency units, mental health facilities and acute rehabilitation facilities participate in the electronic post-discharge survey, and responses have remained stable year on year.

We also provide manual comment cards in our facilities to give patients and their families the opportunity to provide qualitative feedback about their experience. In 2019, the number of comment cards completed decreased by 3.6%. The number of positive responses to our comment cards amounted to 89.8% this year, slightly down from 90.0% in 2018, against a target of 91.0%

We noted a slight decrease in overall patient experience during the year. There were eight hospitals that scored <8.0 versus seven hospitals in 2018. Scores for 'definitely recommend' (a measure which means that patients would definitely recommend the hospital they were treated at to their friends and family) remained constant – 21 hospitals achieved scores >71% versus 22 in 2018. Furthermore, five hospitals scored <60% versus six hospitals in 2018.

Over time, we have developed key indicators and internal targets to measure our performance from a quality perspective. While the business is consistently improving against most quality targets, the lack of insight into international best practice in quality reporting has made it difficult for stakeholders to interpret our performance in a broader context. From 2020, we will be able to use the data we have already collected relating to our degree of harm – a known international metric supported by the WHO – to benchmark ourselves against international performance.

This year, we developed an all-hospital scorecard that includes all clinical and quality metrics. We also introduced the quality single score, which compares the performance of our hospitals across the quality measurement dashboard.

CARE programme

Our CARE programme promotes positive patient interaction, encourages improved employee engagement and influences patient experience and client feedback. Over the years, it has matured from a project to an internal process and is now considered to be part of our standard way of doing business.

We continued to hold monthly CARE sessions for all departments to facilitate straightforward dialogue that translates into committed actions to better employee and patient experiences.

Our front-line employees have a high impact on our patients as the first point of contact. Therefore, during the year we introduced our iConnect programme to ensure that these employees understand the importance of a positive patient experience throughout a patient's stay at one of our facilities. The programme focuses on emotional experiences, and emphasises the importance of professional and positive behaviours when interacting with our patients.



EFFICIENCY

We are committed to delivering high-quality care supported by high levels of clinical and operational efficiency. To achieve this, we focus on optimally allocating our resources, while maintaining relationships with our employees, healthcare funders, procurement partners and doctors.



OUR 2019 PRIORITIES	OUR PROGRESS
Creation of an automated iShift project library, with access to shared learnings	• Continued to drive efficiencies through our iShift programme • In the process of creating an automated iShift project library
Clinical directorate to continue with engagement of doctors	• Continue to engage with doctors on solutions to identify efficiency-enabling opportunities and ensure cost-effective patient care • Established 12 clinical review panels, including a national clinical panel, aimed at building relationships and engaging with doctors
Engage funders to improve efficiency and reduce cost of delivery	• Continue to build relationships with healthcare funders to respond to efficiency-enabling opportunities, such as our critical care re-engineered initiative
Global procurement initiative	• Merged our two procurement departments, being pharmaceutical and non-pharmaceutical, with the integration of our IT and construction and engineering sourcing ability • Adopted new approaches to mitigate external pressures on Life Healthcare
Renewed focus on managing our cost of sales, as well as our overall procurement	• Launched our new DOMINO platform to facilitate improved efficiencies within the business, specifically procurement, cost of sales and nursing efficiency • Started realising savings in 2019 which will further extend into 2020

OUR 2020 PRIORITIES

- Extensive use of technology and data analytics to optimise performance
- Asset optimisation
- Engage funders and clinicians to improve efficiency and reduce cost of delivery
- Drive DOMINO throughout the business

CLINICAL EFFICIENCY

Globally, healthcare systems remain challenged by the unsustainable increases in the cost of healthcare delivery. As an industry leader, Life Healthcare recognises its responsibility to be at the forefront of change by providing affordable healthcare to the communities it serves. Therefore, this year we refreshed our focus on sustainability and providing excellent, cost-effective care to our patients.

Driving clinical efficiency within Life Healthcare by engaging with doctors remains a key priority. We also continue to focus on our relationships with our employees, healthcare funders and procurement partners to respond to efficiency-enabling opportunities. Furthermore, engagements with these stakeholders allow us to enhance our clinical capacity within the business. Our latest initiative, critical care re-engineered, introduced evidence-based ICU protocols in eight hospitals. In parallel, we developed a clinical outcomes dashboard.

Our iShift programme continued to drive efficiency throughout the business by creating a culture of innovation, empowering our employees at every level to identify problems and, importantly, possible solutions.

At a Group level, we identified and investigated areas where we could significantly improve our utilisation and clinical efficiency. Subsequently, we distributed all relevant information to our hospitals, which implemented changes aimed at driving the sustainable use of products and, in correlation, lowering the cost of care.

Patient safety remains our top priority, with a strong focus on quality, clinical excellence and efficiency. We encourage our employees to come forward with new ideas on how to improve our business. We are also working closely with doctors to collectively find innovative solutions to reduce waste and ensure sustainable, cost-effective patient care.

While our renewed focus is challenging and requires multi-functional participation, we are starting to make significant inroads in containing costs and improving efficiencies across our southern African business.

PROCUREMENT

Our approach to procurement is an important part of ensuring we manage costs and drive efficiencies in the business. During 2019, we merged our two procurement departments, being pharmaceutical and non-pharmaceutical, with our IT, construction and engineering sourcing abilities.

Partnerships with our vendors continue to be a critical lever in achieving efficiencies within the business. We are exposed to external pressures such as volatile exchange rates and increases in services costs. In response, we adopted bold and creative approaches outside of the traditional tender process to mitigate the impact of these pressures on our business. For example, during the year we implemented an alternative contracting model, such as bundling of service contracts to a single service provider.

We spent a total of R9.5 billion (2018: R9.3 billion) on procurement, with R4.5 billion (2018: R4.3 billion) relating to pharmaceutical products and R2.6 billion (2018: R3.6 billion) on equipment, services, IT and consumables. Altogether, 60% of the total procurement spend continues to be exposed to exchange rate volatility.

In 2019, a number of key projects focusing on improving efficiencies, as well as reducing our impact on the environment, were piloted and implemented across the business. Two such procurement-driven projects include the containerisation of surgical instrumentation and large volume parenteral recycling projects.

Preferential procurement

We continue to look at alternative strategies to improve our preferential procurement levels, including the roll-out of department scorecards to assist the business to focus on areas for improvement and considering vendors' B-BBEE status as a critical criterion for awarding tenders. These actions have contributed to a positive preferential procurement spend with level 1 to 3 vendors.

Level (%)	2019	2018	2017
Level 1 to 3 broad-based black economic empowerment (B-BBEE) spend	**37**	31	19
Level 4 to 6 B-BBEE spend	**20**	20	42
Level 7 and 8 spend	**14**	17	10
Non-B-BBEE spend	**24**	28	26
Exempt	**4**	4	3

EFFICIENCY continued

INFORMATION TECHNOLOGY

Life Healthcare remains committed to effective IT management. We understand that to remain relevant, we need to be cognisant of technological innovations and the potential impacts on healthcare, hospital management and patient outcomes.

IT governance

From an operational perspective, we manage our IT performance on a daily basis and capture our observations in monthly reports. These reports reflect our capacity, availability, performance and security, and assist us to appropriately manage our IT security, software and infrastructure capabilities.

Incidents with the highest potential impact on our business are prioritised. Specifically, those matters that pose a threat to our IT security systems are promptly resolved. These high priority or high impact risks are monitored monthly by the Information Security Management System (ISMS) and IT management forums, and by the IT steering committee and risk committee every quarter. Other incidents are addressed and tracked in daily sessions, and escalated if required.

IT focus in 2019

In 2019, we focused on maturing our IT capabilities – specifically legislative compliance, data privacy, security, personal information, and risk management – to align ourselves with King IV. We ensured that our IT goals align with the Group strategy, and therefore introduced a digital strategy to transform the way we approach IT within the business.

We also adopted a security framework and additional systems, controls and hardware to enhance our protection against cyber threats and to safeguard personal information. We will continue to update the security and preventative measures in place as legislation changes or cyber threats evolve.

The expertise of our IT steering committee was bolstered during the year and now includes representatives from our business, operations, governance, risk, audit and compliance functions. The steering committee monitors trends, risks, opportunities and strategic projects through a global lens.

We completed a comprehensive IT risk re-assessment, focusing on business, audit, risk, privacy, as well as IT operations, security and governance.



We reviewed, identified, classified, categorised, scored and prioritised the various risks. Furthermore, controls were reviewed for effectiveness, and treatment and ownership were assigned based on the level of risk.

IT focus in 2020

Going forward, the Group will continue its IT strategic projects and governance maturity to develop and improve local competencies and effectiveness. Our focus areas for 2020 will be on governance, risk, business continuity, compliance, supplier management, incident management and cybersecurity improvements.

Through the Group IT steering committee, we aim to embed our newly developed digital strategy throughout the business. Furthermore, we aim to establish a Group-wide enterprise architecture capability to standardise and rationalise systems. We will further introduce a new system to classify, categorise, monitor, track and manage service events and incidents. This will increase oversight over vendors and suppliers and allow us to review service level metrics and measurements to identify improvements or efficiencies.

Our strategic projects in 2020 will focus on:

- **infrastructure modernisation:** optimising or improving connectivity and collaboration;
- **core system modernisation:** increased efficiencies for the business;
- **privacy:** ensuring incoming data security, as well as implementation and improvement of privacy compliance and controls; and
- **cloud migration:** creating scalable technical solutions to improve overall operational efficiencies.

SUSTAINABILITY

Sustainability is an integral part of how we do business and we consistently pursue social, environmental and financial stability across our business. This commitment is underpinned by effective engagements with our various stakeholders, who directly influence our success.



OUR 2019 PRIORITIES	OUR PROGRESS
Maintain a level 4 with regards to B-BBEE	• Life Healthcare retained a B-BBEE level 4
Continue to provide early orientation for specialists in training	• Invested R201 million on training and development
Continue to nurture talent and implement succession strategies	• Completed a detailed management succession assessment giving insight into our succession bench strength • Action plans to develop successors are being put in place
Decrease dependency on grid sources of electricity and water	• Two boreholes in use in Cape Town, one of which currently supplies approximately 70% of Life Kingsbury Hospital's water requirements with the second one aimed at providing all of Life Vincent Pallotti Hospital's water requirements in 2020
Install solar panels at additional facilities	• Installed solar panels at five additional facilities – our solar photovoltaic (PV) expansion at Life Fourways Hospital equates to approximately 1MW
Continue to manage and reduce healthcare risk waste (HCRW) to below 2.5 kg/PPD	• Piloted two-procurement driven projects, being the containerisation of surgical instrumentation and our large volume parenteral recycling project, both of which are aimed at improving efficiencies and reducing our impact on the environment
Continue involvement in community projects	• Spent R106 million on projects focusing on community upliftment, health and education

SUSTAINABILITY continued

OUR 2020 PRIORITIES

- Continue to provide early orientation for specialists in training
- Continue to nurture talent and implement succession strategies
- Build capabilities and resources across the operational and executive teams
- Decrease dependency on grid sources of electricity and water
- Install solar panels at seven additional facilities
- Continue to manage and reduce HCRW
- Continue involvement in community projects

We remain aware of risks pertaining to sustainability-related projects, and during the year increased our efforts to ensure further alignment between our goals and responsibilities. We aim to proactively identify and address risks, as well as develop and implement solutions throughout the Group to mitigate any potential future adverse effects.

This year, all sustainability initiatives implemented from functional level were well received and positively embraced by hospital management and employees. Much of our efforts were focused on projects that could potentially increase the efficiency of our business and how we serve our patients, as well as the way we use those resources entrusted to us.

B-BBEE

We remain committed to substantive and meaningful transformation at all levels in South Africa. We strive for an inclusive, broad-based and integrated approach to empowerment, which is aligned with the pillars of the amended Code of Good Practice. We focus on preferential procurement from designated groups of exempted micro enterprises (EMEs), qualifying small enterprises (QSEs) and 51% black-owned companies.



	Available points	2019 score	2018 score	Commentary
Ownership and management control	25.0	**10.7**	16.7	No new initiatives are underway; however, we continue to review opportunities to increase the shareholding of previously disadvantaged individuals.
Management control	9.0	**6.9**	6.7	We continued to drive transformation through careful appointments to the Group board.
Enterprise and supplier development (ESD)	40.0	**33.6**	29.0	We continued to maintain the minimum of 3% spend to ESD beneficiaries.
Employment equity	10.0	**4.3**	4.6	We are committed to building an employee profile that reflects the demographics of the country and to create a culture of inclusivity. This year, we noted improved representation in all our management categories.
Skills development	20.0	**20.8**	21.1	This year, 150 African male employees graduated from a management principles learnership programme – a national qualifications framework (NQF) level 5 programme. In light of the success of this programme, we have increased the 2020 financial year cohort to 165 employees, including both African and Coloured male employees. Our partnership with the South African National Council for the Blind (SANCB) Optima College provided vocational and life skills training to 120 visually impaired students in 2019. The training provided is accredited by the Services Sector Education and Training Authority (SETA) at an NQF level 2. We will sponsor a further 120 students for the 2020 financial year.
Socio-economic development (SED)	5.0	**5.0**	5.0	Our corporate social initiatives (CSI) aim to contribute meaningfully and create real change. This year, we maintained a minimum spend of 1% net profit after tax on SED.
Total score	109.0	**81.3**	83.1	
B-BBEE level		**4**	4	

HUMAN CAPITAL

The southern African landscape continues to experience a shortage of clinical skills such as nurses, doctors and pharmacists. Our vision of becoming a world-class provider of healthcare is dependent on appointing the right people with the right skills. We therefore remain focused on recruiting and developing talent, enhancing our EVP, investing in robust leadership development initiatives and implementing strategies that will ensure we build a highly engaged workforce.

Employee retention

This year, we continued to work with our business leaders to implement effective human resource (HR) strategies. Furthermore, in response to the tough market conditions in South Africa, Life Healthcare invested considerable effort in improving its EVP in ways that do not necessarily require additional financial resources. Our efforts have proved successful, as evidenced by an increased ability to attract and retain talent.

Pleasingly, we saw a significant improvement in the turnover rate of registered nurses, pharmacists, case managers and hospital managers. Our employee turnover rate, excluding those who retired during the year, is 10.5% versus 11.6% in 2018 – its lowest point in recent history. We believe that our staff retention rate is low given the current competitive labour market.

SUSTAINABILITY continued

Headcount

Category	2019	2018	2017
Administrative employees	**3 176**	3 006	2 934
Nursing personnel	**9 657**	9 438	9 332
Pharmacy employees	**371**	349	333
Rehabilitation employees	**281**	249	241
Services employees	**1 629**	1 412	1 366
Other	**271**	271	260
Total permanent	**15 385**	14 725	14 466
Temporary personnel[1]	**991**	1 116	1 094
Total employees	**16 376**	15 841	15 560

[1] *Includes sessional, hourly paid employees and excludes agency employees.*

Employee health and safety

Our employees are our direct line to our patients. It is therefore critical that they remain healthy and feel safe in the places they work. We encourage a culture of safety within our operations, and motivate our employees to become actively involved in health and safety practices. We believe that a culture of safety among our employees will improve their safety and position the Group as a market-leading healthcare provider.

We comply with the OHS Act and the Compensation for Occupational Injuries and Diseases Act, 130 of 1993 (COID Act). New employees attend mandatory induction sessions on quality, health and safety, and the environment. As required by the OHS Act, we conduct a hazardous biological agents risk assessment every second year, which focuses on identifying risks and mitigating the exposures for employees, relevant service providers and other relevant team members.

We report on all employee incidents to identify trends and key risks areas. In this way, we are kept up to date of safety concerns. Our year-on-year employee adverse events rate deteriorated in 2019, from 4.09 in 2018 to 4.11 in 2019, mainly due to negligent practises on the part of staff. Our attention was placed on employee falling incidents, sharp injuries and mobility-related incidents.

In 2018, we finalised a Group-wide integrated employee wellness model, offered by Life Employee Health Solutions, this model provides our employees with a holistic wellness solution. This year, our employee usage rate increased from 17.0% in 2018 to 18.6%, against an industry benchmark of 10.0%.

Our 2019 employee health and wellness strategy focused on creating awareness around the range of services available – as a result, a further 18% of employees attended educational sessions. Our main focus areas were managing burnout, resilience and self-care. In 2020, we will target topics such as healthy eating. We aim to launch a feasibility project to assess the healthy eating options available in healthcare facilities, as well as health assessments for risk-based positions, thereby ensuring the continuum of health improvement is achieved. We also aim to integrate health and wellness dashboard reporting.

Nurses

To ensure that we continue to deliver high-quality patient care, it is critical that we attract and retain registered nurses. Pleasingly, staff turnover in critical skills such as registered nurses and experienced specialist nurses reduced substantially during the year, with a turnover rate of 16.3%, down from 16.6%, in 2018. Specifically, the turnover of qualified registered nurses working specialised units has reduced by 1%.

Indicator	Year-on-year trend	2020 target	2019	2018	2017
Employee adverse events (per 200 000 labour hours)	↑	3.45	**4.11**	4.09	4.43

We aim to have a total monthly agency employee count of 25% or less to aid flexible staffing and improve quality, while balancing culture internalisation and staff stability. This year, overall patient occupancies remained constant while our average agency utilisation decreased from 28.7% in 2018 to 26.3% in 2019.

Pharmacists

Pharmacists are critical to guiding and evaluating patient treatment in our hospitals and, where appropriate, making interventions in drug therapy to improve safety and quality care provided. Furthermore, pharmacists also play a vital commercial role in ensuring we provide cost-effective pharmaceutical and surgical products throughout our hospitals.

South Africa still has a significant shortage of pharmaceutical skills. It is estimated that the country requires an additional 12 000 pharmacists to meet the international benchmark of 50 pharmacists per 100 000 people. To mitigate this, Life Healthcare continued to enhance its initiatives to retain and develop talent in our pharmacy workforce. We further expanded the clinical pharmacy programme, and introduced structures aimed at establishing a professional career path aligned to our vision of being a clinically led organisation.

We reinforced our structured pharmacist intern programme this year, augmenting the capacity within our pharmacies, while also building strong industry visibility. Pleasingly, a significant number of interns who complete the programme return to our hospitals following their community service. We increased the number of pharmacists' assistants in training to improve the ratio of pharmacists to pharmacists' assistants.

Our annual turnover of both pharmacists and pharmacists' assistants continued to decrease, with a turnover rate of 12.9%, down from 14.8%, despite tough competition from the retail industry. The turnover rate within the clinical pharmacy space is especially low, and illustrates the success of our strategic interventions to create an engaged and motivated workforce.

Pharmacy staff have access to internally developed online continuous education modules. A total of 1 083 training interventions were completed during 2019. We look forward to the finalisation of the pharmacy technician qualification and scope of practice to allow effective integration of these mid-level workers and further build the pharmacist support base.

Transformation

Life Healthcare is committed to cultivating an employee profile that reflects the demographics of southern Africa and to realising a culture of inclusivity among our employees. This year, we continued to improve our transformation objectives across different management levels.

Our national transformation committee continues to drive our efforts to shape an inclusive culture across the Group. This committee is supported by various forums, including consultative forums at hospital level and numerous employee communication forums. We also designed, and are in the process of implementing, a number of initiatives aimed at developing black talent across our South African operations.

We believe that by offering our employees comprehensive benefits, we will continue to attract and retain top talent. Women constitute 80.2% (2018: 82.0%) of our workforce. Of the Group's middle management and above, 56.9% are women (2018: 58.0%), and three of the Group's nine non-executive directors are women.

We are also committed to ensuring that our workplace is inclusive of people with disabilities. Currently, we have 87 employees with disabilities (2018: 94).

Employment equity representation in the management bands

Management level	2019 %	2018 %	2017 %
Top management	**41.2**	39.0	29.0
Senior management	**40.8**	38.0	36.0
Middle management	**41.9**	40.0	39.0
Junior management	**63.9**	61.0	59.0
Total African, Coloured and Indian (ACI) employees	**75.8**	74.0	72.6

SUSTAINABILITY continued

Employee relations

Life Healthcare continues to balance the interests, needs and challenges of relevant stakeholders to make sustainable decisions surrounding wage negotiations with organised labour. While this remains challenging in an environment characterised by high wage settlements, we enjoy a good working relationship with organised labour. At those units where collective bargaining rights exist, we reached wage agreements without any workplace disruptions or industrial action.

Overall unionisation levels increased to 23.9% (2018: 22.7%). We also experienced some movement of members between trade unions.

Trade union affiliation	2019 %	2018 %	2017 %
National Education, Health and Allied Workers' Union (NEHAWU)	**14.7**	13.2	12.6
Health and Other Service Personnel Trade Union of South Africa (HOSPERSA)	**5.2**	5.3	5.6
Democratic Nursing Organisation of South Africa (DENOSA)	**1.1**	1.3	1.4
Other[1]	**2.9**	2.9	1.1

[1] *Includes Botswana Private Medical and Health Services Workers Union (BPMHSW), General Industrial Workers Union of South Africa and National Union of Public Service and Allied Workers (NEPSAW).*

Training and development

We invested R201 million (2018: R177 million) on training and development in 2019. While this is only a marginal increase on our total spend in 2018, the total learners enrolled in nursing, pharmacy, and technical and vocational education training learnerships increased by 50%, from 722 learners in 2018 to 1 083 learners in 2019.

We also granted bursaries to 463 employees (2018: 310) to encourage further studies, of which 106 (2018: 114) are enrolled in registered nurse training and 128 (2018: 113) are enrolled in basic nursing degrees.

Category of nurses in training	2019	2018	2017
Enrolled nurses[1]	**–**	–	44
Bridging programme leading to registration as a nurse	**724**	836	820
Specialist nurses (ICU, high-care, theatre)	**101**	101	271
Total number of nurses registered in training	**1 005**	1 075	1 358

[1] *Programme phased out in 2017.*

In an effort to retain and develop staff for the Group, Life Healthcare operates a registered higher education institution called the Life College of Learning, which comprises seven learning centres across South Africa. Of the 1 005 registered students (2018: 1 075), 91.2% (2018: 90.2%) are female and 92.7% (2018: 91.5%) are ACI candidates.

For more information refer to www.lifehealthcare.co.za/careers/life-college-of-learning/.

The Life College of Learning continues to focus on maintaining a steady number of learners in the basic nursing programme offered. We expect the current nursing qualifications offered by the South African Nursing Council (SANC) to be phased out by the end of the 2019 calendar year. We still foresee that this will lead to no new nurse graduates in 2020. The number of nurses graduating from colleges and universities will reduce over the next three to four years. The plan is to embark on commencing the new qualifications in 2020 and explore foreign recruitment once again until the first cohorts of nurses emerge from the implementation of the new qualifications.

Identifying talented individuals for development and training is critical for Life Healthcare to establish a pipeline from which to draw on. A total of 150 African male employees graduated from a management principles learnership programme. In 2020, this number will be increased to 165 employees, which include both African and Coloured male employees.

Student level education	2019	2018	2017
Basic	**724**	836	864
Post-basic diplomas	**101**	101	221
Operating department assistant[1]	**21**	40	66
Midwifery	**31**	31	50
Short learning programme	**128**	67	157
Total	**1 005**	1 075	1 358

[1] *Three-year operating department assistant diploma in health sciences.*

Talent and succession management

We operate in a highly specialised environment, and the potential impact of losing key employees over a short period could significantly hamper the performance of Life Healthcare. To mitigate this, we ensure that Group-wide succession plans are in place, and the executive plans are reviewed annually by the board remuneration and human resources committee. Furthermore, targeted succession planning initiatives create opportunities for talented leaders which leads to improved retention.

We also consistently invest in robust leadership development initiatives and programmes are in place at all levels of management. Among others, we partner with the Gordon Institute of Business Science (GIBS) to deliver management learning interventions, specifically the GIBS Middle Management developed programme and Senior Management development programme. These programmes facilitate the improvement of functional management and leadership and, in total, 41 managers participated in these programmes during the year.

Reward and recognition

Fair and transparent remuneration practices, along with recognition of performance, are an important part of the value proposition we offer our employees. Furthermore, it is a key component of how we attract and retain talented employees.

We assess each individual, their role and responsibilities, as well as their performance, to ensure equitable and market-related reward and recognition. We perform regular market benchmarking of remuneration to ensure our packages remain competitive. We have a comprehensive recognition programme in place, which seeks to recognise those employees and teams who are committed to and represent the Group's values. These employees are recognised each quarter and are then eligible for an award at the annual Life Achiever Awards.

For more information, refer to remuneration report on page 136.

DOCTORS

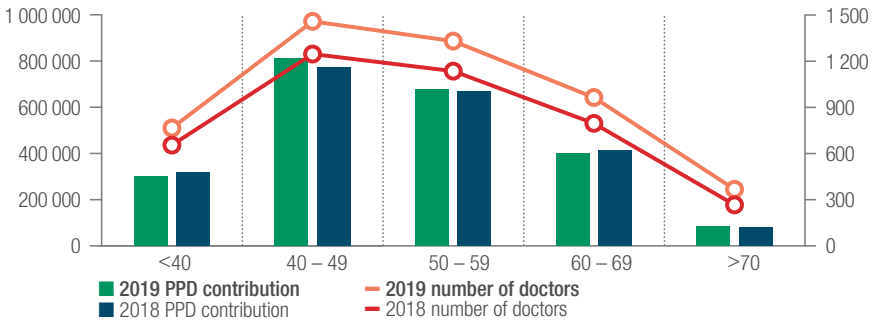
Doctor recruitment and retention

Sourcing and retaining appropriately trained and qualified doctors is crucial for any specialist hospital to function optimally. Life Healthcare has a reputation for cultivating good relationships with its specialists. This enables us to maintain a stable base of doctors which, in turn, ensures the sustainability of our hospital businesses by offering accessible and comprehensive healthcare services to the communities we serve.

We believe that recruiting the right specialists is the first step in constructing the right team of experts to deliver high-quality care to our patients. In 2019, we strengthened our focus on doctor recruitment and retention. To this end, we appointed a Doctor Stakeholder Manager to drive a variety of initiatives, including the short, medium and long-term recruitment and retention of doctors.

We successfully appointed 200 (2018: 152) new doctors to replace the 62 (2018: 101) who left due to relocation, retirement, or to pursue other opportunities. We have approximately 3 800 (2018: 2 985) doctors, specialists, and other healthcare professionals providing care at our facilities and have the capacity to recruit a further 150 specialists. The average age of our doctors is 51.0 years (2018: 51.5 years), which has increased marginally over time, while the average age of new doctors in 2019 was 38.0 years (2018: 41.3 years).

DOCTORS' AGE PROFILE (PPD contribution) (number of doctors)



SUSTAINABILITY continued

We value and strive for long-term relationships with doctors and continue to build a portfolio to engage with hospitals, medical associations and tertiary institutions to establish a future pipeline of specialists. Furthermore, we monitor activities among specialists and doctors at hospital, regional and national levels to identify recruitment needs.

Life Healthcare hosts an annual registrar event for specialists-in-training. Thus far, we have hosted events in the Western Cape, Gauteng and the Free State. The attendance of these events has increased over time, offering us an opportunity to recruit attendees to our facilities.

We continue to engage with universities to train specific specialists in scarce disciplines for specific facilities. In recent years, we funded the training of specialists in cardiology and pulmonology. This initiative will be expanded to a wider range of specialities to train up to 15 specialists at any given time.

Risk and insurance

Life Healthcare continues its efforts to ensure that our doctors have appropriate insurance policies in place and we recently launched an online portal aimed at improving control in terms of doctors' insurance renewals. We aim to have all doctors registered on the portal in the near future.

Life Healthcare's policy is that all doctors with admission privileges at our hospitals are required to have insurance.

Electricity, water and waste

During 2018, we implemented several projects aimed at driving sustainability through efficiency, reducing our water and electricity usage, as well as decreasing our carbon emissions. Pleasingly, these projects led to increased electricity and water savings in 2019. Despite improving our efforts to reduce our impact on the environment, the metering of consumption of water and electricity is an ongoing concern due to infrastructural challenges and system performance.

Life Healthcare uses an ISO 14001 approved environmental management system (EMS) across our business. In addition, our environmental sustainability is driven by our environment and climate change forum. The forum is also responsible for the following:

- Providing direction to our quality and engineering departments on EMS-related matters
- Reports to the board on environmental issues via the social, ethics and transformation committee

Electricity

During the year, we reduced electricity consumption by 6.6% from 63.7 kWh/PPD in 2018 to 59.5 kWh/PPD in 2019. Solar harvesting has reduced grid electricity consumption by 13%, driven by the installation of solar PV panels in five hospitals – bringing the total number of plants in the Group to seven. Life Healthcare aims to remove pressure from the national grid, while also establishing a bigger reduction in our carbon dioxide (CO_2) emissions and cutting operating costs and will install solar capacity at seven additional facilities during 2020.

Water

Group water consumption decreased by 29.2% during the year, from an average 0.48 kℓ/PPD in 2018 to 0.34 kℓ/PPD in 2019. This is mainly due to the autoclave water-saving project, whereby 132 autoclaves were installed across 41 hospitals resulting in a 60% decrease in water usage. Over and above that, approximately 70% of Life Kingsbury's Hospital water requirements are supplied by a borehole.

Carbon emissions

In 2012, we committed to reducing our scope 2 carbon emissions at acute hospitals in southern Africa by 2% annually, with a cumulative reduction in emissions of 10% over five years from 2013 to 2017. We achieved a 7.9% reduction in scope 2 emissions for the first four years.

Several energy reduction projects were implemented during the financial year. The installation of solar PV panels resulted in further carbon savings in metric tonnes of CO_2 equivalent. The initiatives resulted in carbon savings exceeding the set target.

Indicator	Year-on-year trend	2019	2018	2017
Electricity usage (kWh)[1]	↓	**135 083 292**	142 934 448	148 560 938
Water usage (kℓ)	↓	**765 055**	1 089 999	1 246 804
HCRW (kg/PPD)[2]	↑	**1.96**	1.88	1.81

[1] These figures are based on best estimates using available information.
[2] Indicator is externally assured. (A)

Waste

We encourage our hospitals to explore opportunities to reduce waste. Different patient profiles will generate different levels of waste and our case mix can affect our waste totals year on year. HCRW is the only measurable waste stream reported throughout Life Healthcare. In 2019, the total HCRW increased to 1.96 kg/PPD (2018: 1.88 kg/PPD), primarily due to the growth in our complementary business.

During the year, we piloted two procurement-driven projects aimed at improving efficiencies and reducing our impact on the environment. Firstly, our containerisation project focused on aligning the business to international best practices and improving infection prevention practices within the central sterile services department (CSSD). Surgical instrumentation, which previously was wrapped in disposable cloth and treated as HCRW, was instead containerised. The project has been implemented in 12 of our facilities and has resulted in a 30% decrease in disposable cloth used, which previously would have ended up in landfill sites. The project will be rolled out to a further 10 facilities by December 2019.

Our large volume parenteral project focused on segregating intravenous (IV) drip bag waste from other HCRW, which will then be redirected from landfill sites to an accredited HCRW treatment facility. This facility sterilises, shreds and compacts the IV drip bag waste for use in other industries as an alternative energy source to fossil fuel. Following a successful pilot, the initiative was implemented in 56% of the acute hospitals. The project will be implemented in the remainder of our acute hospitals by December 2019. The larger hospitals have each been able to redirect 500 kg of waste on average per month over the past year.

Implementation of the above two projects is expected to divert Life Healthcare's waste away from the landfill site. Life Healthcare is investigating a business wide integrated waste management approach in an effort to increase efficiency and further improve waste management.

CSI

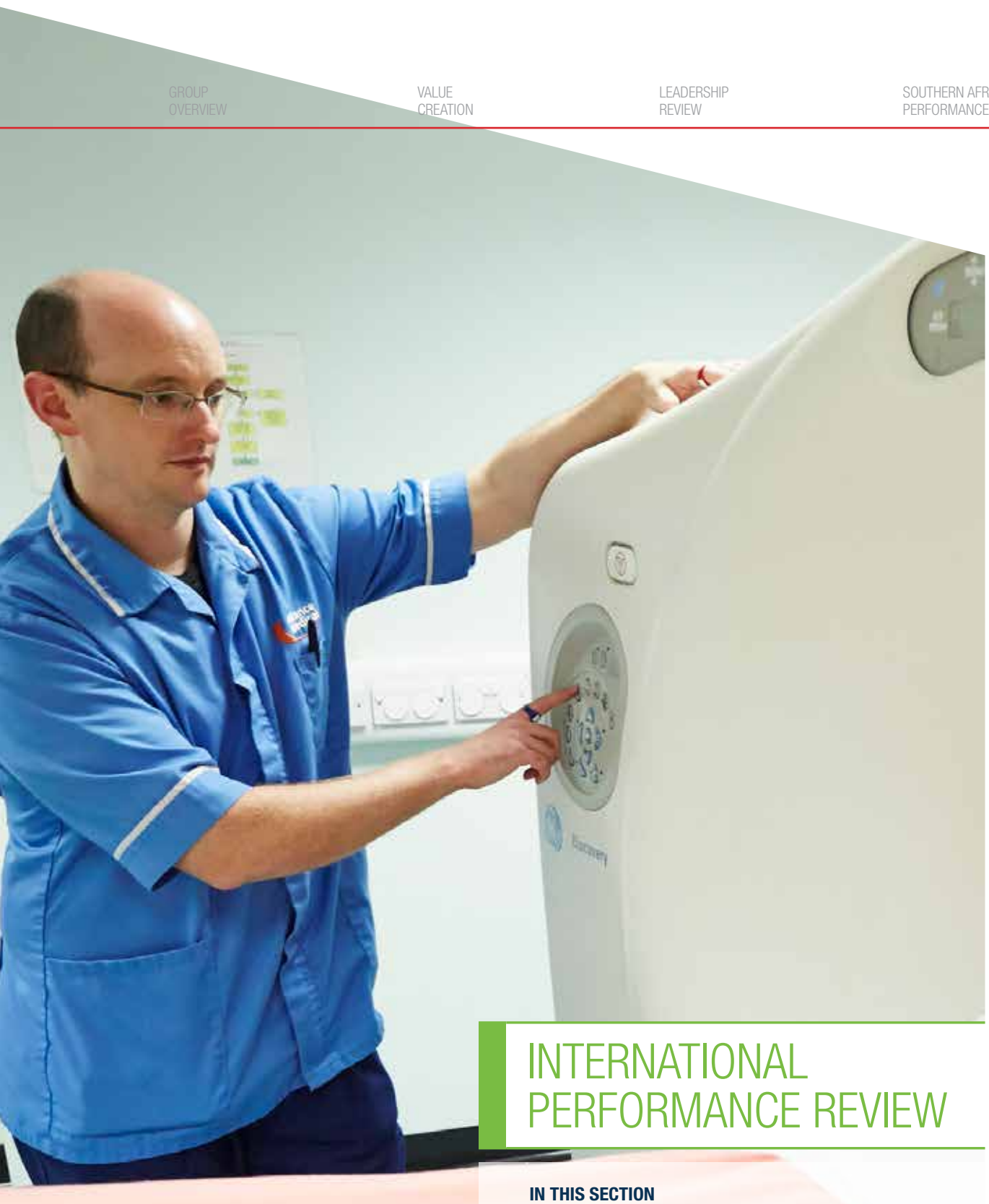
We drive strategically relevant CSI programmes that complement shortfalls in public healthcare services and training in South Africa. Our focus areas include community upliftment, health and education, which align with our purpose of making life better.

Our CSI steering committee recommends projects for approval to the Life Healthcare Foundation Trust, and allocates funds to any approved projects. The steering committee comprises five executives and is chaired by the HR Executive – SA. Progress on CSI activities are reported during monthly executive management meetings, as well as during the quarterly meetings of the social, ethics and transformation committee.

	Year-on-year trend	**2019 R million**	2018 R million	2017 R million
CSI spend	↑	**106**	71	43

*For more information, refer to our social and ethics management section on **page 134**.*





INTERNATIONAL PERFORMANCE REVIEW

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OVERVIEW OF OUR INTERNATIONAL PORTFOLIO

Our international portfolio comprises our investment in Alliance Medical Group Limited (Alliance Medical), Europe's leading independent provider of diagnostic imaging services, and Scanmed S.A. (Scanmed), which offers a wide range of healthcare services to patients across Poland.

ALLIANCE MEDICAL

Alliance Medical provides complex diagnostic imaging services and integrated molecular imaging services to public health authorities and independent organisations across the United Kingdom (UK) and Europe. Our main markets are in the UK where we partner with the National Health Service (NHS), Italy, where we supply Azienda Sanitaria Locale (ASL), Ireland and northern Europe.

The majority of our revenue is sourced from diagnostic imaging services, including magnetic resonance imaging (MRI), computerised tomography (CT) and molecular imaging via positron emission tomography-computerised tomography (PET-CT). We also manufacture and distribute radiopharmaceuticals.

What we offer	How these services create value
MRI, which uses spatially varying magnetic fields and radio waves to produce cross-sectional, two and three-dimensional images of organs and internal body structures.	Unlike x-rays and CT scans, an MRI does not use ionising radiation and is therefore the preferred technique for children and patients requiring multiple imaging examinations. An MRI is also appropriate for investigating soft tissue, such as ligament and tendon injuries, brain tumours and spinal cord injuries.
CT scans, which emit several simultaneous x-ray beams from varying angles to produce two or three-dimensional images of body structures. Tomography is the process of generating a two-dimensional representation of a slice or section through a three-dimensional object. Multiple two-dimensional parts can be combined using tomography to produce three-dimensional images of body structures.	A key advantage of CT technology is that it has a smaller installed base and a shorter scanning time than MRI scanning equipment, which makes it ideal as an emergency assessment tool. CT is best matched for diagnosing bone injuries, identifying lung and chest difficulties, as well as diagnosing cancers and is often used in accident and emergency departments to assess injuries and acute medical conditions.
During **PET-CT** procedures, a radiopharmaceutical (a pharmaceutical drug with radioactivity) is injected into a patient and localises in a specific organ or system within the body. Radiopharmaceuticals emit minuscule amounts of measurable positron radiation. These are captured by a PET camera which generates an image of the specific organ or system for the clinician to assess. Doctors use the image results to identify small changes in body tissues at a cellular level by highlighting physiological processes rather than anatomical structures.	PET-CT combines the high-quality resolution of the patient's anatomy using CT with the ability to measure the metabolic activity of cells. The metabolic activity helps clinicians better understand changes at the cellular level, which could be early indications of cancer. This has proven invaluable in helping oncologists make more accurate diagnosis and staging assessments, choosing the most appropriate therapies and determining which therapy is an effective treatment for cancer. PET-CT is also used to identify other degenerative conditions, such as cardiac and neurological diseases.
Within **radiopharmacy**, we manufacture the radiopharmaceuticals used in molecular imaging procedures. Radiopharmaceuticals are usually manufactured in a cyclotron – a type of particle accelerator.	Radiopharmacy supports the high demand for molecular imaging services we perform. Alliance Medical also sells radioisotopes commercially to other PET-CT operators and for use in clinical trials.
LMI is a research and development company dedicated to the development and global commercialisation of innovative molecular imaging agents for use in PET-CT diagnostics. Operating out of its laboratories and offices in Berlin, Germany, LMI has developed a pipeline of novel imaging agents addressing major unmet clinical needs in neurological, oncological, and cardiovascular diseases. LMI's first registered molecular imaging tracer, Neuraceq (florbetaben F18) is a globally approved and commercialised product for assisting in the diagnosis of Alzheimer's disease.	LMI forms part of the Alliance Medical Group – adding to the fully integrated Molecular Imaging business which now includes research and development laboratories, a network of cyclotrons, radiopharmacies and imaging facilities. This significantly adds to AMG's PET-CT service offering to the NHS and other healthcare commissioning organisations around the world and in addition efficiently serves the international research community and pharma industry by providing novel biomarkers integrated with production and imaging facilities for their clinical trials.

OVERVIEW OF OUR INTERNATIONAL PORTFOLIO continued

Over the past 30 years, Alliance Medical has integrated patient care, technical excellence and efficient service with a flexible business model that delivers value. This has led to the consistent growth of the Group, with a focus on delivery, mobilisation, quality and sustainability, allowing the business to become an integral part of the UK and European public and private health sectors.

In the UK, MRI, CT and PET-CT scans are conducted through contracts with local NHS trusts, and our services are facilitated by 49 diagnostic imaging scanners at 33 diagnostic imaging sites, 44 mobile scanners, 36 PET-CT scanners at 36 different sites and four cyclotrons. In Italy, we provide services in 34 clinics, eight static sites and one cyclotron. In Ireland, we provide services in 27 sites, while in northern Europe we operate 15 mobile scanners, three relocatable buildings and four cyclotrons, as well as operating from 11 sites in Spain.

Our PET-CT collaborative network with the NHS and other partners was secured four years ago under a 10-year PET wave 1 contract, which offers price certainty until December 2025. Since securing this contract, we have invested approximately £80 million into creating a network throughout the UK to ensure that no patient will be more than an hour's drive away from a diagnostic centre. Our footprint, therefore, has expanded significantly and we provide PET-CT scans at 36 cancer centres across England that operate under a national governance framework. Our partner, and the largest cancer centre in Europe, the Christie NHS Foundation Trust (the Christie) provides clinical leadership for this framework.

Pleasingly, this year we were awarded four PET wave 2 fixed-price contracts, across five locations, with a seven-year term and an option to extend for another three years.

In Italy, Alliance Medical has the largest network of community-based diagnostic imaging clinics. These provide MRI, CT and PET-CT services, as well as more basic diagnostic services, to local communities. In contrast to the UK, the market in Ireland is characterised by a self-pay model, with patients electing to consult general practitioners (GPs), who refer them to scanning services.

Our northern Europe business is a mix between mobile fleets and PET-CT in the Nordics, which is a significant growth area for Alliance Medical.



SCANMED

Scanmed provides comprehensive medical services – from consultations to diagnostics, analytical tests, medical transports and home visits, as well as in-hospital treatments. For more than a decade, Scanmed has offered its patients access to comprehensive treatment methods, technologically advanced and high-quality medical equipment and experienced specialists to facilitate their recovery.

We operate in 41 locations across Poland, comprising:

- a total of 12 cardiology centres offering comprehensive diagnostics and cardiological treatment through conservative, interventional and electrophysiological cardiology treatments;
- two multi-specialist hospitals – St Raphael's Hospital in Kraków and a hospital in Blachownia;
- a gastroenterology clinic in Lublin;
- a sports clinic in Zory, which offers comprehensive treatment of musculoskeletal disorders and injuries;
- a medical centre in Pabianice; and
- an ophthalmology clinic in Chórzow.

We also provide outpatient care services, diagnostic imaging and medical transport in major Polish cities, including Warsaw, Kraków, Poznan, Wroclaw, Gdansk, and Pabianice.

EXTERNAL ENVIRONMENT

Macro-economic context	How we are responding
Varying, but positive, GDP growth rates	
Varied, but positive, GDP growth in the geographies where we operate[1]. • Western Europe: 1.2% • UK: 1.2% • Poland: 4.0%	• Focus on maximising efficiencies, while ensuring the highest levels of patient care and technical excellence. • Continue to explore opportunities for growth.
Brexit uncertainty	
Ongoing uncertainty regarding the implications of Brexit.	• Continue to ensure the business remains prepared and resilient with consistent monitoring of supply chain readiness, implementing various mitigating actions in respect of specialist skills challenges and continued monitoring of foreign currencies.
Varied exchange rates	
Varying exchange rates impact the cost of sales and the earnings when translated into South African rand, our reporting currency.	• Manage potential impacts through a focus on efficiencies and procurement, with goods and services primarily sourced in the currency where the business operates.
High levels of competition	
Increasing competition for patients and technology, particularly in the mobile market in the UK and our clinics businesses in Italy and Ireland.	• Focus on differentiating offerings through quality service delivery and standards, as well as cost efficiency, and building long-term stakeholder relationships.
Skills challenges	
Highly competitive employment market for skilled healthcare professionals across all our geographies.	• Engage with global partners and academic institutions to develop training programmes to support new graduates. • Focus on enhancing our employee value proposition (EVP).
Increasing demand	
Population growth, combined with an ageing population and increased disease burden, increases demand.	• Continued investment in long-term, cost-effective solutions while improving the quality of care and patient experience.
Price pressures	
Continued pressure on tariffs from both public and private funders.	• Strong focus on efficiency and the effective use of Group resources and ongoing stakeholder engagement.

[1] *GDP growth rates sourced from https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/GBR/POL/WEQ/EEQ?year=2019.*

Q&A WITH MARK CHAPMAN, OUR CHIEF EXECUTIVE OFFICER (CEO) – INTERNATIONAL



Chief Executive Officer — International
Mark Chapman

We continue to focus on providing the highest levels of patient care, technical and operational excellence throughout the business

Q How would you describe your operating context during the past year?

The macro-economic context varied across the geographies we operate in. The market remains highly competitive.

Our focus has remained on ensuring business resilience in respect of Brexit uncertainties, and we are confident that Alliance Medical is well positioned to respond to any potential change.

While we are comfortable with our business continuity preparations, the lack of clarity around the potential Brexit outcome, and what it could mean for foreign exchange markets, confidence in the UK, and the potential impact on the economy, remains a planning challenge. Furthermore, in Ireland the impact on free movement between the Republic of Ireland and Northern Ireland remains unclear. We continue to monitor the situation, focusing primarily on ensuring the continuity of our equipment supply chains and human capital.

The business continues to be challenged by a shortage of skills in the UK, which is further compounded by a decrease in skilled employees from Europe willing to work in the UK. Furthermore, the competition for patients and technology in the UK mobile market, as well as our clinics' businesses in Italy and Ireland, continue to increase.

From a Scanmed perspective, Poland experienced positive growth rates, with GDP growth at 4.0%. This had a positive impact on employment rates, as well as demand for medical services. However, skills shortages in an already highly competitive employment market and the resultant pressures on wages remained challenging.

Q How did the International business perform during the 2019 financial year?

From a financial perspective, results were positively impacted by the weakening of the rand against the pound sterling and euro. However, regardless of this, both operations delivered robust performances during the year.

Alliance Medical's revenue including LMI increased by 17.3% to R5.9 billion (2018: R5.0 billion). This was supported by the growth in PET-CT scan volumes, the acquisition of Italian clinics and three scanning facilities in the UK, as well as a solid underlying

performance from Italy, Ireland and our mobile business in the UK.

Normalised EBITDA including LMI increased by 9.5% to R1.3 billion (2018: R1.2 billion), mostly driven by operational and clinical excellence, as well as improved performance in the PET-CT and mobile business. Alliance Medical experienced lower margins during the year, with EBITDA (excluding growth initiatives) margin down to 22.6% from 24.9% in the prior year. The margin was adversely impacted by the upgrade programme within radiopharmacy as part of the long-term commitment to PET-CT services in the UK, causing supply challenges, with additional costs to serve the PET-CT contract resulting in increased costs. Good performance in Italy, Ireland and northern Europe offset UK impact.

Scanmed revenue for the period increased by 7.1% to R1.4 billion (2018: R1.3 billion) and normalised EBITDA increased by 14.1% to R97 million (2018: R85 million). Scanmed continues to operate in an extremely competitive market, and experienced weaker performance in a number of its facilities during the year. Scanmed continues to optimise its operations to improve efficiencies and reduce costs.

Q Operationally, Alliance Medical faced some challenges during the year. Could you please unpack these?

Alliance Medical's PET-CT services are centred around the UK, enabled by a 10-year PET wave 1 contract with the NHS, ensuring fixed prices until December 2025, as well as four PET-CT contracts awarded during 2019, each with a seven-year term and an option to extend for another three years. Together, these contracts allow us to serve around 70% of the population in England.

As the demand for molecular imaging services increases, it is imperative that our cyclotrons – which manufacture the radiopharmaceuticals used during PET-CT procedures – are maintained for optimal performance over the duration of our contracts with the NHS. To this end, we completed vital cyclotron upgrades during the year which, in addition to introducing new incremental capacity, will give us the longevity we need to deliver on our commitments.

While these upgrades will bear fruit in the long term, it had an unavoidable impact on our radioisotopes supply during 2019. The optimal opportunity to embark on such a project will never present itself; however, we believe that proactively managing the sustainability of our equipment is the right decision for the business. Our investment in the refurbishment of our cyclotrons will substantially increase our production capacity in the future, allowing us to keep up with increased demand. In 2020, we also plan on opening a new site at Dinnington, which will further allow us to address growing demand.

Q The shortages of specialised skills remain a challenge for the healthcare industry as a whole. How did the business address this during the year?

This is indeed a global challenge and one that remains a continued focus area for our business.

Alliance Medical is challenged by a shortage of radiographers across its geographies, while Scanmed continues to face a shortage of doctors and nurses. In the UK and Ireland, for example, demand and volume are growing at a rate higher than the number of newly qualified radiographers entering the market. These shortages remain a concern for the business, as it could potentially impact our growth prospects and ability to deliver quality care for our patients.

Alliance Medical continued to invest in a variety of recruitment, development and retention initiatives. Our partnership with universities continued to strengthen, with an increase in elective placement opportunities and graduate radiographer appointments. In Poland, we successfully hosted internships for selected specialisations.

Life Healthcare aspires to be an employer of choice across its markets to ensure it remains competitive. Additionally, in pursuit of enhancing our brand as an employer of choice with an extremely competitive market, we explored new opportunities to reach students and recent university graduates eager to start their professional career in the healthcare environment. We continue to invest in a variety of reward, development, recruitment and cultural initiatives.

Q What will your focus be for the 2020 financial year?

We will continue driving operational excellence throughout the business. From a growth perspective, we will focus on operational growth initiatives and continue to explore opportunities to expand into new territories and replicate our successful partnerships globally. We see the opportunity to explore the expansion of our radiology footprint in southern Africa by leveraging the expertise of Alliance Medical.

Q&A WITH OUR INTERNATIONAL CHIEF EXECUTIVE OFFICER (CEO), MARK CHAPMAN continued

We are committed to finding innovative ways to improve efficiency, while ensuring we maintain clinical excellence. The area of artificial intelligence (AI) remains an exciting field and, while we are already finding ways in which to increase efficiency through the use of AI, we believe there is still significant prospects to improve service and further increase efficiency.

Driving the continued revenue sales of LMI globally and focus on its products in the pipeline.

Recruiting and retaining suitably qualified staff will remain a priority for the business in the year ahead and we continue to explore new ways to enhance our employee value proposition to differentiate ourselves as the employer of choice in the geographies we operate. For example, Scanmed will focus on expanding its e-learning platform, which was launched during the year, to give our employees access to a range of training activities and programmes.

Q Finally, any closing thoughts you would like to share with our readers?

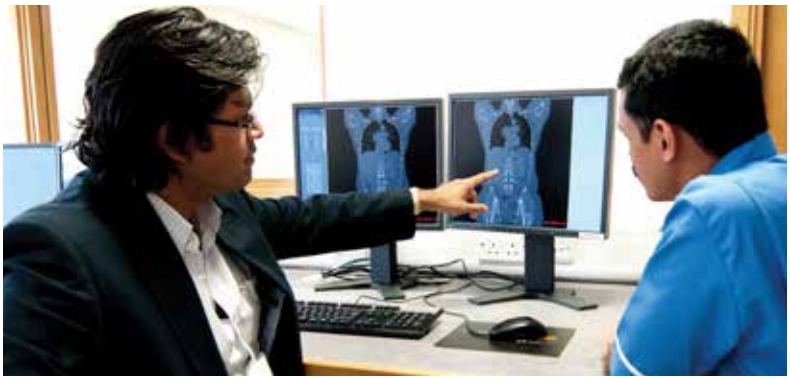
To our employees, thank you for the passion with which you tackle each day. Your commitment to providing quality care to our patients is key to the success of our business. Thank you to all our patients for their continued support.

I want to extend my sincere appreciation to the Group executive team for welcoming me as the Group's International CEO. Their valuable input has been instrumental during the transition, and I look forward to working together as we navigate the business through any opportunities and challenges going forward.

Finally, thank you to our stakeholders for their continued support over the past year. We look forward to serving you in the future.

GROWTH

Internationally, our strategy is focused on selected attractive markets that display supporting characteristics for longer-term growth of the private healthcare market, and maintain our strategic imperative to grow revenue from non-acute revenue sources.



OUR 2019 PRIORITIES	OUR PROGRESS
Commercial sales growth	• MRI and CT commercial sales increased due to a variety of initiatives
Organic growth within selected medical specialisations	• Growth of our radiopharmacy business was constricted, mainly due to the refurbishment of our cyclotrons to secure future capacity and keep up with increasing demand
PET-CT contract roll-out	• PET-CT contract roll-out is progressing well, despite a slight delay with our PET wave 2 sites as a result of the tender processes impacting our margins in the short term
Appoint International CEO	• Appointed Mark Chapman as our international CEO, with effect from June 2019
Building an international leadership team	• Introduced an international Finance Director, Medical Director and Human Resource (HR) Director as part of our new international executive committee
Technology-enabled support initiatives	• Investing in AI research projects, as well as digital PET-CT scanners – we have committed to three digital scanners as part of the PET wave 2 contracts • Partnered with Oxford University to work on two AI products to support cancer diagnostics • Initiated a Phase II of our clinical trial on our TAU products
Increase scale in certain existing geographies	• Increase in MRI and CT volumes in Italy due to increased volumes and clinic acquisitions • Opened three new centres in Ireland and acquired the Cork Community Imaging facility
Growth in new geographies which complement existing investment	• Continue to explore opportunities to expand into new territories

GROWTH continued

OUR 2020 PRIORITIES

- Continue to focus on organic operational growth initiatives and operational excellence
- Continue delivering on Alliance Medical's PET-CT contract with the NHS in the UK
- Expand our presence and offering in Ireland through the addition of new sites or the expansion of existing sites
- Increase revenue sales of Life Molecular Imaging, and focus on products in the pipeline
- Continue to explore opportunities to replicate our successful partnerships globally
- Develop PET-CT service offerings across our northern European territories
- Explore opportunities to offer synergies across the Group by expanding our radiology market share in southern Africa
- Explore opportunities to expand into new territories
- Completion of the 18-month refurbishment programme of radiopharmacy facilities
- Completion of the additional radiopharmacy facility and commencement of operations

We experienced good operational year-on-year growth across all territories during the 2019 financial year, with our core operational business delivering a 4.3% growth. Taking into account once-off costs relating to the upgrade of our cyclotrons, which are critical components in our PET-CT service offerings, the business experienced revenue growth of 13.4%. While we continue to be pressured by rising costs, declining tariffs, and challenges in radiography recruitment, the ongoing focus of growth, efficiency and partnership, has ensured that the business is well positioned for sustainable future growth.

ALLIANCE MEDICAL

In the UK, Alliance Medical continues to work in partnership with the NHS, which is a critical stakeholder for the business. We are committed to working with the NHS to drive value creation.

To ensure that our equipment has the necessary longevity to meet the increased demand over the remaining term of our PET wave 1 and wave 2 contracts with the NHS, in terms of which we provide PET-CT scans across the UK, this year we embarked on a refurbishment programme to complete vital upgrades to our cyclotrons at two of our sites.

Once completed, the refurbished cyclotrons will substantially increase production reliability and further increase capacity, which will cater to the continued growth in demand. Unfortunately, the upgrades caused unavoidable short-term challenges due to limited capacity during the upgrade.

Despite the impact on our performance in 2019, which will likely continue into the first half of the 2020 financial year, we achieved a robust growth during the year with an increase of 15.9% PET-CT volume growth and we anticipate that PET-CT scans provided by Alliance Medical will continue to experience robust volume growth over the medium term.

Our UK diagnostic imaging business continues to focus on partnership solutions with hospital trusts, with MRI and CT volumes growing due to a variety of initiatives. Diagnostic imaging was impacted by cyclical lower-volume growth. Alliance Medical benefitted from the move away from mobile infrastructure on short-term, or spot, contracts to static facilities and longer-term contracts. We furthermore acquired three high-end scanning facilities during the year targeting private clients.

Private pay markets in Italy expanded during the year, a trend which we expect to continue in 2020. Private MRI and CT scan volumes grew by 8.3% on the back of increased volumes and acquisitions. We also exited lower margin static contracts which will enhance margin in the medium term.

The Italian market comprises independent practices and, due to our footprint, we are exploring opportunities for strategic acquisitions and consolidations secure further growth of our share in the market.

Ireland continued to experience solid year-on-year volume growth in clinics and statics due to strong activity and sales stimulation, with a 7.9% increase in scan volumes. We opened three new imaging centres – in Cherrywood, Wexford and Portlaoise – and acquired the Cork Community Imaging facility. We will ensure that the platform is geared for ongoing growth into the new financial year.

In northern Europe, we experienced strong, organic revenue growth of 5.7%. Increased PET-CT activity, mainly in Norway, was offset by reduced mobile utilisation.

Life Molecular Imaging (formerly Piramal Imaging), acquired in June 2018, remains a high growth area for the Group. During the year, we focused on driving sales of Neuraceq (flobertaben F18), Life Molecular Imaging's globally approved radioactive tracer used to assist in the diagnosis of Alzheimer's disease. We have seen increased take-up of this product in new countries, and are also exploring opportunities to introduce this product in China.

We acquired this business knowing that there would be a significant upfront cost involved. We are experiencing a delay in reimbursement by healthcare funders, pending the development of disease-modifying drugs for the treatment of Alzheimer's disease. Once approved, which we expect to be in the next two to three years, we estimate a market size of US$300 million. Furthermore, a pipeline of new products is progressing well through various stages of development. We are positive about the prospects of this business going into the next year.

Geographical segment	Year-on-year trend %	2019	2018
UK			
Diagnostic imaging			
Statics (scans)	↑	**298 186**	281 020
Mobile (days)	↑	**11 070**	10 051
Mobile utilisation (%)	↑	**82%**	81%
Molecular imaging			
PET-CT (scans)	↑	**96 956**	83 639
Radiopharmacy (doses)[1]	↑	**106 690**	106 123
ITALY			
Diagnostic imaging			
MRI and CT (scans)[5]	↑	**268 820**	259 814
Other diagnostic imaging (scans)[2,5]	↑	**689 700**	603 532
Other[3]	↑	**1 735 951**	1 692 643
IRELAND			
Diagnostic imaging			
MRI and CT (scans)	↑	**201 029**	189 070
Other[4]	↑	**49 734**	43 396
Molecular imaging			
PET-CT (scans)	↑	**1 747**	1 740
NORTHERN EUROPE			
Diagnostic imaging			
Other	↑	**23 202**	22 627
Urology and other (number of patients treated)	↑	**4 632**	4 455
Molecular imaging			
PET-CT (scans)	↑	**4 641**	2 632
Radiopharmacy (doses)	↑	**68 776**	60 071
SPAIN			
Diagnostic imaging			
Other[4]	↓	**97 068**	102 541
Molecular imaging			
PET-CT (scans)	↓	**783**	3 406

[1] *As part of our PET wave 2 contract, some third-party customers were required to source their fluorodeoxyglucose (FDG) elsewhere.*
[2] *Includes, among others, x-rays, mammograms, ultrasound, and mammo-tomosynthesis.*
[3] *Includes a number of patients for physiotherapy examinations, laboratory blood tests, and doctor-patient examinations.*
[4] *Includes x-ray, ultrasound and other diagnostic imaging scans.*
[5] *Prior year adjusted for Italian acquisitions.*

GROWTH continued

POLAND

Poland's NFZ comprises approximately 80% of Scanmed's revenue. Our focus on delivering high-quality medical services remains and we continue to explore ways to improve and grow our service offering. Pleasingly, we opened an additional cathlab in Poland during the year.

Revenue source (PLN million)	Year-on-year trend	2019	2018	2017
NFZ	↑	**286.8**	274.8	238.6
Private	↑	**75.4**	69.3	79.5
Total revenue		**362.2**	344.1	318.1

Beds, units and facilities

Category	Year-on-year trend	2019	2018	2017
Beds[1]	↓	**579**	624	624
Cardiac units	↔	**12**	12	12
Medical facilities	↑	**41**	40	40

Operational information

Number of procedures ('000)	Year-on-year trend	2019	2018
Blachownia Hospital	↓	**5 721**	6 334
St Raphael Hospital	↑	**15 116**	13 180
Weiss	↓	**24 942**	26 453
Gastromed	↑	**15 671**	14 496
Sport Klinika	↓	**9 612**	10 411
Cardiology[2]	↑	**19 441**	18 865

[1] *The number of beds declined as a result of new regulations by the Ministry of Health in Poland that required an increase in the number of nurses per bed introduced from January 2019 (resulting in deregistration of beds across the industry), as well as renovating of Blachownia Hospital where one ward was temporarily closed.*

[2] *Includes procedures performed in Scanmed Kardiologia, Polska Grupa Medyczne (PGM) and Carint.*



QUALITY

We made significant developments in our international business from a clinical governance and quality reporting perspective. Our newly developed Group clinical quality and governance framework provided the foundation for the initiation of a number of clinical governance and quality integration projects across the various country teams.



OUR 2019 PRIORITIES	OUR PROGRESS
Further investment in governance and internal audit functions	• Completed a new practicing privileges framework, which includes all new General Data Protection Regulation (GDPR) provisions, and new contracts finalised with all reporting radiologists • Established an outsourced internal audit function across territories • Achieved International Organisation for Standardisation (ISO) reaccreditation in Italy without any major non-compliance
Comprehensive preparation of hospital units in Scanmed for Minister of Health accreditation	• The Warsaw Primary Health Care Outpatient Clinic was re-accredited by the Minister of Health
Preparing for the annual external audit of the ISO 9001:2015 QMS and the information security management system PN-EN ISO/IEC 27001:2017-06	• Scanmed retained its certification in terms of ISO 9001: 2015 – quality management system (QMS), and received ISO 27001:2015 re-accreditation
Implementation of an electronic system for processes monitoring and measuring	• Scanmed continued with both paper and IT patient hospital records while an electronic solution was identified and subsequently implemented
Implement Life Healthcare Group clinical quality and governance framework	• The Life Healthcare Group clinical quality and governance framework provided the foundation for the initiation of a number of clinical governance and quality integration projects, and was driven by the country teams, which included: – Locally appropriate clinical governance structures, processes, roles and responsibilities – Clear lines of responsibility and accountability for the overall quality of clinical care – Adverse incident reporting and shared learning – Patient experience monitoring – Harmonisation of quality metrics and reports, including integrated measurement and information systems – Identifying improvement priorities and benchmarks

QUALITY continued

OUR 2020 PRIORITIES

- Focusing on the quality of patient records within the patient management system to reduce the number of duplicate records
- Consistent focus on customer service training programmes for patient-facing employees to further improve customer experience
- Address and integrate new legislative requirements into all policies and processes
- Review the clinical governance committee structure in line with the Group framework
- Develop and implement standardised mechanisms to evaluate the quality of freelance staff, including doctors and technicians
- Introduce a standard format for radiologist reports
- Prepare for the re-accreditation of the Sport Klinika in Žory, as well as the Blachownia Hospital and St. Raphael Hospital
- Implement a standardised patient experience survey and improving response rates

ALLIANCE MEDICAL

We are committed to providing our patients with high-quality services. Following the introduction of the Group clinical quality and governance framework, various workstreams were initiated across the Alliance Medical business. These included:

- Streamlined and integrated committee structures
- Effective performance frameworks and monitoring processes
- Specific key performance indicators (KPIs), which are regularly reviewed and reported on, including:
  - Safety
  - Patient experience
  - Effectiveness and clinical outcomes
  - Efficiency
  - Health and safety
  - Regulatory compliance

Alliance Medical's quality and risk teams monitor various input, process and outcome metrics and report on these against internal and contractual benchmarks. All metrics are included in monthly quality reports, which are presented to the individual country management teams and unit managers who are, in turn, tasked to address areas of poor performance.

During the year in the UK business, we explored the implementation of DoseWatch, a holistic, enterprise-wide dose management solution that tracks and manages radiation and contrast exposure to patients. We completed a pilot programme, which demonstrated the project's aims and confirmed that imaging modalities in both static and mobile sites could be validated and integrated into the software.

We also initiated the implementation of HL7 clinical system integration for direct access to prior images and reports from the local NHS trusts.

We made significant progress towards the implementation of a radioisotope auto-dispenser system across our high-volume PET-CT units, which will significantly reduce the radiation dose exposure of our employees. Our due diligence and pilot programmes identified the fully automatic Trasis Unidose dispensing system. All new site designs include the structural support and physical space for the Trasis Unidose machines and four existing sites have been identified for installations.

QMS processes and accreditation underpin many of the clinical governance, quality and patient experience policies, processes and procedures within the Group. In the UK, Alliance Medical achieved the Royal College of Radiologists and College of Radiographers' Quality Standard for Imaging (formerly the Imaging Services Accreditation Standards) accreditation. The standard was developed to support diagnostic imaging services to make continuous improvements and to ensure that patients consistently receive high-quality services delivered by competent staff working in safe environments. Significantly, Alliance Medical is the first multi-site provider organisation in the UK to achieve this. The Care Quality Commission (CQC) continues to inspect all Alliance Medical services in the UK, with 97% of services being rated as good. Furthermore, in the UK, Alliance Medical is also accredited in terms of ISO 27001:2013 – IT, NHS Digital Data Security and Protection Toolkit and Investors in People.

In Italy, we implemented the ISO 9001:2015 risk matrix for central functions, which focuses on HR and procurement, and integrated the central quality system for new acquisitions. We also achieved ISO 2001:2015 re-accreditation without any major non-compliances.

The restructuring of the quality department in Ireland, as well as the appointment of a Head of Patient Safety and Quality in April 2019, was pivotal to the business. The appointment of a full-time senior management team resource allows for a specific focus on and improvement of our QMS, and in 2020 we will improve our QMS in line with Group, statutory, and national accreditation requirements. While we are accredited in terms of the Caspe Health Knowledge Systems (CHKS), a project team has been constituted in preparation for the new accreditation

criteria. We were also accredited in terms of ISO 2001:2015.

The introduction of new legislation, SI256 and SI30, substantially changed the regulatory requirements around radiation protection and the business continues to ensure it is prepared and able to meet these requirements. We also completed a new practicing privileges framework, which includes the new GDPR provisions.

Patients' feedback is an important tool and we measure patient satisfaction levels and complaints across all Alliance Medical geographies using the following:

- **Patient satisfaction rates:** We are committed to providing the highest quality of service to our patients. All feedback is welcomed and is used actively to improve what we do and the way in which we do it.
- **The propensity to recommend our services to friends and family:** This is a sensitive and comparable patient experience metric, across different healthcare services and territories.
- **Patient complaints:** We recognise that at times, we might fail to meet patients' expectations. Patients may experience a standard of care lower than they expected and may wish to raise their concerns to help to improve our service. We are committed to listen to their concerns and provide a full and appropriate response.

In the UK, we send out electronic patient satisfaction surveys to consenting patients. The results are automatically compiled and monthly reports are produced for the quality and operational teams. Both Ireland and Italy contract independent service providers to perform the patient satisfaction surveys on our behalf and provide us with monthly reports and analysis of trends. In Italy, complaints are addressed by individual facilities and we aim to centralise this function during 2020.

Clinical quality indicator	Year-on-year trend	Target	2019	2018
UK				
Patient experience (satisfied and very satisfied)	↑	>92.5%	95.3%	94.4%
Friends and family score	↑	>92.5%	94.9%	94.5%
Written patient complaints per 10 000 scans	↑	4.0%	3.2%	4.4%
Escalated events per 10 000 scans	↓	1.0%	0.9%	0.7%
CQC/IRMER incidents per 10 000 scans	↔	0	0.1	0.1
RIDDOR reportable incidents per 10 000 scans	↑	0	0	0.1
Clinical audit: Level 1 and 2 discretionary scores	↑	<5%	0.05%	0.02%
IRELAND				
Patient experience (satisfied and very satisfied)	n/a[1]	>92.5%	98.0%	n/a[1]
Friends and family score	n/a[1]	>92.5%	96.5%	n/a[1]
Written patient complaints per 10 000 scans	n/a[1]	<5	4.2	n/a[1]
ITALY				
Patient experience (satisfied and very satisfied)	n/a[1]	>80%	88.0%	n/a[1]
Friends and family score	n/a[1]	>90%	96.5%	n/a[1]

[1] *Comparable data not available.*

QUALITY continued

POLAND

We are primarily driven to achieve optimal clinical outcomes while meeting the needs, values and preferences of individual patients.

The medical directors of our key segments are responsible for the overall clinical outcome and patient experience. During the year, Scanmed appointed a Group Medical Director and a Medical Director of Cardiology. Together, these two appointments will co-ordinate closely with the medical directors of each hospital and the various heads of quality and audit to ensure that we provide high-quality medical services to our patients.

Scanmed has a dedicated team responsible for managing internal and external audits, as well as the implementation of accreditation standards. Scanmed's QMS, which is verified by the results of cyclical internal and external audits, is certified according to the requirements of the following international standards:

- ISO 2001:2015 – QMS (quality management systems)
- ISO 27001:2013 – IT (information technology)
- ISO 31000:2009 – Risk management

Pleasingly, our Warsaw Primary Health Care Outpatient Clinic was re-accredited by the Minister of Health, and received an excellent score of 92%. We also retained our ISO 9001:2015 QMS certification, and was re-accredited in terms of ISO 27001:2015.

Scanmed's quality and risk teams use a monitoring system, as well as process measurement, to track various input, process and outcome metrics. These results are measured against internal and contractual benchmarks. Our clinical indicators comply with the requirements set by the Minister of Health and the Centre for Quality Monitoring in Health Care.

In Scanmed's outpatient clinics, patient satisfaction surveys form part of an EU co-funded project. We conduct surveys via paper questionnaires, emails, and through our clinics' websites. In 2019, we received a patient experience (satisfied and very satisfied) score of 88.10%, with 88.11% in 2018. From 2020 onwards, we will also measure the propensity of patients to recommend our services to their friends and family.

We also conduct in-hospital patient satisfaction surveys, which are paper-based and have an extremely low response rate of less than 1%. This has been identified as an area of improvement for the year ahead.

2018 Clinical quality indicator	Cardiology units	St. Raphael Hospital	Blachownia Hospital	Sport Klinika
Readmissions (<30 days) (%)	0.80	2.71	2.21	0.51
Return to theatre (%)	0.67	0.67	0.56	0.79
Healthcare-associated infections (HAI) (%)	0.67	1.29	1.14	0.12
Pressure ulcers (%)	0.08	0.56	0.31	0.00

2019 Clinical quality indicator	Cardiology units	St. Raphael Hospital	Blachownia Hospital	Sport Klinika
Readmissions (<30 days) (%)	0.62	2.72	1.86	0.26
Return to theatre (%)	1.15	0.60	0.43	0.52
Healthcare-associated infections (HAI) (%)	0.61	0.84	0.87	0.26
Pressure ulcers (%)	0.08	0.50	0.34	0.00

We are in the process of identifying and implementing an electronic system to monitor and measure our processes. In the meantime, we continue to keep both paper and IT patient hospital records up to date.

We aim to implement unified, monthly quality reports and patient experience surveys in all our departments. Following this, we will constitute a clinical governance committee, which will establish the assurance mechanisms needed to ensure standards of care are safeguarded, and that an environment is created in which clinical excellence is continually promoted.

EFFICIENCY

During the year, Alliance Medical continued to drive efficient cost-effective solutions to our patients and customers. Scanmed introduced improved controls and reporting processes that supported business performance monitoring, identifying inefficiencies and action planning.



OUR 2019 PRIORITIES	OUR PROGRESS
Increase gross margin by improving efficiency in the use of consumables and increase the effectiveness of our clinical staff	• In Life Molecular Imaging, we set up a Phase II clinical trial for an additional product and, by vertically integrating into Alliance Medical's radiopharmacies and scanning centres, costs were further reduced • Within Alliance Medical's Italian business, we are consolidating facilities within the same geographical area, where appropriate. During 2019, the largest of these projects is the consolidation of four facilities in Genoa to a new facility (Pannatome). By consolidating facilities, we are able to provide a better service for our patients and realise cost and operational efficiencies
Further roll-out of Group integration initiatives	• Group-wide integration activities are progressing well, including: – Aligning incentives for senior management within the Group – Establishing internal audit processes – Establishing an international management team – Creating a business intelligence (BI) database providing consistent operational metrics and benchmarking
UK operations to drive switch from short-term solutions to longer-term solutions with hospital trusts	• The UK successfully transitioned longer-term solutions for four previous short-term mobile customers. The transition is proving to be a success evidenced by strengthening of long-term partnerships with hospital trusts
Integrating Life Molecular Imaging into the broader molecular imaging business and accelerating the sale of broader neuro isotopes into our existing and new markets	• Rebranded Piramal to Life Molecular Imaging, and integrated the business with Alliance Medical • Created a new back-office function within Life Molecular Imaging's Berlin office that supports the businesses in northern Europe
Global procurement initiative	• Introduced a new sustainable capital expenditure optimisation programme, aimed at reducing the costs of our imaging equipment

EFFICIENCY continued

OUR 2020 PRIORITIES

- Further roll-out of Group integration initiatives, including moving towards standardised group reporting and a core ERP system
- Standardisation of operational metrics consistently within the BI tool
- Finalisation of the capital expenditure optimisation programme, including the process to identify possible assets that can be upgraded or relocated to reduce capital expenditure
- Exploration of opportunities to use AI to drive service improvement within our imaging businesses
- Develop a tool to optimise staff rotation
- UK operations to continue the drive to switch from short-term solutions to longer-term solutions with hospital trusts

ALLIANCE MEDICAL

Clinical efficiency forms an integral part of how we measure performance within Alliance Medical. Daily and weekly reports measuring efficiency are published and circulated to all operational managers. Capacity management calls occur every morning to ensure we utilise available resources effectively and efficiently.

Clinical efficiency measures[1]

	Year-on-year trend	2019	2018	2017
Average turnaround times				
Receipt of referral to scan (days)	↓	**4.8**	6.6	6.7
Scan to publication of clinical reports (days)	↑	**4.9**	4.6	4.6
Did not attend (DNA) rates	↓	**6.3%**	7.2%	6.1%

[1] *These measures relate to the UK only, with roll-out of standardised measures across territories to be implemented as part of Group integration.*

In the UK, we continued rolling out static facilities in support of our contracts with the NHS. This enables a higher volume of patients to be treated each day when compared to mobile clinics. We successfully provided longer-term solutions to four previously short-term mobile customers. The UK management team has also introduced a new efficiency programme, focusing on improving site performance, staff utilisation and external benchmarking of KPIs.

In 2020, we will continue a Phase II clinical trial, evaluating the effectiveness of a new product by using and vertically integrating Alliance Medical's radiopharmacies and scanning centres, which will further reduce costs.

Within our Italian business, where appropriate, we are consolidating facilities within the same geographical areas. During 2019, the largest of these projects was the integration of four facilities in Genoa to form a new facility in Pannatome. These consolidations allow us to provide a better service to our patients, while also delivering cost efficiencies for the business.

A new system, called 1Alliance, was rolled out to approximately 50% of our sites in Ireland, and provides senior management a real-time operational view of the various sites in terms of the number of patients scanned, available slots, and turnaround times.

Procurement

Procurement opportunities are assessed continuously to extract economies of scale and other benefits. Centrally procured products and services include scanners, insurance, finance, banking and certain IT services. We leverage Group-wide knowledge to disrupt the traditional market approaches to enable efficiencies. This approach was most apparent for scanner maintenance, where equipment manufacturers were encouraged to revisit their service offerings in the market with resultant efficiencies and cost benefits. We are sustainably changing our way of procuring scanning equipment going forward.

Within the UK, the procurement team focused on changing the way we procure transport services for our mobile business to a more flexible and cost-effective model. We are also in the process of implementing a new capital expenditure optimisation programme for requirements across Europe, which includes an annual tender exercise to procure a significant proportion of maintenance capital expenditure from one provider, with expected savings on imaging equipment to be further realised.

Information management and technology

During 2019, we continued to assess options to use new technology to improve the services we offer our patients, from both a quality and efficiency perspective. To this end, we partnered with leading organisations to ensure that the application of the technology is evidence-based and validated.

We are also exploring ways in which we can increase efficiency through the use of AI, which we expect will provide additional tools for radiologists to allow a more accurate and quicker diagnosis of our patients. We continue to invest in technology to enable the business to make more informed decisions, and a BI tool was put in place to allow the capture of information and comparison of operational metrics across different regions. This will be further developed in 2020.

We also invested in AI research projects this year. Specifically, we worked with Oxford University in the UK to develop two AI products that will support cancer diagnostics. We believe that our investment in AI initiatives will improve reporting times going forward and we continue to evaluate opportunities for growth in this area.

We also initiated Phase II clinical trial on our TAU products and committed to acquiring three digital PET-CT scanners as part of our PET wave 2 contracts with the NHS.

POLAND

Scanmed conducted an internal review aimed at identifying operating inefficiencies and, based on this, developed action plans to address identified areas for improvement. These included improving operating theatre utilisation, staffing ratios, procedure mix and subcontracting inefficiencies.

In the face of fixed-price NFZ funding, medical salaries and other cost pressures, Scanmed delivered budgeted margins in outpatient clinics, specialist clinics and the majority of cathlabs. Inpatient services were more challenging, where adjustments in staffing levels, theatre utilisation and coding were all impacted. The combination of a growing economy and widely applied governmental social programmes are contributing to general cost increases within the Polish economy.

Where possible, Scanmed entered into cardiac co-ordinated care arrangements, which provide for additional NFZ funding for the delivery of comprehensive treatment plans. Greater focus was placed on the growing number of procedures where NFZ funding is unlimited, such as acute coronary syndromes, childbirth, selected oncological treatments, hip replacements and diagnostic imaging.

Procurement

Scanmed has a centralised procurement function that continually monitors savings, prices and opportunities to maximise efficiencies within the business, as well as supplier relationships. Purchases are subject to regular tender processes, which are guided by best-in-class standards and includes specialist input from doctors and heads of medical specialisations across the Group. This ensures the best available pricing is secured across a diverse supplier base and that we derive the best value for our consumables and equipment purchases. Reviews and tenders are regularly conducted to obtain the best available pricing, with adequate diversification of suppliers to mitigate against concentration risk.

In 2019, we undertook multiple value-for-money equipment replacement initiatives, which provided a positive financial outcome in addition to vendor technology support, warranties, increased features and future-proofing the business against changes in regulatory requirements. The combination of these benefits resulted in improved recognition from senior medical stakeholders, along with improved financial outcomes.

Information management and technology

During the year, we focused on various recruitment drives to enhance our IT capabilities, including the appointment of a new Chief Information Officer (CIO) and restructuring our IT department. We are increasingly focused on developing consistent and standardised equipment and services. In light of this, during the year we introduced new agreements with service providers, which led to improved cost efficiencies and enhanced service levels.

Scanmed's IT activities also focused on the creation or modification of new processes and tools to support the developments in business control. For example, our automated procure-to-pay process provided improved control over procurement, financial and reporting capabilities. Scanmed also introduced a re-engineered and automated paperless payroll system to optimise accuracy and efficiency. In particular, automated doctor settlements reduced potential process errors, allowing for additional controls and more effective use of resources.

SUSTAINABILITY

We are committed to operating a sustainable business and our focus incorporates social, environmental and financial stability across our business. As with our southern African business, we aim to be a responsible corporate citizen underpinned by effective engagements with our various stakeholders.



OUR 2019 PRIORITIES	OUR PROGRESS
Talent • Implement a new remuneration system and salaries grid • Implement performance management for key managers • Automate the settlements process for medical staff	Introduced common performance management and reward principles for all senior managers, including: • Certain portions of HR and payroll automation went live in 2019 with project completion set in 2020 • A performance review process • Job grading • Salary benchmarking • Short and long-term incentive plans • Consistent approval hierarchies • Rules to ensure appropriate levels of consistency and control
Continue to nurture talent and implement succession strategies	• Implemented a talent, succession and critical role management process for senior teams across all countries
Continue to grow university partnerships in the UK, Ireland and Europe	• Further development of educational partnerships in the UK and Ireland • Firmly established elective placement and graduate programmes
Drive further collaboration and integration across the broader Group – led by the Group executive team	• Increased global collaboration on multiple initiative workstreams
Global integration initiative	• Established integrated workstreams for multiple professional areas, including finance, clinical, IT, public relations, communications, marketing and HR

OUR 2020 PRIORITIES

- Developing a global talent management approach
- Expanding performance management and reward principles to all non-senior management employees
- International collaboration on recruiting to fill critical clinical roles
- Implementing functional integration strategies

ALLIANCE MEDICAL

Human capital

We aspire to be an employer of choice within the regions where we operate to ensure that we remain competitive within local labour markets and provide high-quality clinical services for our patients. It is therefore imperative that we recruit, deploy, retain and develop high-quality, professional teams who are passionate about delivering safe and caring services to our patients.

Life Healthcare's approach to HR is multi-tiered, which reflects the global nature of our business. Our operations stretch across multiple geographies, and we manage our human capital from a local perspective. Core HR frameworks are agreed upon at a Group level, and then implemented across all geographies according to local factors and requirements, such as legislation, local market conditions and local employment needs.

Alliance Medical has 2 040 employees (2018: 2 003), of which 692 are clinical (2018: 669) and 1 348 non-clinical (2018: 1 334). Alliance Medical also engages with 969 self-employed colleagues (2018: 892), mainly in Italy, where we operate a different clinical delivery model.

We record diversity statistics according to local legislation. In the UK and Ireland, information on our employee diversity is reported on an annual basis. A total of 65% of Alliance Medical's workforce are women.

Recruiting suitably qualified staff remain a challenge for the business, which inevitably leads to the appointment of temporary employees. Unfortunately, this is both costlier and less effective than appointing permanent team members. Addressing and optimising the mix of permanent and contract staff continues to be an area of focus for Alliance Medical.

Our UK apprenticeship programme provides our employees with the opportunity to complete programmes ranging from degree-level management qualifications, through to clinical administration qualifications. Due to the shortage of radiographer skills in the UK and Ireland, we ensure we retain this scarce resource by investing in a range of reward, development, recruitment and cultural initiatives.

Since the UK referendum result on Brexit, recruitment of radiographers from within the EU into the UK has reduced significantly. This further compounds the pressure placed on recruitment activities within the UK. We have an integrated resourcing strategy in place, and we focus on recruiting radiographers at every stage of their careers. Following the launch of our apprenticeship schemes from clinical assistants to master level radiographers, the number of colleagues enrolled in this programme increased from 15 as at September 2018 to 32 as at September 2019. We continue to strengthen our partnerships with universities to provide elective and structured placements in the UK. At the moment, we have 11 partnerships in place. Alliance Medical has also launched its clinical graduate programme during the prior year in the UK which is proving its success in 2019.

Employee headcount

	Total		Clinical		Non-clinical		Self-employed	
Region	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
UK	**973**	947	**414**	404	**559**	543	**14**	6
Italy	**579**	581	**88**	91	**491**	490	**942**	872
Ireland	**272**	262	**115**	109	**157**	153	**1**	0
Northern Europe and radiopharmacy	**174**	171	**43**	33	**131**	138	**10**	12
Spain	**42**	42	**32**	32	**10**	10	**2**	2
Total	**2 040**	2 003	**692**	669	**1 348**	1334	**969**	892

SUSTAINABILITY continued

Alliance Medical has a comprehensive approach to the continuous professional development (CPD) of our employees, who attend both mandatory and non-mandatory training programmes. These initiatives are informed by internal and regulatory requirements of each region. Furthermore, we focus on developing our employee's expertise in different modalities to support employee retention, and provide them with secondment opportunities.

Our university partnership model in the UK was further developed during the year, with the continued growth of elective placement opportunities and graduate radiographer appointments. We tailor the content of each partnership to the respective universities, which includes placement programmes for undergraduate and postgraduate radiography students, the provision of lecturing support, interview skills training, and graduate radiographer opportunities. Pleasingly, in June, Alliance Medical was named Imaging Provider of the Year at the Health Investor Awards, recognising the work we do to develop and enhance the radiology workforce.

In 2018, we introduced a global Life Healthcare HR committee, comprising representation from all our geographies. The committee facilitated multiple global HR initiatives during the year, including:

- developing a global code of conduct, which we have implemented across the Group. The code defines the goals and principles which underpin the Group's shared commitment to the highest standards of integrity and ethical conduct;
- introducing a global approach to performance management and remuneration for all senior executives and senior management, including a performance review framework and consistent short and long-term incentive structures and targets. This will ensure that our senior team members are continuously incentivised to achieve common objectives throughout our business;
- rolling out a global employee engagement survey across all countries within the Group. This supports our goal of building a robust company culture, and further enables us to deepen our cultural understanding across each region; and
- implementing a global approach to senior executive succession, talent and critical role management across all countries within the business, which will enable us to understand and benefit from the diversity of our international senior management teams.

In Italy, we further strengthened our head office team to support business growth. We also appointed a Head of Commercial, who will be responsible for developing and implementing our commercial strategy throughout Alliance Medical. In the UK, we strengthened our succession planning by promoting three senior managers to executive committee roles.

Health and safety

The health and safety of our employees are of critical importance, and ensuring a safe and healthy working environment is a collaborative effort. Third-party consultants assist us, where appropriate, and provide advice and guidance to the business. We consider independent advice regarding health and safety laws and seek methods to consistently improve Alliance Medical's health and safety policies and procedures.

To promote a positive and supportive working environment, we continuously invest in modern, safe and appropriate imaging facilities and equipment. In addition, we adhere to structured governance models covering topics such as clinical quality, risk, health and safety and training. Our health and safety policies comply with all applicable health and safety legislation, including the UK Health and Safety at Work Act of 1974 and the UK Health and Social Care Act of 2008. We also adhere to legislation that governs video display usage and eye tests, and continuously monitor possible radiation exposure for radiology employees. Alliance Medical's health and safety committee ensures that each operation complies with the relevant laws and regulations.

To ensure we embed a culture of health and safety throughout the business, our employees attend mandatory training sessions. In the UK, the required online training for certain aspects of health and safety includes manual handling and fire risk. During the year, we also introduced IOSH Managing Safely accredited courses, which provide frontline management with practical health and safety management skills and understanding.

Stakeholder engagement

Our business is built on the strength of our relationships with our stakeholders. Our relationships are maintained by our in-country teams, who manage their engagements with relevant stakeholders at a local level.

We also manage stakeholder relationships on a Group-wide basis, where needed. An example of this is the Alliance Medical-led Molecular Imaging Collaborative Network, formed in 2015 to facilitate a partnership between us, the Christie, NHS hospitals, patient representatives, academic centres, charities and commissioners. The partnership has the shared purpose of improving cancer survival rates above 54% by 2025, and is widely acknowledged as an example of how

the independent sector can support the future of the NHS.

We consider the top concerns and expectations of our external stakeholders and make every effort to address these. Based on our stakeholder engagements, the following are matters of concern:

- Alliance Medical must consistently strive to improve its service excellence, providing innovative imaging solutions to its patients to ensure high-quality care
- Operations should comply with the applicable legal, regulatory, and statutory requirements of the countries in which we operate
- We should offer our patients cost-effective services
- Alliance Medical must provide timeous access to scanning services, at a time requested by the patient

For more information on how we created value for our stakeholders, refer to page 24.

Electricity, water and waste

The use of natural capital has an unavoidable effect on the greater health of society and, therefore, we are cognisant of the impact our business has on the environment in which we operate.

Key to effectively managing our electricity performance is ensuring we capture and record accurate consumption data. In the UK, Alliance Medical's energy is supplied through a mix of direct supply from utility companies, and indirect supply through third parties such as the NHS trusts and other host sites, who typically invoice for electricity support as part of consolidated service charges.

The UK is required to submit a four-yearly ESOC Energy Consumption Report in December 2019, which will raise the visibility of energy usage across all UK sites, irrespective of supply channel. Furthermore, the report will also recommend practical changes to improve our energy consumption and, consequently, our environmental footprint.

Waste is managed in line with international waste disposal guidelines and according to local legislation in each of our markets. Alliance Medical is particularly exposed to radioactive waste, which we take great care to contain. In addition to this, we also manage the control and disposal of general, infectious and hazardous medical waste.

POLAND

Human capital

We believe that the sustainability of our business depends on attracting and retaining the right people. We co-operate with top medical specialists to provide the highest quality of healthcare to our patients. Since we operate in an increasingly competitive environment, we monitor employment conditions and working environments to ensure we position ourselves as an employer of choice.

Scanmed employs 3 646 employees and contractors (2018: 3 523), 2 020 of whom are on permanent contracts (2018: 2 095).

Treating our employees equally and promoting diversity is of fundamental importance. Polish law has strict limitations on the type of employee data that can be processed by an employer, which limits our ability to collect data regarding the race or ethnicity of our workforce. However, Scanmed actively encourages diversity among its teams and, in 2019, updated its anti-discrimination policies. We also reviewed and updated our HR policies and internal regulations to align with best practice and regulatory requirements, particularly in light of increased data protection regulations and changes to the Polish labour code.



SUSTAINABILITY continued

We consistently develop our employees to ensure we have a professional staff complement with the right qualifications, skills and expertise. In 2019, we particularly focused on improving our employees' soft skills, including their customer and patient service. Both clinical and non-clinical employees participated in various training activities and workshops, with outpatient employees receiving 22 training days. Importantly, we also launched an e-learning platform which provided our employees access to a suite of training activities and programmes. The training content was developed by our employees to ensure it is relevant to our business. Going forward, this platform will be expanded and will provide an essential source of knowledge and information management.

During the year, Scanmed explored opportunities to enhance its brand as an employer of choice. To this end, we participated in job fairs organised by Warsaw University. We are also co-operating with academic career centres to reach out to university graduates and other students who would like to start their professional career in the healthcare environment.

In continuing with our drive of redesigning our remuneration and reward scheme, in 2019 we introduced senior management reward principles, which include decision-making hierarchies, grading structures, as well as short and long-term incentive plans. In addition, new incentive schemes for our sales and customer service teams were introduced to support business development initiatives. Going forward, we will focus on redesigning our remuneration frameworks to reflect external benchmarking. This will structure and define the reward structure for roles throughout Scanmed.

Scanmed also continued its recruitment drive to fill senior and middle management positions to increase the management capabilities of the team, with many critical senior roles filled during the year. The process will continue into 2020, and extend beyond Poland to support the growth of medical specialisations.

Health and safety

Scanmed strives to continuously improve the health and safety of its employees. We systematically monitor our working environments to ensure it is up to standard; and implement modern technical and organisational solutions to support the well-being of our employees. During the year, we increased the frequency of internal audits and introduced a new inspection plan.

Our employees also undergo health and safety training, which is designed to promote a culture of safety among the team. This, in turn, allows us to maintain our safety standards and identify ongoing actions to increase safety in our workplace aimed at preventing accidents and near misses.

Stakeholder engagement

Scanmed proactively builds and develops relationships with public and private stakeholders, including local authorities and organisations. The majority of our business is based on public funding, and it is therefore imperative that our management team maintains constant relationships with local NFZ directors. We do this through various initiatives and development projects and by actively promoting health prevention activities. We also cultivate strong relationships with our local communities, governments and public hospitals in the cities where Scanmed operates.



During the year, we aimed to increase awareness of the importance of health among our local communities. Therefore, we provided a mobile ophthalmic point during local events, where we offered cataract diagnoses to members of the community. In cooperation with the NFZ, we also implemented various diagnostic programmes in our local communities, such as POZ Plus, POZ Quality, a cardiovascular disease prevention programme, and programmes specifically aimed at women's health.

In co-operation with local and central NFZ branches, Scanmed engaged in leading public initiatives related to planned changes in primary healthcare (PHC). We believe that our participation in key PHC pilot programmes will create long-term value for the business.

As part of our community social responsibility (CSI) engagements, we continued to support the Mam Marzenie Foundation, a non-governmental organisation dedicated to fulfilling the personal dreams of terminally ill children. We also offered support to the Mimo Wszystko Foundation, a public benefit organisation dedicated to assisting adults with intellectual disabilities.

During the year, we continued our partnership with the Leslaw A. Paga Foundation, an educational support organisation aimed at talented young medical students in Poland. This year, over 600 students attended the sixth edition of the leadership programme for health care.

*For more information on how we created value for our stakeholders, refer to **page 24**.*

Electricity, water and waste

Our electricity consumption decreased 2.4% to 5.9 million kWh in 2019. New laws introducing a public grant balancing the energy costs increase versus 2018 have been introduced and Scanmed is in the process of applying for a refund. Our focus remains on initiatives aimed at reducing our consumption of electricity.

Scanmed's water consumption levels reduced from 2018, with a decrease of 26.2% from 43 536 kℓ /PPD to 32 124 kℓ/PPD in 2019. We are committed to reducing our water usage and continue to explore opportunities to reduce our consumption.

During the year, changes were made to the legal requirements of managing and disposing of medical waste. We remain committed to complying with all legal requirements, ensuring that we entrench all changes throughout our business.



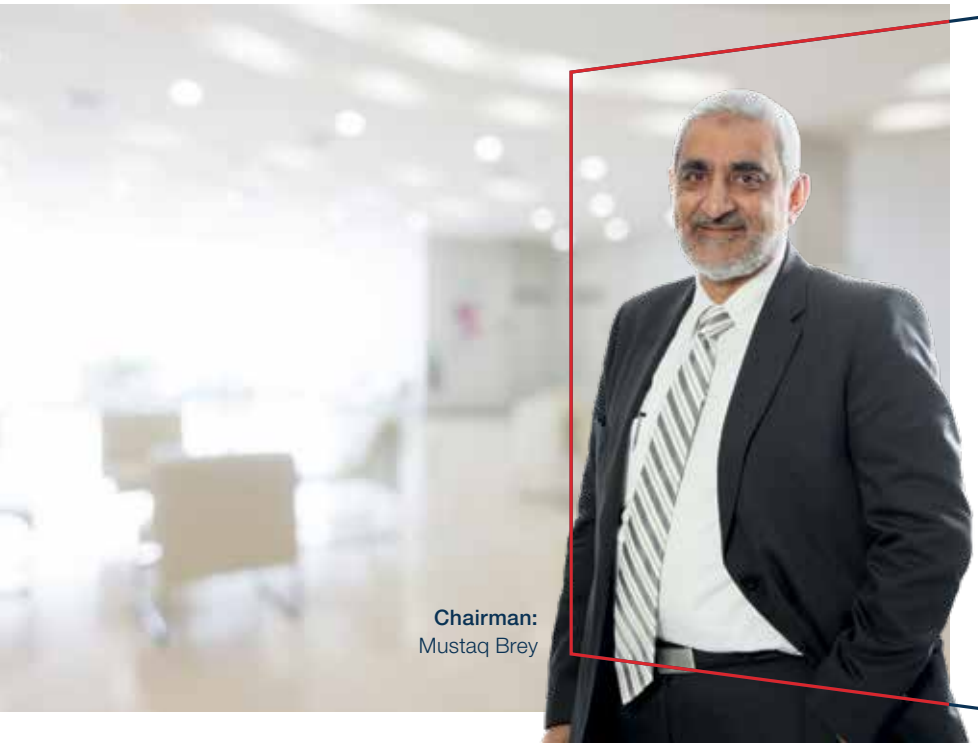


GOVERNANCE, SOCIAL AND ETHICS MANAGEMENT AND REMUNERATION

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CORPORATE GOVERNANCE OVERVIEW



Chairman:
Mustaq Brey

The entrenchment of good governance principles sets the tone for the organisation as a whole. **Strong corporate governance reinforces** our ability to deliver long-term sustainable results and generate value for our shareholders and stakeholders.

STATEMENT ON CORPORATE GOVERNANCE

It is a greatly challenging time for most corporates, both in South Africa and globally – especially in the context of economic uncertainty and governance failures. During times like these, there are heightened expectations from our stakeholders for more prudent and effective leadership to safeguard value creation and promote the sustainable growth of Life Healthcare. It is within this framework that the board exercised its fiduciary duties for the year under review.

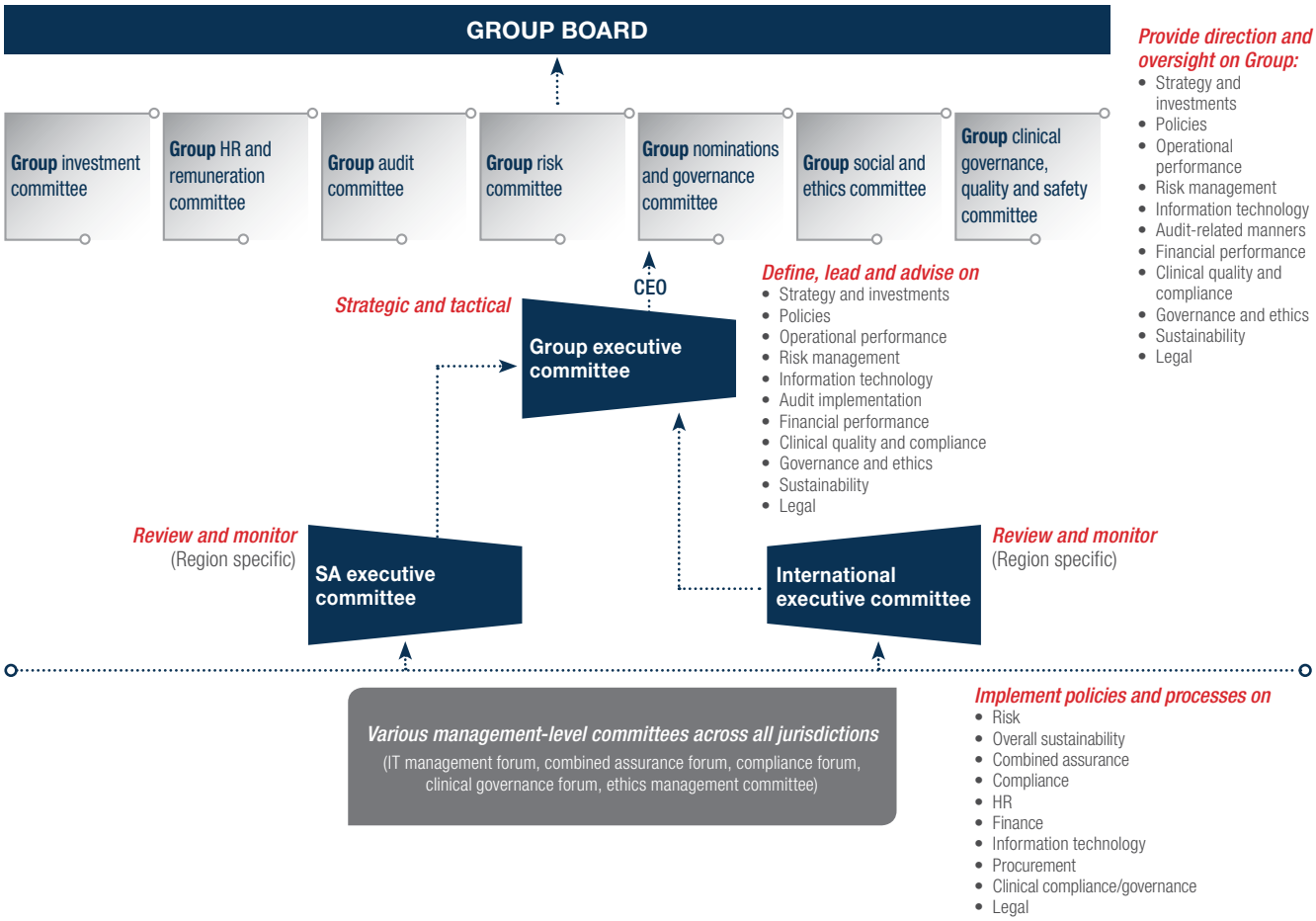
Adhering to the highest levels of ethical standards remains at the top of our agenda, together with the assessment and management of Group-wide risks, as well as the focused review and oversight over the performance and affairs of the Group.

The board remains Life Healthcare's overall custodian of sound corporate governance. We continue to ensure that we grow and evolve in this role through ongoing review and improvement of our processes and policies. The board is satisfied that it has fulfilled its responsibilities in accordance with its charter and with all other applicable legislation for the year under review.

CORPORATE GOVERNANCE OVERVIEW continued

OUR GROUP GOVERNANCE FRAMEWORK

The Group's Governance Framework has been formulated to ensure effective and sustainable delivery of the overall strategy. The Governance Framework is intended to provide a structure within which the business is properly managed and the interests of its stakeholders are protected. The executive management committees established within the Group are fully mandated by the board to oversee the operational aspects of the business within the parameters of a board-approved delegation of authority.



OUR GOVERNANCE APPROACH

Role of the board

Life Healthcare has a unitary board of directors that is supported in delivering its mandate through various board committees and a formal charter that clearly defines its role and responsibilities.

The board sets the overall strategic objectives of the Group, determines investment policy and performance criteria, and delegates the detailed planning and implementation of policies to management within the appropriate risk parameters. The board monitors compliance with policies and performance against objectives by holding management accountable for its activities through quarterly performance reporting and budget updates.

The board considers matters of strategic direction, significant acquisitions and disposals, and approves major capital expenditure, financial statements and other material matters. Board members are encouraged to debate and challenge matters in an atmosphere of mutual respect and co-operation. While retaining overall accountability, the board has delegated authority to the Group Chief Executive Officer (CEO) to manage the day-to-day affairs of the Group, who is, in turn, supported by the Group executive committee.

The following policies were finalised and approved by the board and its committees during the year under review:

- A global code of conduct
- The Group risk management strategy and framework
- A Group clinical governance framework

BOARD COMMITTEES

Audit committee

Role

The committee is constituted as a statutory committee in terms of section 94 of the Companies Act. It has an independent role and is accountable to the board and shareholders.

The overall functions of the committee are to:

- assist the directors in discharging their responsibilities relating to the safeguarding of assets, the operation of adequate and effective systems and control processes;
- ensure that the preparation of both the Integrated Report and fairly presented financial statements are in compliance with all applicable legal and regulatory requirements and accounting standards;
- discharge statutory duties for all subsidiaries of the Group which do not have their own audit committee; and
- monitor the activities of the other audit and/or governance committees within the Group.

Composition

Chairman
Peter Golesworthy

Members
Audrey Mothupi
Garth Solomon
Royden Vice

Key focus areas for the year under review

- Overseeing the accounting for the disposal of Max Healthcare and the subsequent disclosures to the market following the sale
- Reviewing impairment testing of goodwill, including key assumptions to the impairment tests, which included the cash flows derived from the annual financial plans, long-term growth rates and the discount rates applicable to the respective geographies and businesses, as well as considered the sensitivities to changes in the assumptions and the related disclosure required by IAS 36 *Impairment of Assets*
- Reviewing the adoption of amendments to accounting standards, including IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*, applicable in 2019 and evaluating the approach and current disclosure for IFRS 16 *Leases*, which is effective for the 2020 financial year
- Continued focus on the Group's reporting processes and controls, as well as further integration of the international operations
- Monitoring of digital transformation, information security and continuous improvement initiatives, particularly within the finance function
- Further improvements to the Group-wide approach to combined assurance and internal audit and bedding down of the outsourced internal audit model in international operations
- Focus on building the appropriate bench strength across the enlarged Group, and in particular with Alliance Medical following a number of finance staff changes, and to ensure appropriate financial systems to facilitate more effective and timeous reporting at Group level
- Continued monitoring of the implementation of the SAP enterprise resource planning (ERP) system which impacts the financial control environment
- Following a formal tender process, appointing Deloitte & Touche as the Company's external auditors, with Mr B Nyembe as the designated audit partner, for the financial year ending 30 September 2020

The committee is satisfied that it executed its duties in accordance with its terms of reference during the financial year.

Risk committee

Role

The overall functions of the committee are to assist the board in ensuring that:

- The Group has implemented an effective policy and plan for risk management that will enhance its ability to achieve its strategic objectives
- Risk disclosure is comprehensive, timely and relevant

Composition

Chairman
Joel Netshitenzhe

Members
Peter Golesworthy
Marian Jacobs
Audrey Mothupi
Mahlape Sello
Pieter van der Westhuizen
Shrey Viranna

Key focus areas for the year under review

- Group-wide focus on risk management
- Risk maturity assessment
- Risk appetite/risk tolerance policy statement on risk
- Group privacy compliance
- Information technology (IT) risk assessment

The committee is satisfied that it executed its duties in accordance with its terms of reference during the financial year.

CORPORATE GOVERNANCE OVERVIEW continued

As the highest decision-making body of the Group, the board is accountable for the sustainable and ethical operations of Life Healthcare through sound governance practices that comply with the principles of the King IV Report on Corporate Governance for South Africa, 2016 (King IV).

Please refer to pages 6 to 9 for information on our board leadership and Group executive committee.

BOARD COMMITTEES

Investment committee

Role

The overall functions of the committee are as follows:

- To ensure that material matters that could affect the Group's strategy, financial health and/or shareholder value are identified and discussed and, where appropriate or required, recommendations on these matters are made to the board
- To oversee the investment and funding strategy of the Group, ensuring alignment with the Group's overall strategy

Composition

Chairman
Garth Solomon

Members
Mustaq Brey
Peter Golesworthy
Royden Vice
Pieter van der Westhuizen
Shrey Viranna

Key focus areas for the year under review

- Consideration of the Group's 2020 budget
- Funding strategy
- Review of the Group's investment strategy
- Disposal of Life Healthcare's interest in Max Healthcare Institute Limited
- Approval of the Treasury Policy
- Post-investment reviews

The committee is satisfied that it executed its duties in accordance with its terms of reference during the financial year.

Remuneration and human resources committee

Role

The overall functions of the committee are to assist the board in ensuring that:

- The Group has a clearly articulated remuneration philosophy policy and human resource strategy that supports the strategic objectives of the Group
- The Group's performance in human resources development and retention against internal transformation targets on legislative imperatives are appropriate

Composition

Chairman
Royden Vice

Members
Mahlape Sello
Garth Solomon

Key focus areas for the year under review

- Consideration of the Group's remuneration policy and implementation report and ensuring adequate disclosure in this regard
- Review of the short and long-term incentive plans as a retention mechanism
- Succession planning for executive management throughout the Group
- Approval of executive remuneration
- Approval of the Group-wide salary mandate
- Retirement fund matters

The committee is satisfied that it executed its duties in accordance with its terms of reference during the financial year.

Social, ethics and transformation committee

Role

The social, ethics and transformation committee is constituted as a statutory committee in terms of section 72(4)(a) of the Companies Act, 71 of 2008 (as amended) (Companies Act).

Its main purpose is to ensure that:

- The Group is and remains a good and responsible corporate citizen
- Life Healthcare's reputation is safeguarded by monitoring the Group's actions and impacts on the environment, consumers, employees, communities and other stakeholders

The social, ethics and transformation committee's report is detailed on page 132.

Composition

Chairman
Audrey Mothupi

Members
Peter Golesworthy
Malefetsane Ngatane
Shrey Viranna

Key focus areas for the year under review

- Social, ethics and transformation framework to provide for a global integrated view, including the creation of a dedicated Group function for ethics and sustainability
- Consideration of the Group's broad-based black economic empowerment (B-BBEE) strategy and progress against the B-BBEE scorecard
- Environmental initiatives and progress against targets
- Global code of conduct implementation including whistle-blowing arrangements
- Health policy and related legislation
- Skills development and progress against plan
- Corporate social investment (CSI) and environmental reporting throughout the Group

The committee is satisfied that it executed its duties in accordance with its terms of reference during the financial year.

BOARD COMMITTEES

Clinical governance, quality and safety committee

Role

The overall functions of the committee are to assist the board in:

- Ensuring that external oversight of the Group's clinical governance arrangements and country-specific regulatory compliance is in place
- Providing assurance that there are appropriate measures in place to monitor clinical quality, patient safety and patient experience throughout the Group
- Ensuring that the quality of services provided to patients is continuously improved, the highest standards of care are safeguarded, and an environment is created in which clinical efficiency and excellence is promoted, and innovation and research rewarded
- Ensuring that an accurate reflection of existing clinical risks, key controls, assurances, and action plans to deliver against gaps in assurance exist

Composition

Chairman
Marian Jacobs

Members
Malefetsane Ngatane
Shrey Viranna

Key focus areas for the year under review

- The development and approval of a Group clinical governance framework
- Mapping out clinical governance processes by geography
- Review of quality accreditation systems

The committee is satisfied that it executed its duties in accordance with its terms of reference during the financial year.

Nominations and governance committee

Role

During the year under review, the committee expanded its mandate to include the fulfilment of governance imperatives. The naming of the committee was amended to reflect these added responsibilities.

The overall functions of the committee are to assist the board in:

- Ensuring that the board has the appropriate composition to execute its duties effectively and that governance remains a key imperative in driving the effectiveness of all board processes and deliverables
- Ensuring that directors are appointed through a formal process and in line with an approved diversity policy
- Ensuring that a full induction of new directors takes place
- Ensuring that ongoing training and development of directors takes place
- Ensuring that a formal board succession plan is in place, with specific emphasis on succession planning for the Chairman, executive directors and Group Company Secretary.

Composition

Chairman
Peter Golesworthy

Members
Mustaq Brey
Malefetsane Ngatane

Key focus areas for the year under review

- Approval of the board succession strategy for the short to medium term
- Process to identify independent non-executive directors in line with the board diversity policy
- Ensuring that material amendments to the JSE listing requirements were adequately reviewed and implemented for the year under review
- Reviewing the diversity policy and effecting certain changes to ensure that the policy remains relevant
- Reviewing internal governance standards and policies, including the Group governance framework

The committee is satisfied that it executed its duties in accordance with its terms of reference during the financial year.

CORPORATE GOVERNANCE OVERVIEW continued

GOVERNANCE AS A DRIVER FOR VALUE CREATION

Board composition and tenure

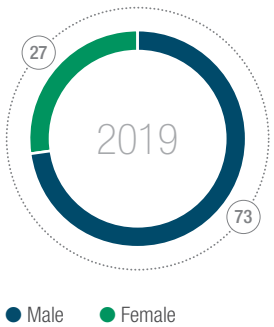
As at 30 September 2019

MEMBERS	DATE APPOINTED	TENURE
MA Brey[1]*	10 June 2010	9 years
GC Solomon[2]*	10 June 2010	9 years
MP Ngatane[3]*	10 June 2010	9 years
P Golesworthy	10 June 2010	9 years
JK Netshitenzhe	30 November 2010	9 years
RT Vice	1 January 2014	5 years
ME Jacobs	1 January 2014	5 years
M Sello	3 July 2017	2 years
A Mothupi	3 July 2017	2 years
PP van der Westhuizen	1 June 2013	6 years
SB Viranna	1 February 2018	1.5 years

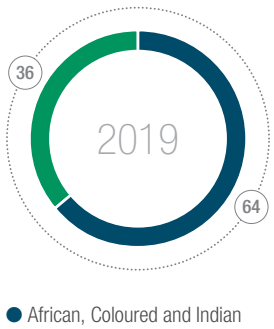
[1] *Mr Brey joined the board in November 2003, while the Company was under private ownership, seven years prior to listing.*
[2] *Mr Solomon joined the board in March 2005, while the Company was under private ownership, five years prior to listing.*
[3] *Dr Ngatane joined the board in July 2007, while the Company was under private ownership, three years prior to listing.*
* *Messrs Brey, Solomon and Ngatane's tenure is calculated with effect from the date of listing, being 10 June 2010. The board is nevertheless satisfied that these directors continue to display objective, unfettered judgement in the execution of their role, despite their long association with the Company prior to listing.*

Brief biographies of all directors outlining their qualifications and skills are included on https://lifehealthcare.group

Gender diversity (%)



Equity diversity (%)



SKILLS AND EXPERIENCE

- Leadership and strategy
- Financial and business acumen
- Human resources
- International business experience
- Risk management
- Corporate governance best practice
- IT expertise
- Healthcare and clinical expertise
- Legal expertise

Power, control, support, and appointments

Mr MA Brey, a non-executive director, is the Chairman of the board. In accordance with King IV, PJ Golesworthy is the lead independent non-executive director. His roles include acting as a sounding board for the Chairman, chairing board meetings in the absence of the Chairman, and leading the performance appraisal of the Chairman.

Dr SB Viranna is the Group CEO. The roles of Chairman and Group CEO are separate, and there is a clearly outlined division of responsibilities.

Effective control is exercised through the Group CEO, who is accountable to the board through regular reports. Senior executives may attend board meetings as and when necessary to apprise the directors of important events, and to develop and implement strategy. This encourages communication and co-operation between the directors and executive management.

The board ensures that no individual has unfettered powers of decision making and authority, and that shareholder interests are protected at all times. The board considered whether there is an appropriate balance of knowledge, expertise and collective experience among the non-executive directors. In doing so the board is satisfied that the non-executive directors have the required skills and experience to have objective judgement on matters of strategy, operational performance, resources, transformation, diversity and employment equity, standards of conduct, evaluation of results and economic, and social and environmental policies.

At the Group's expense, directors are entitled to seek independent professional advice to further their duties. All directors have access to the Group Company Secretary, who is responsible for ensuring Group compliance with applicable legislation and procedures. In compliance with JSE Listings Requirements, non-executive directors do not participate in any share incentive or option scheme of the Group.

Delegation of authority

Life Healthcare has an international, capital intensive business. The strategy, operating and investment budget and plans are approved by the board. To control trading activities, it is the board's philosophy that authority and responsibility be delegated to the lowest prudent level, and management is expected to always act in accordance with the Group values, both formally and informally.

The Group delegation of authority includes fundamental elements such as:

- Authority matrix for the board, Group Chief Executive Officer and management in the different territories
- Corporate, finance and human resource matters reserved for the board
- Processes for the approval or amendment of the Group's business plan and annual budget

The delegation of authority was revised during the year to provide for the authority levels in all the territories.

Directors' attendance at board and committee meetings

The board meets quarterly and on an *ad hoc* basis to consider specific matters as needed. The board and management meet annually to review the Group's strategy and agree on future focus areas. Where directors are unable to attend board meetings for any reason, every effort is made to communicate their comments regarding the agenda and general items.

Board	Meeting	Audit	Investment	Nominations and governance	Remuneration and human resources	Risk	Social, ethics and transformation	Clinical governance quality and safety	Board strategy session
Members									
MA Brey	4/4		6/6	3/3					1
PJ Golesworthy	4/4	5/5	6/6	3/3		3/3	3/3		1
ME Jacobs	4/4					3/3		3/3	1
AM Mothupi	4/4	5/5				3/3	3/3		1
JK Netshitenzhe	4/4					3/3			1
MP Ngatane	4/4			3/3			3/3	3/3	1
M Sello	3/4				5/6	3/3			1
GC Solomon	4/4	5/5	6/6		6/6				1
PP van der Westhuizen	4/4		6/6			2/3			1
RT Vice	4/4	5/5	6/6		6/6				1
SB Viranna	4/4		5/6			3/3	3/3	3/3	1

CORPORATE GOVERNANCE OVERVIEW continued

Code of ethics

In living our values, the Group has earned a reputation for fairness and ethical behaviour in all its business dealings and processes.

The board is responsible for ensuring that management embeds a culture of ethical conduct throughout Life Healthcare, and sets the values by which the Group abides. A global code of conduct (code) was implemented during the year under review. Guidance for appropriate behaviour throughout the Group is based on the code.

The code sets out policies and procedures to be followed in all aspects of professional, clinical and business dealings, and establishes a set of standards. It guides employees in their behaviour towards supporting healthcare professionals, patients, customers, suppliers, shareholders, co-workers, and the communities in which the Group operates. The code also extends to safety, health, security, conflicts of interest, environmental matters and human rights. While common sense, good judgement and conscience apply in managing a difficult or uncertain situation, the code assists in detailing the standards and priorities within the Group. New employees are familiarised with the code as part of their induction.

A confidential guidance and support hotline, operated by an international auditing firm, provides an independent facility for employees and suppliers to report fraud or any form of malpractice. A policy of non-retaliation protects and encourages people wishing to share their concerns. The Group maintains a zero-tolerance approach to fraud. Executives and line management are responsible for implementing procedures against fraud and corruption. In tandem with the code, individuals from Life Healthcare sit on the South African Nursing Council, as well as the professional conduct committee that monitors professional misconduct within the South African nursing profession. Professional employees across the Group are encouraged to become members of their respective professional associations.

Tip-offs anonymous

Employees, doctors and suppliers can report suspected irregularities anonymously to an independent service provider. Reported incidents are independently assessed and, where relevant, independently investigated. These incidents are also reported to the audit, and social, ethics and transformation committees. Of all the tip-offs received in the year, the majority were deemed to be unfounded and only 12 (22%) matters remain under investigation across the Group.

Internal controls

We maintain accounting records, and developed systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements. The board delegates responsibility for the adequacy and operation of these systems to the Group CEO. These records and systems are designed to safeguard assets and minimise fraud. The systems of internal control are based on established organisational structures, such as written policies and procedures, which include budgeting and forecasting disciplines and the comparison of actual results against these budgets and forecasts. The Group has a key operational process checklist, and has assigned responsibilities for controls in the processes to relevant employees. Compliance is tested by internal and external audit reviews.

Induction and training of directors

It is important that directors are kept up to date with their duties, as well as changes in the Group. On appointment, new directors are briefed on their fiduciary duties and responsibilities by executive management. The nominations committee approved an induction policy which includes the requisite reading material and the required exposure to the business. The policy is reviewed annually by the nominations and governance committee. In addition, new directors receive information on JSE Listings Requirements, King IV, the Companies Act and obligations they have to comply with. The Group Company Secretary assists the Chairman with the induction of directors. Directors are informed of relevant new legislation and changing commercial risks that affect the Group. Directors have full and unrestricted access to management and information when required and are entitled to seek independent professional advice in support of their duties at the Group's expense.

Independence

The Group's nominations and governance committee is responsible for assessing the independence of the Group's directors on an annual basis. Independence is determined according to the Companies Act, JSE Listings Requirements and the recommendations in King IV, which takes into account, among others, the number of years a director has served on the board.

The board was satisfied that all its independent non-executive directors met its independence criteria for the 2019 financial year.

NON-EXECUTIVE DIRECTOR	DIRECTORS' EXTERNAL INTERESTS
Mustaq Brey	Mr Brey owns shares in the Company, the value of which is material to his personal wealth and he can therefore not be considered independent. However, the nominations and governance committee and board is satisfied that Mustaq displays objective, unfettered judgement in decision making and that his objectivity has not been compromised by virtue of his shareholding.

BOARD SUCCESSION

Board succession planning has been high on the nomination and governance committee's agenda for the year under review. The committee deliberated upon and recommended to the board, a succession strategy for the short to medium term until 2025. In keeping with the board's view that succession planning must follow as seamless a process as possible, a process is under way to execute on the following board-approved imperatives:

- the appointment of key and critical skills during 2020, with a specific focus on clinical expertise, international business acumen and financial expertise.
- an interim increase in the composition of the board from the current number to ensure a proper hand-over process between outgoing and incoming members.

The board, upon recommendation from the nomination and governance committee, has also approved an internally accepted tenure of 12 years for members. The rationale is premised on a board view that directors with a longer tenure have an enhanced appreciation for the operational challenges facing the Company and the industry at large, and provide invaluable insight into board deliberations.

Conflict of interests

Directors are required to avoid a situation where they may have a direct or indirect interest that conflicts with the Group's interests. Directors disclose conflicts of interest at every meeting in terms of section 75 of the Companies Act. Directors present an updated list of their directorships and interests to the Group Company Secretary annually, and the comprehensive list is tabled at the board meeting in July.

Appointments, rotation and diversity

Any new appointment to the board involves a formal and transparent process and is a matter of consideration for the full board, assisted by the nominations and governance committee.

Appointments and diversity

The board diversity policy applies to the appointment of new directors and has been taken into account for purposes of succession planning for the board. The nominations and governance committee will make the board appointment recommendations on merit and will consider candidates against objective criteria with due regard to the benefits of diversity, including gender and race, and the contribution that the candidate will bring to the board. There is an ongoing commitment from the board to strengthen female representation, and preference will be given to female candidates who meet the criteria.

Rotation

The memorandum of incorporation stipulates that one-third of the board members will retire from office at the annual general meeting and will be eligible for re-election. The directors to retire are those who have been in office longest since their last election or who were appointed during the year. Executive directors are included in determining the rotation of retiring directors.

As per the MOI of the Company, directors who have reached or exceeded, the age of 70 years are evaluated annually as well, to consider their continued service to the board.

Board and committee evaluations

Internal evaluations were conducted for the 2019 performance evaluation cycle under the auspices of the nominations and governance committee. Based on the results of the appraisals, the board and its committees are functioning effectively, and fulfilling their mandates, as detailed in the charter, terms of reference and annual work-plans.

The assessment identified two key focus areas for 2019, being ongoing board training and more frequent communication between management and the board between formal board meetings. The following key operational imperatives for 2020 were also identified during the assessment:

- Ensuring that proper succession planning is in place for Group executives
- Ensuring delivery of the approved strategy
- Stabilising and improving the IT environment
- Keeping abreast with developments in respect of the NHI

CORPORATE GOVERNANCE OVERVIEW continued

Group Company Secretary

Avanthi Parboosing is the Group Company Secretary and took over the role from Fazila Patel with effect from 1 March 2019. Her primary role is to ensure that the board is cognisant of its fiduciary duties and responsibilities. The Company Secretary plays a key role in providing guidance to the board members on the execution of their duties, keeping the board aware of relevant changes in legislation and corporate governance best practice. Other key performance areas of the Company Secretary include overseeing the induction of new directors, orientation and ongoing education of directors.

Avanthi Parboosing's role has also been expanded to include executive oversight over other areas, including Group Sustainability, Group Insurance, Business Integrity and Ethics, Group Privacy and Group Communications.

An assessment of the Company Secretary was carried out by the nominations and governance committee on behalf of the board. The results confirmed that she continues to demonstrate the requisite level of knowledge and experience to carry out her duties. The board is also comfortable that she maintains an arm's length relationship with individual directors and confirms that she is not a director of the Company or any of its subsidiaries.

Codes, regulations and compliance

The board is responsible for the Group's compliance with applicable laws, rules, codes and standards. The enforcement of compliance principles is incorporated into the Group's global code of ethics and the Group considers compliance an integral part of the Group's culture in ensuring the achievement and sustainability of its strategic goals.

The board has delegated the implementation of an effective compliance framework to management. Supervision of compliance risk management is delegated to the risk committee, which reviews and approves the arrangements in place to monitor compliance. The Group complies with various codes and regulations such as the Companies Act, the JSE Listings Requirements and King IV.

During the period under review, the position of Group Compliance Manager was established to give specific focus to the various compliance requirements across the Group. The Group Compliance Manager has been mandated to review existing compliance protocols, implement a compliance framework and strategy and oversee all aligned activities. The Group executive committee has approved the development of a formalised legal compliance universe underpinned by focused compliance risk management plans to further entrench compliance across the Group.

There were no material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations or environmental laws.

King IV

Life Healthcare endorses and endeavours to adhere to the guidelines and principles of King IV.

A King IV Implementation Report and gap analysis is available on the Group's website, www.lifehealthcare.co.za.

OTHER REPORTING REQUIREMENTS

Insider trading

Life Healthcare observes a closed period from the end of the accounting period to the announcement of the interim or annual results, and when otherwise required in terms of the JSE Listings Requirements. During this time, no employee or director who might be in possession of unpublished price-sensitive information may deal, either directly or indirectly, in the shares of the Company. Comprehensive guidelines on how to comply with insider-trading restrictions and how to deal with analysts are provided in the insider-trading policy.

Going concern

The board considers and assesses the Group's going concern basis in the preparation of the annual and interim financial statements. In addition, the solvency and liquidity requirements per the Companies Act are considered. The board is satisfied that the Group will continue as a going concern into the foreseeable future.

Material litigation

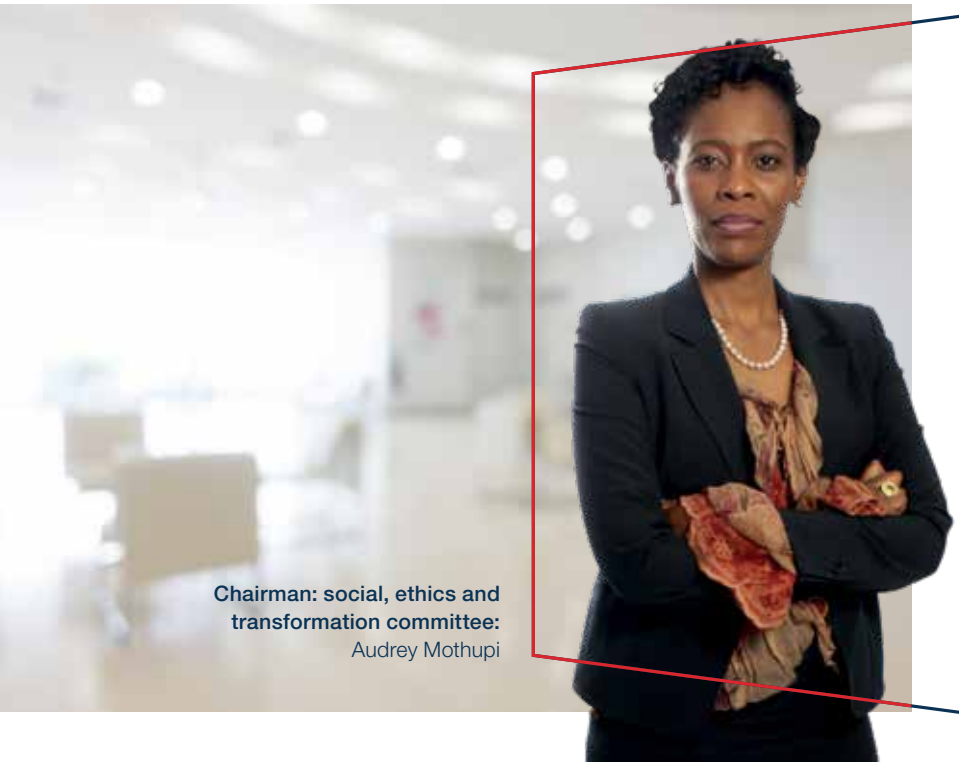
During the financial year, the Group was not involved in any material litigation or arbitration proceedings, nor were the directors aware of any pending or threatened legal issues which may have a material impact on the Group's financial position. Institutions in the healthcare sector are subject to patient lawsuits and the directors are of the opinion that the Group has sufficient insurance to mitigate financial risk.

Political party contributions

In line with the code of ethics, employees may not make any direct or indirect political contribution on behalf of the Group unless authorised by the board. This includes contributions to candidates, office holders and political parties.


LIFE HEALTHCARE GROUP
THIS IS HOW WE DO BUSINESS.
CODE OF CONDUCT
Life Group
Making life better

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT



Chairman: social, ethics and transformation committee: Audrey Mothupi

I am pleased, on behalf of the social, ethics and transformation committee, to present this report to shareholders for the financial year ended 30 September 2019, in accordance with the requirements of the Companies Act. The Group continues to strive to deliver value to all our stakeholders as a responsible and caring corporate citizen in line with our core values of providing quality and effective healthcare to our patients.

The purpose of the report is to share with shareholders and other stakeholders how the committee discharged its responsibilities in accordance with its mandate. The mandate of the committee is contained in formal terms of reference, which are amended as necessary. The committee's terms of reference are approved by the committee and thereafter reviewed and approved by the board annually. The terms of reference guide the committee in performing its oversight role to ensure that the Group, as a responsible corporate citizen, conducts business in an ethical and sustainable manner and that its reputation is safeguarded.

COMPOSITION OF THE COMMITTEE

The members of the committee for the period under review were as follows:

- AM Mothupi (Chairman and independent non-executive director)
- Dr MP Ngatane (independent non-executive director)
- PJ Golesworthy (independent non-executive director)
- Dr SB Viranna (Group Chief Executive Officer and executive director)

Senior executives and functional heads attend meetings of the committee, as appropriate. All members of management who present on various matters are experts on each of the disciplines or areas falling within the mandate of the committee specified in regulation 43(5) of the Companies Act. The Chairman of the board is a standing invitee. The committee met three times during the year under review, and the proceedings of each meeting were reported to the board.

RESPONSIBILITIES

The committee has a statutory responsibility to monitor the Group's activities in terms of the Companies Act with regard to matters relating to:

- ethics and business integrity
- social and economic development;
- good corporate citizenship;

- environment, health, patient and public safety;
- consumer relationships; and
- labour and employment practices.

The committee has the responsibility to draw matters within its mandate to the attention of the board and to shareholders.

FUNCTIONING

The committee oversees the Group's social and organisational activities relating to the environment and its stakeholders. It monitors the Group's sustainability performance to ensure that the organisation's business integrity framework supports its culture, it is seen as a responsible corporate citizen, and that there is a balance between the Group and the accompanying needs, interests and expectations of all its stakeholders.

The committee, together with the clinical quality and safety committee of the board, also pays credence to the ethical standards adopted by the Company in ensuring and promoting moral and social values such as patients' welfare and safety, patients' privacy, clinical quality and compliance with relevant legislation.

During the financial year ended 30 September 2019, the committee undertook an exercise aimed at aligning the committee's mandate and focus areas with the Group's values and strategic focus areas.

The key issues addressed by the committee during the year under review included the following:

- The finalisation of the Group's global code of conduct and the accompanying roll-out and implementation plan in this regard. Our code requires all employees and others to be treated with fairness, equality and respect to foster an open, transparent, progressive and trusting environment that is free from prejudice, discrimination and harassment
- The appointment of a Group Ethics Officer and the creation of a Group ethics management committee that will manage ethics and business integrity from a holistic perspective
- The appointment of a Group Sustainability Manager and the creation of a Group sustainability management committee that will manage sustainable development imperatives at a Group level
- The environment, health and public safety and compliance to relevant legislation
- Pending legislation or recently enacted legislation that may have a potentially material impact on the Group eg POPIA, labour and employment equity legislation
- The Group's transformation strategy and review of the Group's transformation initiatives
- Employment equity targets for the southern Africa business and other transformation imperatives for the International operations
- Performance with regard to the B-BBEE scorecard, procurement and enterprise development, and effective and ethical leadership
- Skills and other development programmes aimed at employees' education
- Labour and employment practices and policies
- Corporate social initiatives including the Company's role in society
- Consumer relationships and reputation management, including the Group's advertising, public relations and compliance with consumer protection laws

CONCLUSION

The committee was pleased to note that the Group retained its position as a constituent of the FTSE/JSE Responsible Index based on the FTSE environmental, social and governance (ESG) rating. This achievement reinforces the committee's view that ESG responsibilities are imperative to the Group. Based on its monitoring activities for the year, no substantive non-compliance with legislation and regulations relevant to the committee's mandate was raised. The committee is satisfied that it has discharged its responsibilities in accordance with its mandate for the year ended 30 September 2019.

Audrey Mothupi
Chairman: social, ethics and transformation committee

OUR CORPORATE SOCIAL INVESTMENT (CSI)

OUR APPROACH TO CSI

At Life Healthcare, we believe that we can make people's lives better through projects that enhance their life experience and by facilitating brighter futures in an enabling fashion. We drive strategically relevant CSI programmes that complement shortfalls in public healthcare services and training in South Africa, both at a national level and with community involvement at a grassroots level.

OUR CSI GOVERNANCE

A CSI steering committee in southern Africa, comprising five executives, makes recommendations to the Life Healthcare Foundation Trust for project approval. The steering committee, chaired by the marketing and communications executive, allocates funds to approved projects. We report on CSI activities monthly at the executive management meetings, and quarterly to the board social, ethics and transformation committee

CSI INVESTMENT

	2019	2018	2017
CSI spend	**R106 million**	R71 million	R43 million

OUR FOCUS AREAS

The areas we focus on when considering programmes to support are:

- Community upliftment
- Health
- Education

These focus areas align with our purpose of making life better. Life Healthcare's CSI programmes continue to provide value to the communities in which we operate, as well as those communities in which our employees reside. We offer monetary contributions and drive sustainable change through community upliftment, health-related, and education projects.

Community upliftment

The Life Sizanani employee involvement programme is one of our most inspiring CSI projects and has been in existence for over 15 years. Each support function within Life Healthcare adopts and supports a disadvantaged community in an effort to improve their lives in various ways.

Employees and their supporting organisations jointly decide on CSI projects. The 70 ongoing projects have touched the lives of many disadvantaged children.

Health

Our supporting specialists have shown their desire to improve the lives of indigent patients. Probono surgery was provided to patients that could not afford treatment during 2019, following the increased requests from supporting specialists. In total, 28 602 patients were assisted in 2019 at no cost or reduced cost to the patient.

We continued to provide cataract surgery and eye-care services to indigent patients this year. This resulted in a significant outcome from our partnership with the SANCB. An additional mobile clinic and two cataract tours (screening and cataract surgeries) were sponsored during 2019 to increase the reach of eye-care services to peri-urban and rural areas in Limpopo and Mpumalanga.

Education

At Life Healthcare we know that building skills changes lives. In addition to our usual focus on educational initiatives, we have increased our focus on the training of sub-specialists, and included more persons with disabilities in these training initiatives.

Life Healthcare has partnered with the SANCB Optima College, which provides vocational and life skills training for visually impaired students. The college is accredited by the Services Seta at a National Qualifications Framework (NQF) level 2 in the following courses:

- Introduction to computers
- Contact Centre and Support
- Business Administration Services and Braille Literacy

Life Healthcare renewed its funding to the Optima College for a period of at least one year with an option to renew annually as a result of the successful partnership in the prior year

A second area we have identified in the realm of education that actively addresses our skills shortage concerns, is the intense need for bursaries to support students studying towards becoming doctors – in particular, specialists and sub-specialists. We have partnered with the Specialist and Sub-Specialist fund, previously called the Colleges of Medicine of South Africa, to provide bursaries to a number of medical students at South African universities.

We continue with the Public Health Enhancement Fund (PHEF) projects which aim to build human capital to address the challenge of HIV/Aids, and to develop leadership capacity within the public health system. These include:

- The national health scholars programme which offers two-year scholarships for South African Master's and PhD students pursuing research in clinical health systems and biomedical sciences in the fields of HIV/Aids and tuberculosis with 60 Masters students and 47 PhD students that have benefitted from the programme to date.
- Support for medical students is offered, with 22 undergraduate medical students supported by PHEF. 60 undergraduate medical students have qualified in FY2019 and all are currently employed.
- A knowledge-management hub which is a web-based teaching and learning platform that offers learning resources to hospital managers.

International projects and initiatives

Community involvement

Through Scanmed, we support the Mam Marzenie Foundation. This non-governmental organisation assists children and young people with severe and life-limiting conditions to fulfil their personal dreams.

Health

Preventative screenings were performed free of charge at 33 (2018: 33) locations for more than 540 (2018: 540) indigent patients. The screenings include tests relating to prostate disease, lung and eye disease, orthopaedics, gynaecology and urology, dietetics, and diabetology.

Education

We provide support to the AGH University of Science and Technology in Poland, through an adaptation programme and various cost-free preventative medical interventions for students and university staff.

Our partnership with the fifth edition of the Leadership Programme for Health Care continues this year. This programme is organised by the Lesław A. Paga Foundation, an educational support organisation, and is aimed at medical students in Poland. This year's programme was attended by more than 600 students, with three ultimately incorporated as trainees.

In Alliance Medical, we have a university partnership model in the UK and Ireland with partnerships further developing at multiple universities. This includes placement programmes for undergraduate and postgraduate radiography students, the provision of lecturing support, interview skills training and graduate radiographer opportunities.

Partnerships with 11 universities are in place, with 20 graduates appointed during 2019.

In the UK 32 colleagues enrolled in apprenticeship programmes.

Our apprenticeship programme in the UK continues with colleagues undertaking apprenticeships ranging from degree level management qualifications through to clinical administration qualifications.

REMUNERATION REPORT



Chairman: remuneration and human resources committee:
Royden Vice

At Life Healthcare we feel a deep sense of responsibility to ensure we appropriately reward, retain and develop our people. The remuneration committee is committed to reviewing and evolving the Group's reward and talent philosophies on an ongoing basis to ensure appropriate incentives for "doing what is right", fair application in the organisation, enforceability, and alignment to market best practice.

This report comprises three sections:

1. A report of material matters covered by the committee during the year, from the Chairman of the remuneration and human resources committee.
2. Life Healthcare's remuneration philosophy, framework and policy.
3. Life Healthcare's remuneration implementation report.

SECTION 1: REMUNERATION COMMITTEE CHAIRMAN'S REPORT

Dear Shareholder,

I am pleased to present the 2019 remuneration report for the Group.

At Life Healthcare we feel a deep sense of responsibility to ensure we appropriately reward, retain and develop the + 21 800 people we employ in SA and internationally. We recognise the requirement to interrogate our reward and talent philosophies on an ongoing basis, to ensure they continue to be fit-for-purpose as the global healthcare landscape evolves.

At our January 2019 AGM we received a vote of 75.49% in favour of our implementation report and 74.49% in favour of our remuneration policy, and hence committed to engage shareholders on the issues raised. No shareholder participants registered for our telecon on 23 May 2019, but we did enjoy the opportunity to talk to several shareholders individually to address specific concerns and share broader guidance on how we are thinking about executive reward design at Life Healthcare. We discuss these key issues in our remuneration report.

We recognise the value of our shareholder engagement, and commit to continuing to engage shareholders going forward.

The Group delivered a sound performance in this past financial year, despite the challenging economic and operating conditions in all countries in which we operate. Against a backdrop of Brexit uncertainty and some isolated radiopharmacy production issues, performance in our UK business was slightly below expectations. The remainder of the business performed in line with expectations. Overall we delivered a 9.3% increase in revenue on the previous year, and a 2.5% increase in operating profit.

During the year the remuneration and human resources committee covered several material matters which included:

- Completing an inaugural Group-wide talent process, which will run annually going forward.
- The establishment of a formal guaranteed pay progression model that rewards employees for their contribution to value creation, and helps attract and retain top performing talent in a competitive market.
- Aligned to our pay progression model and market realities, the adjustment of guaranteed pay for the Group CEO and Group CFO.
- Replacement of EBITDA with EBITA in our short-term incentive plan, to ensure effects of depreciation are adequately accounted for.

- Finalisation of the performance conditions underpinning our long-term incentive plan, to ensure alignment to the board-approved Group strategy (approved June 2019).
- Continued integration of remuneration practices across countries to ensure Group alignment and application of best practice.
- Appointment of two Group executives (Chief Digital Officer and Group Company Secretary) and the appointment of an International CEO.
- Exploration of several mechanisms to continue to strengthen our reward approach (including malus and clawback).
- Introduction of specific measures aimed at bolstering our transformation objectives.

These matters are explained in detail in our remuneration policy report.

As a result of the decisions and progress listed above, the remuneration and human resources committee believes the Group's remuneration policy has been strengthened in the past year in response to changing business realities as well as legitimate shareholder concerns. We are confident that our remuneration policies support the business strategy in aligning incentives appropriately, and align to market best practice. We are committed to reviewing and evolving the Group's remuneration policy on an ongoing basis to ensure appropriate incentives for doing what is right, fair application in the organisation, enforceability, and alignment to market best practice.

I thank my fellow remuneration committee members, Adv Mahlape Sello and Garth Solomon, who have assisted me this year in ensuring robust conversation and sound decision making. The committee meets formally three times per year, but I am grateful for the many additional hours they have spent deliberating and preparing for our formal meetings.

Royden Vice
Chairman: Remuneration and human resources committee

SECTION 2: LIFE HEALTHCARE'S REMUNERATION PHILOSOPHY, FRAMEWORK AND POLICY

REMUNERATION PHILOSOPHY

Life Healthcare's remuneration philosophy is to ensure that employees are rewarded fairly and appropriately for their contribution to value creation for the Group, and for 'doing what is right'. Our resulting remuneration framework and policies, which are a key component of our broader employee value proposition, aim to:

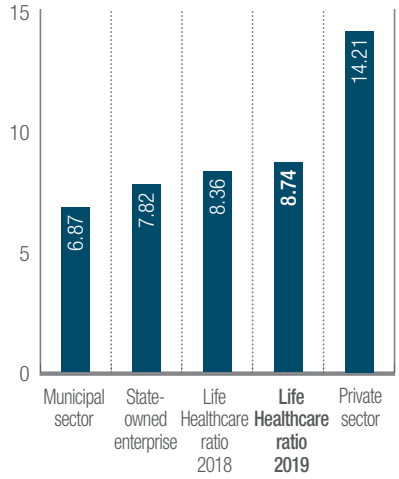
- attract, motivate, reward and retain our people;
- promote the achievement of strategic objectives within the Group's values and risk appetite;
- promote an ethical culture and responsible corporate citizenship; and
- provide a balanced remuneration mix within the Group's financial constraints.

Our remuneration philosophy informs our reward framework and guides policy. We continually review our remuneration policies to ensure our approach remains relevant, fair and appropriate in light of what is a continually evolving context.

In this context the Group periodically consults market survey providers for an indication of the guaranteed remuneration and annual cash incentive payments made generally and sectorally. We use these inputs, along with guidance from external remuneration experts, to assess our positioning compared to the market in terms of key talent. We then overlay various contextual factors, including industry trends, the Group's financial position and legislative requirements, to evaluate our performance in delivering fair and equitable remuneration as part of our employee value proposition.

We are always aware of the need to ensure fair and responsible remuneration per King IV and draft guidelines and practice notes of IoDSA. In this context, the Group applies the 10:10 methodology to gauge the fairness of our wage gap. The Company's 10:10 ratio continues to reflect a more equal distribution of income between higher and lower income earners compared to the private sector in general, as depicted below. The slight deterioration in this ratio in the past year is the result of hiring additional Group executives to drive the Group's growth strategy, and pay increases for the Group CEO and Group CFO to align their remuneration to market benchmarks.

Ratio (10:10)



Source: African journal of Reward – Edition 2 (Bryden Morton and Chris Blair) – March 2017.

Our remuneration and human resources committee follows a systematic agenda to review remuneration strategy and overall policy. It oversees, without interfering in areas where management ordinarily have discretion, the implementation of policy over an annual cycle, verifies that policy enables fair and equitable remuneration, and ensures sound governance. At least annually, formal feedback is provided to the board on how the policy objectives are being achieved, and this feedback forms part of the process of obtaining approval of the remuneration report.

Life Healthcare's remuneration philosophy and supporting policies are widely shared with employees.

REMUNERATION REPORT continued

Remuneration framework

We take a total reward approach to remuneration. Our remuneration framework has been designed to achieve a fair and sustainable balance between annual, short and long-term variable remuneration, where participation in short and long-term incentive schemes depend on an employee's role and level within the Group. The King IV principles relating to fair and responsible remuneration guide application of our policy.

The below table summarises the remuneration components offered in Life Healthcare:

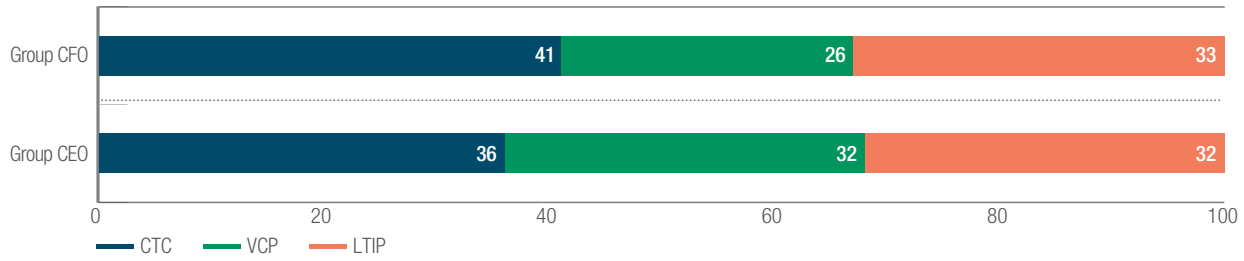
ELEMENT	COMPONENTS	DESCRIPTION
GUARANTEED PAY	**Base pay**	Fixed annual salary
	13th cheque	An amount equivalent to one month's base pay payable in December
	Benefits	Contributions to retirement, risk funds and medical benefits, leave entitlements, allowances and flexible work conditions
VARIABLE REMUNERATION	**Short-term performance incentives**	Variable compensation plan (VCP)
	Share-based awards	Employee share plan
	Long-term performance incentives	Long-term incentive plan
NON-EXECUTIVE DIRECTOR FEES	**Fees for service**	A non-executive director is a member of a company's board of directors who is not part of the executive team and is involved in policymaking and planning exercises
ALL OTHER PAYMENTS		Including, for example, loss of office or termination payments and restraint payments

	UNDERLYING PRINCIPLES	MECHANICS	PARTICIPATION
	• Market-related progressive pay policy, tailored to role. • Influenced by market conditions, company performance, internal equity, individual performance, individual potential.	Reviewed annually (1 January)	All employees
	• Paid to employees as recognition for their contribution during the year to the Company.	Delivery in December provided employed in this month	All permanent employees of LHC Acute business (excluding executive and senior managers)
	• Integrated approach towards wellness, to drive employee effectiveness and engagement. • Industry benchmarked, priced and reviewed as part of annual salary review process. • Compliance with relevant legislation. • Specialist allowances to recognise skills and to incentivise and retain employees. • Other variable allowances paid for additional services rendered.	Reviewed annually (1 January)	All employees
	• Determined by company, business unit and individual performance with line of sight measures (balanced scorecard approach). • Pay for performance: rewards performance against stretch targets to encourage superior performance. • Formula directed, with committee discretion.	Delivered in cash bi-annually based on performance outcomes (November, May)	Executives and senior managers who have line of sight and contribute to the profitability of the business
	• The Company has funded, via a trust, the purchase of shares on an annual basis for the benefit of employees. • The objectives of the plan are to incentivise and retain employees. • The trust holds the shares and confers 'rights' or units of shares to employees.	Employees need to remain in the employ of the Company for seven years to obtain the full quota of the rights of each allocation made. Delivered annually in July from year five	Permanent employees who belong to specified Company retirement funds and have one year's service at the date of grant are eligible for an allocation
	• Designed to ensure long-term sustainability of the Group. • Promotes employee retention, recruitment and motivation by enabling personal wealth creation when the Group grows. • Aligns managers' interests with those of shareholders. • Performance-based (award is conditional on achievement of Group performance against long-term targets). • Formula directed.	Delivered annually (January)	Executives and senior managers who have a more strategic focus and are able to influence the long-term performance and sustainability of the Group
	• The fees in respect of non-executive directors are reviewed on an annual basis. • Independent survey house data is used for benchmarking purposes, taking account of role, size of organisation, sector and industry. • Fees are paid as a combination of a retainer and a fee per meeting to ensure alignment with the emerging market practice.	Reviewed annually (1 January)	Non-Executive Directors
	• Executive employment contracts for management are generally subject to a three-month notice period and a subsequent six-month restraint of trade. • The Group CEO and Group CFO have a three-year employment cycle, details of which are contained in the remuneration report.		Executive or senior management (as applicable)

REMUNERATION REPORT continued

The on-target pay mix apportionment for the Group CEO and Group CFO in Life Healthcare is graphically displayed below.

On-target pay mix Group Executive (%)



Key changes to remuneration in 2019

In 2019 we implemented changes to several reward components in our efforts to ensure continued alignment between our reward and our strategy, and to respond to market factors. We have summarised these changes below, and explain each in more detail in the sections that follow.

Changes in remuneration policy – FY2019

		REASON FOR CHANGE
SHORT-TERM INCENTIVE SCHEME	• Changed EBITDA measure to EBITA measure in respect of Company financial rating	• Depreciation included in the financial measure to encourage prudent allocation of capital
	• Changed Group executive to six-monthly review	• Review period to align to strategic focus areas being effected and provide flexibility to pivot and concentrate focus as required
LONG-TERM INCENTIVE SCHEME	• Performance conditions finalised • Introduction of a country EBIT measure • Introduction of a dual capital efficiency metric	• To ensure alignment to the board-approved Group strategy • To ensure better line of sight particular to each country • To ensure satisfactory return of capital versus WACC for our current business and prudent capital allocation for delivery of business performance in line with business case for our key growth initiatives. This aligns with the Group's strategy to be an international healthcare business and to do what is in the best long-term interests of the Company
	• Introduction of country Life Healthcare core purposes outcomes • Cash settlement for off-shore participants	• Specific targets core to each business have been set per country • Rules of the long-term incentive scheme revised to enable delivery of payment in cash by off-shore entities to participants, due to exchange control requirements

Shareholder engagement

Subsequent to our AGM in January 2019 where we received a vote of **74.49%** in favour of our remuneration policy, we engaged shareholders on the issues raised and also discussed our broader approach to executive reward design. The key issues raised by shareholders at our AGM are addressed below.

TOPIC	SHAREHOLDER COMMENTS	REMUNERATION COMMITTEE RESPONSES
LONG-TERM INCENTIVE SCHEME	Inadequate disclosure of performance conditions and vesting scales in advance	The first allocation in terms of the restated scheme was made effective 1 January 2019. Performance conditions could only be agreed by the remuneration and human resources committee once the Group strategy had been approved by the board (June 2019), hence the delay in disclosure. The Company recognises this caused shareholder discomfort, and will continue to disclose performance conditions and relevant vesting scales, as done previously.
	Rationale for change of performance conditions	The rationale for changing performance conditions in the previous financial year is as follows: • Retained normalised Group HEPS for Group CEO/CFO. • Removed TSR due to the difficulty in selecting and maintaining a sensible comparator group. The movement in share price already impacts the value of the performance shares – thus ensuring alignment with shareholders. • ROCE versus WACC introduced to address capital allocation efficiency. • Improved line of sight for the different geographies by measuring country EBIT.
FY18 ONCE-OFF ALTERNATIVE	Rationale for link to short-term incentive measures	Utilisation of the chosen method of reward was tested against relevant legislation and best practice. One of the major limitations in scheme selection was the fact that we could not use any scheme that utilises the Life Healthcare share as a building block to determine the number of units awarded to participants (as a consequence of operating under a cautionary).
SHORT-TERM INCENTIVE SCHEME	Performance results generous	The 2018 process was consistent with the process followed in prior years and the final budget objectives were agreed at Group executive and board level. For financial targets we add inflation, GDP movement, impact of acquisitions and then additionally build in a management stretch component. We continue to set challenging stretch targets during our budget process, where budgeted target is only achieved if executives deliver fully to plan. We benchmark our STI reward levels at "on-target" level and thus demand excellent performance before benchmarked reward is earned.
ADDITIONAL SHORT-TERM INCENTIVE SCHEME	Rationale for introduction of additional scheme	Challenging FY2018 – operated under a cautionary which ran from 21 November 2017 to 19 September 2018 (as a result of the India/Max transaction). This, coupled with tough operating conditions, constrained our ability to reward and retain senior operations managers. The outperformance incentive scheme was designed to reward exceptional talent and performance to aid retention.

REMUNERATION REPORT continued

Remuneration policy

Guaranteed pay

Historically Life Healthcare has paid at market median at an aggregate level, where we allow individual discretion to pay within a range which stretches from 12.5% below market rate to 12.5% above market rate.

In our efforts to attract and retain top performing talent in a competitive market, we have now established a formal guaranteed pay progression model that rewards employees for their contribution to value creation. As an organisation it is critical that we ensure correct base pay, as guaranteed pay serves as the foundation of our reward design and is hence a crucial determinant of variable pay.

Specifically, we will pay up to 75th percentile for exceptional/top performing employees, ensuring that average guaranteed pay for the Group remains anchored at market median via a symmetrical overall pay distribution.

We assess three pay progression factors: comparative ratio to market rate for job, individual performance and potential. Poor performers and those whose premium positioning in range isn't supported by their performance, potential or criticality of skills, will receive commensurately lower increases.

This pay model must be supported by a disciplined and rigorous annual talent review process. We completed our inaugural Global Talent Review in July this year, where we focused on both performance and potential, using best practice tools to interrogate and plot each of these dimensions. We will run this talent process annually, iterating and refining over time to ensure a robust talent identification and management practice which is shared across the Group, and demonstrating factually that we out-reward top talent in a disciplined and rigorous way.

We recently elected to pay our Group CFO at 75th percentile (effective 1 July 2019), aligned to this principle. Our CFO has 20 years of experience at Life Healthcare, serving as Group CFO since 1 April 2016. Over the past few years we have taken a conservative approach to his pay increases, but recognise the need for a more significant increase to position his guaranteed package and total remuneration competitively to local peers. This is particularly important from a retention perspective, given he is one of the few long-serving Group executive members, and holds the institutional knowledge which is critical for continued stability and sustainability of the Group.

Our CEO was newly appointed to the role in the prior year, and his remuneration was initially set below the market. We believe that he has demonstrated his ability to lead our company, and hence elected to adjust his guaranteed package to the market median of CEOs of companies of comparable size and complexity. This increase was effected on 1 July 2019.

We were supported in this process by a leading reward expert who guided the committee on:

- Emerging market practice
- Reward benchmarks

Details of Group CEO and Group CFO pay are provided in our implementation report.

Benefits

Life Healthcare Employee Benefit Structure

The benefits that form part of total cost to company include the following:

- **Retirement funds**

  The Company operates two defined contribution retirement funds:
  - The Life Healthcare Provident Fund
  - The Life Healthcare DC Pension Fund

  In addition, the Company operates two defined benefit funds that have been closed to new membership since 1996. The Life Healthcare DB Pension Fund provides retirement benefits for **92** active members and **236** pensioners.

  The Lifecare Group Holdings (LGH) Pension Fund no longer has active members. The fund has purchased an annuity policy which covers the liability to pay pensions.

  The Company-supported retirement funds offer Group life cover and disability benefits to members. Permanent disability and death are covered by lump sum payments that are underwritten by an insurer. The standard cover for new employees is three times annual salary for death and disability cover. Some historical anomalies to this standard cover exist.

- **Medical aid**

  It is a condition of SA employment for permanent employees earning above **R9 150** per month (with effect from 1 January 2019) to belong to a Company-supported medical aid, unless membership of a spouse's medical aid can be proven.

  Membership of a principal member, spouse and up to two children is subsidised by the Company.

The Company participates in the open medical scheme market and offers Medshield and Discovery Health as options to employees. In addition, medical aid membership is voluntary for employees who earn below the threshold level referred to above.

However, the Company has procured a primary health benefit for employees earning below R9 150 per month who opt not to join a medical aid. This benefit covers, via a bespoke network, doctors' consultations, medication and a certain number of prescribed minimum benefits.

Variable remuneration

- **Short-term incentive scheme (variable compensation plan (VCP))**

  Our executives and senior management receive short-term rewards aligned to our standard remuneration policy. The Group emphasises pay for performance, and any business and/or personal performance below a set threshold results in non-payment of incentives.

  In setting targets, we are mindful that external factors, some of which are unpredictable, can mitigate performance. That said, we strongly believe overall sustainable performance should be evaluated and targeted, using a mix of financial and non-financial measures that are directly controllable, but equally affordable and aligned with shareholder outcomes. We continue to set challenging stretch targets during our budget process, where budgeted target is only achieved if executives deliver fully to plan. Thus, **95%** achievement of financial targets attracts **100%** of on-target reward and **100%** achievement attracts **125%** reward, where we benchmark our STI reward levels at 'on-target' level and thus demand excellent performance before benchmarked reward is earned.

  The board may apply its discretion on all payments, to mitigate against unintended consequences, but this discretion is reluctantly applied and used only in exceptional circumstances. Such discretion for executives is fully disclosed in the implementation report.

  We apply a balanced scorecard approach which rewards achievement of short-term strategic, financial and non-financial objectives aligned to our one-year business plan.

  Balanced scorecard measures are weighted differently at each level of the organisation in line with the accountability of employees and the behaviour that needs to be encouraged; and both modifiers and gatekeepers are applicable where appropriate, where the gatekeeper acts as a penalty, and a modifier may enhance or decrease incentives for performance relative to targets.

  Maximum rewards as a percentage of 'on-target' performance for all employees are as follows:
  - Group performance: capped at 225%
  - Business unit performance: capped at 225%
  - Personal performance: capped at 160%

  The maximum potential reward based on the above criteria ranges from 8% to 185% of guaranteed salary, depending on the management level.

  Should the Group's financial performance be less than 75% of agreed financial targets, no VCP payments will be made. In addition, should job-required outputs in respect of personal performance not be met, no short-term incentive payment will be made, irrespective if other measures are met.

  Measures are as follows:
  1. Financial measures (70%): operating profit and working capital measurement.
  2. Non-financial measures (30%): capture our key strategic objectives via personal measures.

  Regarding financial measures, this year we amended our VCP metric from EBITDA to EBITA to ensure effects of depreciation are adequately accounted for, considering the capital-intensive nature of our business.

  Regarding personal measures, in the case of the Group CEO, FY2019 measures included:
  - Clinical quality, including ensuring formulation and adoption of quality metrics across the Group.
  - Strategic innovation, including progressing SA radiology, our SA outpatient model, and designing a long-term strategy for Poland.
  - People, including retaining top and critical executive talent, building succession plans for the Group executive, and furthering the Group's diversity objectives.

  Where strategic initiatives extend over a period of time, the Group CEO's performance scorecard specifies achievement milestones for the period under review.

  Concluding the sale of Max Healthcare in June 2019 was a notable achievement on the part of the Group CEO and Group CFO.

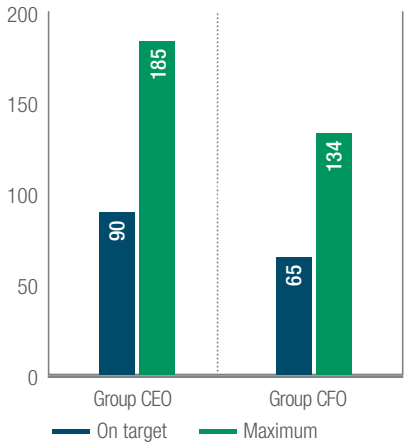
  For FY2020, the Group CEO's personal measures include:
  - Clinical quality, including improving the average SA Acute composite quality score and international clinical metrics.
  - Strategic innovation, including building a minimum network for SA radiology, strengthening Life Healthcare's partnership with SA

REMUNERATION REPORT continued

government, optimising Life Healthcare's asset portfolio, and further progressing outpatient care.
- People, including building leadership capacity and delivering on the Group's diversity commitments.

In the case of the Group CEO and Group CFO, the opportunity and maximum limit are as follows:

Short-term incentive on target and maximum potential reward percentage of guaranteed package (%)



- **Long-term incentive plan (LTIP)**
  The long-term incentive scheme is a performance share scheme. Progress on aligning reward practice across our geographies necessitated a review of our LTIP performance measures last year, which had not been reviewed in the three prior years.

  This year we have not changed performance measures, but have spent considerable time deliberating the performance conditions underpinning the 2019 LTIP scheme, to ensure alignment to our Group strategy which was approved by the board in June 2019.

  Weightings for our Group CEO and Group CFO are as follows:
  - Capital efficiency (40%)
  - Normalised Group HEPS (40%)
  - Life core purpose outcomes (20%)

  The first allocation on this scheme was made effective 1 January 2019 with a three-year vesting period.

  The scheme continues to allow for enhanced allocation of performance units at allocation based on personal performance and additionally for key talent retention, via a strategic modifier between 1 and 2.

  Performance conditions for each metric are set out below, and will be measured on vesting outcomes on 31 September 2021:

Capital efficiency

In a constrained healthcare environment, management must simultaneously balance sweating its assets with investing for growth and sustainability of the Group. To resolve this dilemma, for the 2019 LTIP we measure capital efficiency in two parts:

1. Satisfactory returns on business-as-usual capital versus WACC for our core business (**79%** weighting); and
2. Prudent growth capital spend for delivery of business performance in line with business case for our key growth initiatives: SA radiology, new outpatient models, and Life Molecular Imaging (**21%** weighting).

Weightings for measures have been assigned based on 2025 forecast contributions to Group EBITDA, as this ensures management alignment to a long-term view of our strategy for sustainability of the Group.

Regarding the core business, our performance conditions are as follows:
- Threshold ROCE = WACC
- On-target ROCE = WACC + 1%
- Outperformance ROCE = WACC + 2%

Regarding growth initiatives, we have set threshold, on-target and stretch EBITDA targets for forecast capital spend.

Normalised Group HEPS

In the case of the Group executives, we measure earnings performance utilising normalised Group HEPS. The choice of measure reflects the ability of these executives to influence the capital structure of the Group.

Performance conditions are as follows:
- Threshold HEPS = CPI + 1%
- On-target HEPS = CPI + 3%
- Outperformance HEPS = CPI + 5%

Life core purpose (LCP) outcomes

As a healthcare business, patient outcomes and experience underpin everything we do. The LCP measure reflects the extent to which the Group achieves the clinical measures that drive long-term sustainability. We have identified country-specific measures and targets, which are aggregated to form a Group score against which the Group CEO and Group CFO are measured.

LCP performance measures by country are as follows:
- South Africa
  - Patient incident rate as a percentage of admissions
  - Patient experience
- UK, Italy, Ireland
  - Radiology clinical audit (Grade 1 and 2 discrepancies)
  - Patient satisfaction

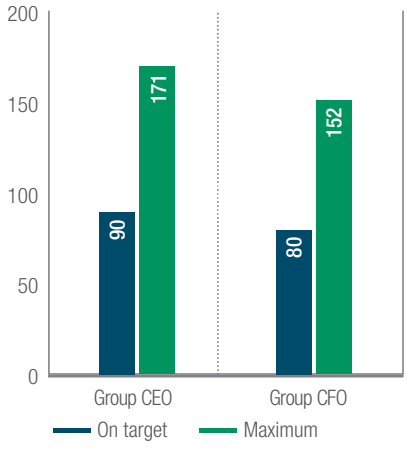
- Radiopharmacy
  - Dose reliability performance
- Poland
  - Pressure ulcers acquired in hospital
  - Re-admission rates

To warrant payment, an achievement of 80% or higher against target is required, applying a three-year rolling average between offer and vesting.

Performance conditions are as follows:
- Threshold
  = 80% of target
- On-target
  = 100% of target
- Outperformance
  = 120% of target

In the case of the Group CEO and Group CFO, the opportunity and maximum limit on the LTIP scheme are as follows:

Long-term incentive (LTI) on target and maximum potential reward percentage of guaranteed package (%)



Legacy LTI awards

Historical LTI scheme (2014 allocation)

The last allocation in terms of this scheme was made in 2014. All allocations have vested, and the restrictions on the Company matched shares were lifted in January 2019 in respect of employees who purchased shares. Details of payment to the Group CFO are included in the Implementation report.

Historical LTI scheme (introduced from 2015 to 2017)

The historical LTI scheme was a notional performance share scheme for all senior managers and executives. Allocations were made annually and the last allocation was made in January 2017.

Vesting of the 2016 allocation occurred at the end of December 2018. Performance against both measures at vesting did not meet threshold levels and thus yielded no payment to participants.

Measure	Outcome	Result
Actual TSR	Not achieved	No payment
Actual EBIT growth	Not achieved	No Payment

The final vesting of this scheme occurs at the end of December 2019. The outcome of the final vesting will be disclosed in the FY2020 implementation report.

Historical LTIP 2018 allocation

Once-off alternative LTI scheme 2018

As detailed in our 2018 remuneration report, the 2018 offer in terms of the 2015 LTIP scheme was not made as a result of the Company being in an extended closed period since November 2017. In order to provide a consistent pattern of long-term incentive awards, an alternative once-off long-term bonus scheme was approved by the board to cover this period.

One of the major limitations in scheme selection was the fact that we could not use any scheme that utilises the Life Healthcare share as a building block to determine the number of units awarded to participants (as a consequence of operating under a cautionary).

The once-off alternative offering is based on an additional third of the FY2018, FY2019 and FY2020 short-term bonus outcomes which will be banked and payment will be made in January 2021 to coincide with the date when the normal LTIP 2018 allocation would have vested.

Other retention schemes

- **Employee share plan**
  An employee share ownership plan was implemented via a trust. Commencing in 2012, the Company funded, via the trust, the purchase of shares to the value of R50 million or more per annum for the benefit of employees. This year an increased contribution of **R65 million** was approved by the board to purchase shares on behalf of employees. This is a 3.59% increase on last year's purchase, which only partly offsets the impact of inflation. However, employees will benefit from the decrease in share price which will result in the acquisition of more shares per employee. This creates greater upside potential for participants.

  The trust holds the shares and confers 'rights' or units to shares to employees. Permanent employees who belong to specified Company retirement funds and have one year's service at the date of grant are eligible for an allocation. The rights have been equally distributed to all qualifying employees.

  The objectives of the plan are to incentivise and retain employees. To fulfil these objectives, certain conditions need to be attained by the employees to transfer these rights into actual shares:
  - Employees need to remain in the employ of the Company for seven years to obtain the full quota of the rights of each allocation made.

  Dividends start to flow to employees from the onset of the plan.

REMUNERATION REPORT continued

Employees who resign or are dismissed during the duration of the scheme will lose their rights to all allocations made, and their rights will be distributed equally among the remaining employees. Thus, the number of rights will increase by the time of transfer of shares to remaining employees. Good leavers, for example those who are retrenched or retire, will have the proportionate number of shares they hold at the time of termination paid out to them, less tax and costs. They will no longer participate in the employee share plan.

Shares, or the after tax equivalent in cash, are transferred from the trust to the employee after five years as follows:
- 25% of the allocated rights transfer to the employee in year five.
- 25% of the allocated rights transfer to the employee in year six.
- 50% of the allocated rights transfer to the employee in year seven.

The scheme is fully ramped up to provide 100% vesting to each employee who received their first allocation in 2012.

The Company will continue to acquire shares on an annual basis to ensure that the opportunity is granted to new employees and the objectives of the plan are continuously achieved. Each allocation will be managed separately and will vest according to the same criteria.

The efficacy of the plan is proving advantageous, as employee turnover for the qualifying participants has reduced substantially.

Outperformance incentive scheme

As detailed in our 2018 remuneration report, a short-term **Outperformance (or kicker) scheme** was introduced and will run annually for the next two years only (2019 and 2020), to secure the Company's key talent in the extraordinary circumstances of the extended period of corporate activity in the healthcare sector.

Its intention is to incentivise superior business and personal performance and further retain the loyalty and commitment of key management, and to ensure that true outperformance is rewarded. The scheme was only offered to senior management who were in service from at least 1 January 2016, thus the Group CEO is excluded from this benefit.

Actual bonuses generated as outcomes in the VCP are to be matched with a further 40% component, which matching component will be subject to a modifier between 50% and 150%, based on an assessment of a scorecard of critical sustainability measures. These factors include:
- Historical performance
- Innovation
- Talent retention
- Being a cultural ambassador
- Complexity

Additional reward design considerations

- **Malus and clawback**

  Malus and clawback clauses are a reality and emerging best practice. Management supports the intention behind the mechanism, and hence solicited external advice and explored market practice and implementation practicalities to ensure clauses will achieve our intention of removing incentive for perverse behaviour, be fairly applied in the organisation, and be enforceable.

  Management will include a malus and clawback provision for our Group executive* in both the short and long-term incentive schemes. The scheme rules and award letters to eligible employees will include these forfeiture provisions. Funds will be recovered after following due process and will not preclude legal action in instances where actions constitute a criminal act.

  ** Group CEO, Group CFO, SA CEO, International CEO, Group Executive Operations, Group Executive Strategic Planning, Chief Digital Officer, Group Company Secretary.*

Employment contracts

Executive employment contracts for management are generally subject to a three-month notice period and a subsequent six-month restraint of trade. These conditions also apply to the Group CEO and Group CFO.

The letters of appointment for the Group CEO and Group CFO specify that he/she "be required to tender his/her resignation as an executive director on the board with effect from

the third anniversary date of the date of commencement of the contract and on the anniversary date of each subsequent 3 (three) year period for the duration of the contract".

These directors are entitled, but not obliged, to offer themselves up for re-election as executive directors on the Life Healthcare board. If their re-election is supported by the board, but they are not re-elected, the executive director will resign and the notice period will apply, or alternatively, an appropriate payment in lieu of the notice period may be agreed upon between the parties.

On expiry of the notice period, Life Healthcare will make the following payments:

- An amount equivalent to 12 (twelve) months guaranteed remuneration and the amount of the 13th cheque payment (if applicable)
- An amount equivalent to 12 (twelve) months of the variable compensation plan payment, based on the amount paid to the executive director during the immediately preceding 12-month period, to be escalated by the CPI increase over the same period

These directors would be granted good leaver status with all benefits as provided for in the Life Healthcare LTIP.

Non-executive directors' remuneration

Fees in respect of non-executive directors are reviewed on an annual basis, and independent survey house data is used for benchmarking purposes. Fees are paid as a combination of a retainer and a fee per meeting to ensure alignment with emerging market practice.

A minimum increase of 6% was granted with effect from 1 January 2019 with higher increases granted, for example in the case of the lead independent director, to address anomalies to the market median. The objective is to migrate fees to at least a 92.5% comparative ratio to the market over time. The overall annual additional cost amounted to a 12.6% increase.

Group reward integration

In the past year we have continued to integrate remuneration practices across countries to ensure Group alignment and application of best practice. We have made significant progress in this regard:

- The project to align international territories with the Life Healthcare job grading and benchmarking principles commenced in June 2019. Senior roles across all geographies have been graded as a foundation for understanding various levels within the organisation. The total job grading exercise is scheduled for completion by December 2019.
- Consequently, this assisted with the process of aligning all short and long-term incentives in our international business with those of the rest of the Group.
- An EBITDA kicker scheme has been introduced for the Ireland and Italy senior executive teams in line with the scheme principles in operation in South Africa. Kicker schemes have not been introduced for other international countries due to performance against budget not forecast to reach the required entry level.
- Our integration efforts in the coming months will focus on organisational culture, global mobility and talent management, HR metrics, and reporting on retirement fund matters at a global level.

IMPLEMENTATION REPORT

REMUNERATION IMPLEMENTATION REPORT

Introduction

Remuneration offered in year under review

This implementation report discloses the remuneration outcomes for executive directors for the 2019 financial year.

Fair and responsible pay

- The board remuneration and HR committee ensures, on an ongoing basis, that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.
- To this end, the Group executive holds management accountable for ensuring that total remuneration is distributed fairly and ensures appropriate oversight; and where differentials exist, that they can be reasonably explained.
- The board remuneration and HR committee is committed to ensuring the remuneration of executive management is fair and responsible in the context of overall employee remuneration.
- The increases in annual guaranteed packages granted in January 2019 are set out in the table below:

	Guaranteed pay % increase
Group executives	**5.2**
Senior executives and top management	**5.1**
Core staff	**6.1**
Other staff	**6.0**

- The Company performed a thorough benchmarking exercise during May/June 2019 and market realities revealed a lag in the remuneration of the Group CEO and Group CFO. The board remuneration and HR committee agreed to adjust the Group CEO's remuneration to market median and the Group CFO's remuneration to the 75th percentile. The rationale for these increases is explained under 'Guaranteed Package' in our remuneration report.
- As advised in the previous year's remuneration report, the CEO invested **R3 million** in Life Healthcare shares as agreed on appointment. The Company matched the investment with the purchase of shares to the value of **R9 million**. The matched shares are restricted with vesting occurring over three years, conditional on continued service with the Company. The first vesting of one-third occurred on 1 February 2019. The CSDP sold **337 096** Life Healthcare shares, which were transferred to the Group CEO's personal trading account at an issue price of **R26.46**. The next vesting will occur on 1 February 2020, and the final vesting on 1 February 2021.
- Malus and clawback clauses are to be included in the rules and policies of both the short- and long-term incentive schemes for the Group executive as referred to in the remuneration report, with effect from FY2020.
- All individuals are subject to the Company's standard terms and conditions of employment, specifically as they relate to the employment contract and conditions relating to termination.

The implementation report sets out Life Healthcare's reward design, executive targets per performance measure, actual performance outcomes, the corresponding value of the award opportunity, and actual payment of all variable incentives.

REMUNERATION OUTCOMES – TOTAL REMUNERATION

Total remuneration outcomes for the current and prior financial years for the executive directors are tabulated below. Explanatory footnotes are provided where necessary.

As the appointment of the International CEO was effective 1 June 2019, no comparison to the prior year can be made.

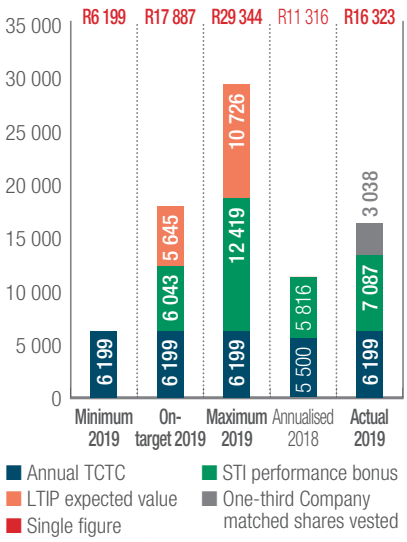
GROUP CEO – Dr S Viranna

Commenced employment as Group CEO: 1 February 2018.
FY2018 not full year of assessment.

	Remuneration annualised			Actual remuneration					
R'000	Annual TCTC	STI performance bonus	Total annual compensation	Actual TCTC**	Actual STI performance bonus	Total annual compensation	LTIP expected value	One-third Company matched shares vested	Total remuneration
					90%		90%		
Min 2019	6 199		6 199	6 199		6 199			6 199
On-target 2019	6 199	6 043	12 242	6 199	6 043	12 242	5 645		17 887
Max 2019	6 199	12 419	18 618	6 199	12 419	18 618	10 726		29 344
Actual 2018	5 500	5 816	11 316	3 764	3 878	7 642	–		7 642
Actual 2019	6 199	7 087	13 285	6 199	7 087	13 285	–	3 038	16 323
Year-on-year growth	12.7%	21.8%	17.4%	**	83%	74%			

TCTC – Total cost to company

Group CEO – Dr S Viranna (R'000)



Interim adjustment was granted in July 2019.

As only eight months actual TCTC was paid for FY2018, the value has been annualised in order to compare year-on-year remuneration. ** The effective increase on annualised CTC is 12.7%. **The graph reflects annualised CTC for FY2018.**

The Group CEO purchased R3 million worth of Life Healthcare shares after the restrictions of the closed period lifted.

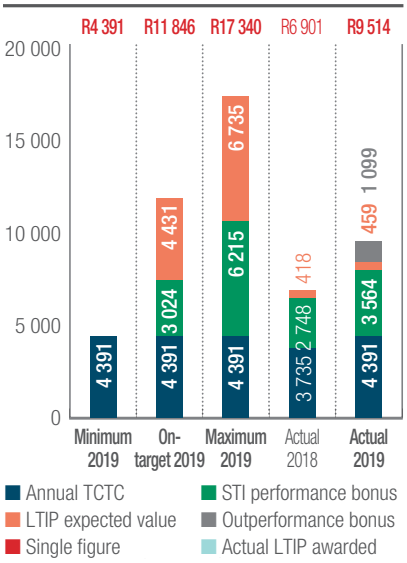
The Company matched with a purchase of R9 million restricted years (337 096 shares @ issue price of R26.46). These will vest to the Group CEO in three tranches over a period of three years. The first vesting occurred on 1 February 2019 – gross value **R3 038 050**.

IMPLEMENTATION REPORT continued

Group CFO – P van der Westhuizen

R'000	Annual TCTC	STI performance bonus	Total annual compensation	LTIP expected value	Outperformance bonus	Total remuneration
		65.0%		80.0%		
Min 2019	4 391		4 391			4 391
On-target 2019	4 391	3 024	7 415	4 431		11 846
Max 2019	4 391	6 215	10 606	6 735		17 340
Actual 2018	3 735	2 748	6 483	418		6 901
Actual 2019	4 391	3 564	7 955	459	1 099	9 514
Year-on-year growth	17.6%	30%	23%	10%		38%

Group CFO – P van der Westhuizen (R'000)



Interim adjustment to guaranteed package granted in July 2019.

STI percentage targeted reward increased from 57.5% to 65% with effect from 1 January 2019.

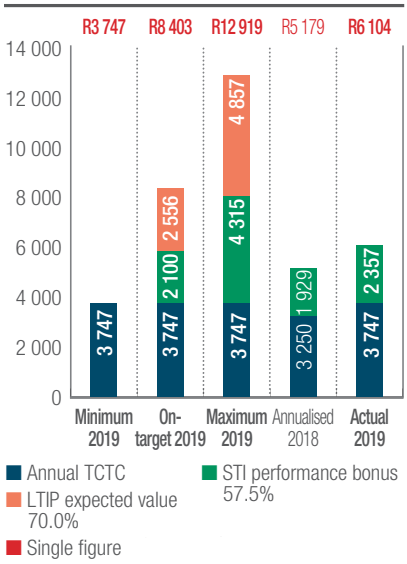
An additional outperformance bonus of R1 099 000 was awarded at the end of February 2019 as detailed below, under 'Other incentive schemes'.

CEO SA – A Pyle

Commenced employment as SA CEO: 1 July 2018.
FY2018 not full year of assessment.

	Remuneration annualised			Actual remuneration				
R'000	Annual TCTC	STI performance bonus	Total annual compensation	Actual TCTC**	STI performance bonus	Total annual compensation	LTIP expected value	Total remuneration
					57.5%		70.0%	
Min 2019	3 747		3 747	3 747	–	3 747		3 747
On-target 2019	3 747	2 100	5 847	3 747	2 100	5 847	2 556	8 403
Max 2019	3 747	4 315	8 062	3 747	4 315	8 062	4 857	12 919
Actual 2018	3 250	1 929	5 179	979	482	1 461	–	1 461
Actual 2019	3 747	2 357	6 104	3 747	2 357	6 104	–	6 104
Year-on-year growth	15.3%	22.2%	17.9%	**	389%	318%		318%

CEO SA – A Pyle (R'000)



*** Only appointed as CEO – SA with effect 1 July 2018, thus Actual FY2018 remuneration and STI is only based on three months' salary. FY2018 has been annualised to compare year-on-year remuneration. The effective increase on annual TCTC is 15.3%.*

No LTI has been awarded as permanent tenure is too short. A Pyle was in a contract position as investor relations executive, and became permanent on 1 January 2017.

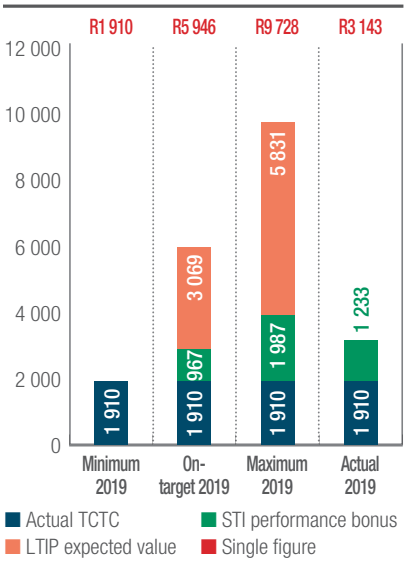
The graph reflects annualised CTC for FY2018.

IMPLEMENTATION REPORT continued

CEO International – M Chapman

R'000	Annualised TCTC	Actual remuneration: Actual TCTC	STI performance bonus	Total annual compensation	LTIP expected value	Outperformance bonus	Total remuneration
	–		57.5%		60.0%		
Min 2019	5 777	1 910	–	1 910	–		1 910
On-target 2019	5 777	1 910	967	2 877	3 069		5 946
Max 2019	5 777	1 910	1 987	3 897	5 831		9 728
Actual 2018	–	–	–	–	–	–	–
Actual 2019	5 777	1 910	1 233	3 143	–	–	3 143

International CEO – M Chapman (R'000)



Appointed as CEO International from 1 June 2019.

Converted to rand applying the average exchange rate for FY2019 of 1GBP = R18.34.

Remuneration (TCTC and STI based on role as CEO – International against targets for same period, ie four months).

REMUNERATION OUTCOMES – SINGLE FIGURE

2018 and 2019 total remuneration outcomes are compared to the 2019 target pay mix and a single figure derivation on a name and role basis for the previous year and the year under review.

All figures in below reflected in R'000

Bonuses are **actual** bonuses paid in the 2019 financial year, however, portions thereof are attributed to rewards earned in the previous year. Similarly, H2 2019 bonus earnings will reflect as actual bonuses paid in the FY2020 implementation report. Short-term incentives earned in FY2019 versus FY2018 are detailed in the bonus section of this report.

Total earnings – actual paid

	Dr Shrey Viranna Group CEO			Pieter van der Westhuizen Group CFO			Adam Pyle CEO SA			Mark Chapman CEO International		
	FY 2018	**FY 2019**	% Increase	FY 2018	**FY 2019**	% Increase	FY 2018	**FY 2019**	% Increase	FY 2018	**FY 2019**	% Increase
Salaries	3 485	**5 887**		3 486	**4 084**		2 288	**3 374**		–	**1 910**	
Other allowances	112	**33**		64	**95**		6	**194**		–	**–**	
Med aid contributions	21	**32**		35	**37**		38	**37**		–	**–**	
Retirement fund contributions	146	**247**		149	**174**		90	**142**		–	**–**	
Guaranteed package	3 764	**6 199**	64.7%	3 735	**4 391**	17.6%	979	**3 747**	282.9		**1 910**	
Acting allowance				2 500								
Long-service award					**5**							
Performance bonus	–	**6 501**		880	**5 100**		702	**1 469**		–	**–**	
Gains on LTIP	–	**3 038**		418	**872**		–	**–**		–	**–**	
Total remuneration	3 764	**15 738**	318.1%	7 532	**10 368**	37.7%	1 680	**5 217**	210.5	–	**1 910**	
Notes	*FY2018 only comprised eight months as Group CEO only commenced employment: 1 February 2018.*			*Group CFO was paid an acting allowance in FY2018 in the absence of the Group CEO and was awarded long-service bonus for 20 years of service as well as an outperformance bonus** of R1 099 000 in FY2019.*			*Appointed as CEO SA with effect from 1 July 2018. Only salary as CEO SA reflected. Prior to this A Pyle worked permanent part-time as investor relations executive.*			*Appointed as CEO International from 1 June 2019. Converted to rand – average exchange rate FY2019: 1GBP = R18.34.*		

*** Outperformance bonus paid to the Group CFO is detailed under "Other incentive schemes".*

IMPLEMENTATION REPORT continued

REMUNERATION OUTCOMES – 2018/2019 VARIABLE COMPENSATION PLAN (VCP) OUTCOMES

Financial and non-financial outcomes achieved by Life Healthcare are presented below. VCP outcomes are measured at the end of every six (6) month period in the financial year. For the Company rating, cash flow ratings are capped at a rating of seven during the first six (6) months of the financial year. An adjustment is effected in the second half of the financial year to reflect the final year-end cash flow rating.

Financial outcomes

		H1			
Measure	% weighting	Target	Actual	% achieved	Score
Group					
FY2019					
Group EBITA	**70**	**2 158**	**2 065**	**96**	**5.00**
Group working capital management	**30**	**(222)**	**(232)**	**96**	**5.00**
Score (adjusted cash flow at year-end)					**5.00**
Target					**5.00**
% award					**100**
FY2018					
Group operating profit	70	1 863	1 770	95	4.75
Group working capital management	30	(222)	(232)	96	5.00
Score (adjusted cash flow at year-end)					5.00
Target					5.00
% award					100
SA					
FY2019					
SA operating profit	**70**	**1 855**	**1 735**	**94**	**4.50**
SA working capital generated/(utilised)	**30**	**(218)**	**(216)**	**99**	**5.75**
Score (adjusted cash flow at year-end)					**5.00**
Target					**5.00**
% award					**100**
FY2018					
Operating profit	70	2 137	2 218	104	6.25
Debtors days	24	41	41	99	5.75
Stock	5	1.0	0.9	112	7.00
Score (adjusted cash flow at year-end)					6.25
Target					5.00
% award					130
International					
FY2019					
International operating profit	**70**	**301**	**329**	**109**	**6.75**
International working capital	**30**	**(4)**	**(16)**	**400**	**10.00**
Score (adjusted cash flow at year-end)					**8.50**
Target					
% award					**185**

H2				Total FY			
Target	Actual	% achieved	Score	Target	Actual	% achieved	Score
2 430	**2 325**	**96**	**5.00**	**4 588**	**4 390**	**96**	**5.00**
22	**340**	**1 545**	**10.00**	**(200)**	**108**	**154**	**10.00**
			6.50				**6.50**
			5.00				
			135				
2 139	2 084	98	5.25	4 002	3 854	96	5.25
23	329	1 430	10.00	(199)	97	205	10.00
			6.75				6.75
			5.00				
			100				
2 071	**1 984**	**96**	**5.00**	**3 926**	**3 719**	**95**	**4.75**
10	**341**	**3 410**	**10.00**	**(208)**	**125**	**166**	**10.00**
			6.50				**6.50**
			5.00				
			135				
2 423	2 299	95	4.75	4 560	4 517	99	5.75
38	42	91	3.75	79	83	105	6.50
0.81	0.83	98	5.50	1.82	1.72	106	6.50
			4.50				6.00
			5.00				
			85				
367	**391**	**106**	**6.50**	**668**	**719**	**108**	**6.75**
13	**0**	**95**	**5.00**	**9**	**(16)**	**(178)**	**0**
			6.25				**6.75**
			5.00				
			130				

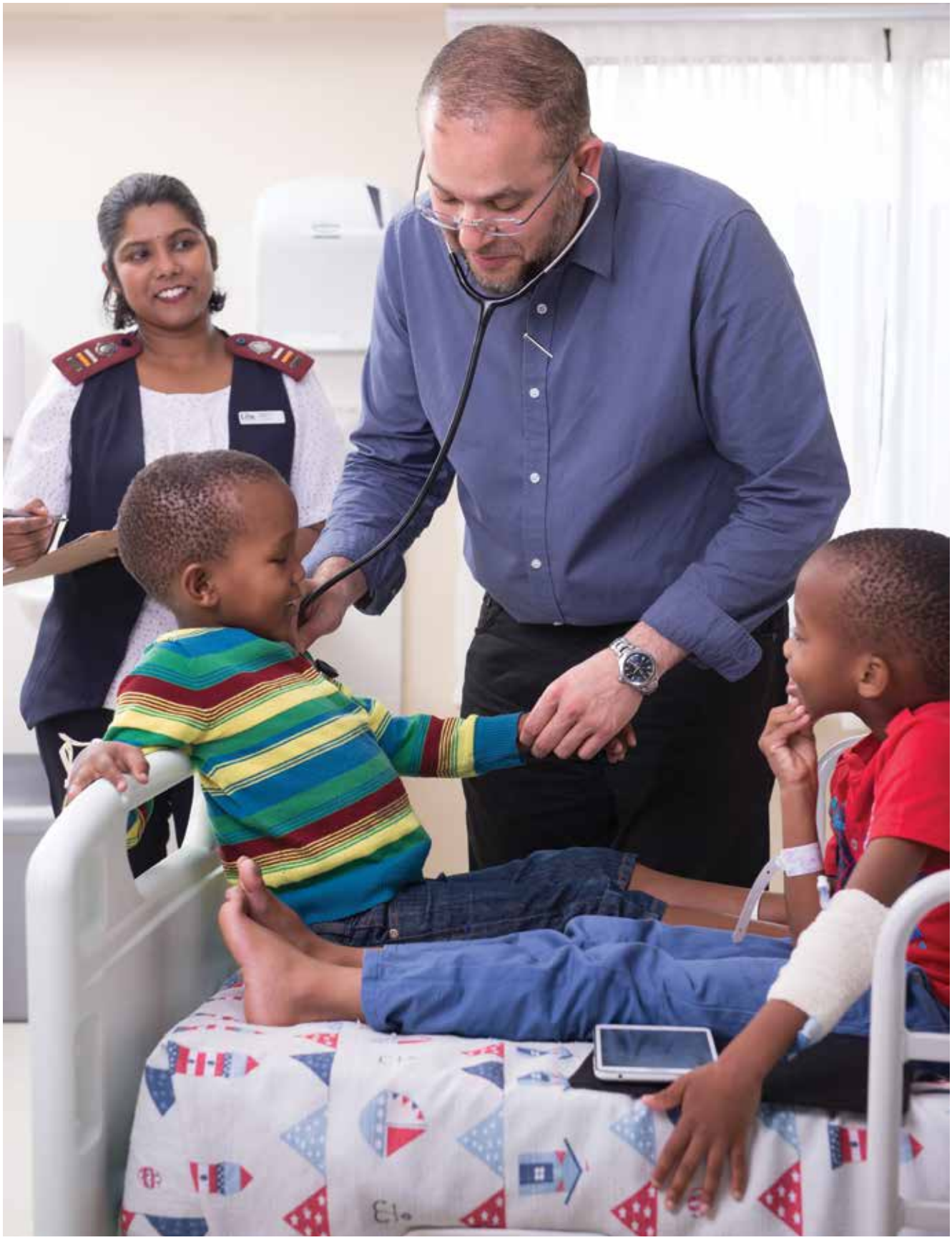
IMPLEMENTATION REPORT continued

NON-FINANCIAL OUTCOMES

Performance outcomes are reflected for the full year. Life Healthcare sets specific and measurable milestones every six months, designed such that delivery against individual milestones positions the Company for full year delivery against overall objectives. H1 and H2 scores are determined by delivery against these performance milestones.

FY2019 Non-financial measures

			H1			H2		
Performance metric	Weighting	Measure	Target	Score	% award	Score	% award	Performance outcome
Clinical metrics	10%	• Continued delivery of quality outcomes per country-level targets • Formulation of a global set of quality metrics for Life Healthcare	4.00	4.00	100	4.00	100	• Delivery of each country on quality metrics for Life Healthcare • Global metrics signed off by board clinical quality committee
Strategic innovation	10%	• Progress SA radiology and SA primary care strategies and implementation • Progress Group analytics and integration strategies and implementation • Develop long-term strategy for Poland	4.00	4.00	100	4.00	100	• SA radiology investment strategy approved by board investment committee • Standalone primary care pilot launched and commitment from possible scale partner to pilot • Group analytics strategy approved by Group executive and use case launched • Group integration deliverables completed to plan • Poland strategy approved by the board
People	10%	• Retention of top and critical talent at Group, SA and International executive level • Succession plans developed • Diversity objectives achieved	4.00	4.00	100	6.00	140	• Executives retained, zero acting/interim executives, and successors identified for each Group executive role per inaugural global talent process • SA delivery per diversity deliverables in country-level scorecard; diversity policies developed in all international countries
Total			4.00	4.00	100	5.00	120	



IMPLEMENTATION REPORT continued

REMUNERATION OUTCOMES – 2018/2019 VARIABLE COMPENSATION PLAN (VCP) OUTCOMES IN DETAIL

The results of performance against measures in each executive's scorecard are disclosed below in such a way that the stakeholder can reasonably assess whether the incentive is in line with performance outcomes as well as the remuneration policy.

Although measured and paid bi-annually, annual VCP payments per executive are summarised below. The percentage achievement reflected is the total percentage of on-target performance achieved. Executives are measured proportionate to the period in their roles.

	Shrey Viranna On-target STI bonus at 90% of TCTC **FY2019**					**Pieter van der Westhuizen** On-target STI bonus at 65% of TCTC **FY2019**				
Performance metric	**Weighting %**	**Reward % H1**	**Reward % H2**	**Weighted rewards %**	**VCP payment R'000**	**Weighting %**	**Reward % H1**	**Reward % H2**	**Weighted rewards %**	**VCP payment R'000**
Financial performance										
Group	**70%**	**100%**	**135%**	**120%**	**5 068**	**70%**	**100%**	**135%**	**120%**	**2 551**
SA										
International										
Non-financial performance	**30%**	**100%**	**120%**	**111%**	**2 018**	**30%**	**100%**	**120%**	**112%**	**1 014**
Total					**7 087**					**3 564**
	FY2018 *(Only eight months in role as Group CEO)*					FY2018 *(Measured and paid based on full year results)*				
Financial performance										
Group	50%			115%	1 898	70%			115%	1 517
SA										
International										
Non-financial performance	50%			120%	1 980	30%			140%	1 231
Total					3 878					2 748

	Adam Pyle On-target STI bonus at 57.5% of TCTC FY2019					Mark Chapman On-target STI bonus at 57.5% of TCTC FY2019				
	Weighting %	Reward % H1	Reward % H2	Weighted rewards %	VCP payment R'000	Weighting %	Reward % H1	Reward % H2	Weighted rewards %	VCP payment R'000
						(Only four months in role as CEO International reflected)				
	10%	100%	135%	117%	247	10%		135%	135%	131
	60%	90%	135%	112%	1 417					
						60%		130%	130%	754
	30%	100%	120%	110%	693	30%		120%	120%	348
					2 357					1 233
	FY2018 *(Only three months in role as CEO SA reflected)*									
	15%		115%	115%	81					
	60%		85%	85%	238					
	25%		140%	140%	164					
					482					

IMPLEMENTATION REPORT continued

REMUNERATION OUTCOMES – HISTORY OF RECENTLY VESTED AND UNVESTED SHARES

The LTI details regarding 2014 to 2016 allocations pertain to the Group CFO only. The CEO SA received his first LTI allocation in January 2017 when he was made permanent. Based on tenure in role, the other executives only qualify for the LTI once-off restricted cash offer and the LTI 2019 allocation.

- The legacy **Life Healthcare 2013 long-term incentive plan** allowed individuals to elect, at the time of the 2013 and 2014 allocations, to defer the vesting of their shares for a further two years (from three to five) and have those shares matched with additional restricted shares. The final 2014 co-investment and matched shares vested at the end of January 2019. **This allocation is now closed with no further payments due.**
- Life Healthcare acquired the Alliance Medical Group in 2016 and financed the acquisition via a rights issue offer. LTIP participants were offered the opportunity to follow their rights on co-invested shares held in the LTIP trust and where participants elected to follow rights and paid for these additional shares, the Company followed the rights on matched shares held in the trust. Shares so acquired were subject to the same restrictions that were applicable to the matched and co-invested shares held in the trust.
- The **Life Healthcare 2015 long-term incentive plan** offered notional performance shares in 2015, 2016 and 2017.
  - As advised in last years' implementation report, the three-year vesting period resulted in no payment in respect of the vesting of the 2015 allocation.
  - The vesting of the 2016 allocation occurred at the end of January 2019. Performance against both TSR and EBIT measures for the period 1 January 2016 to 31 December 2018 did not meet threshold levels and thus yielded no payment to participants; details of which are set out below.
  - The next vesting of the 2017 allocation occurs at the end of December 2019 and will be reported in the 2020 implementation report.

Summary of total performance shares per executive

		Share allocation				
LTIP scheme	LTIP scheme	Share allocation	Offer price R	Co-investment shares	Matched shares	Performance shares
LTIP 2009 Scheme	P van der Westhuizen	01 Jan 14	35.05	7 381	12 509	
	SB Viranna	01 Jan 19	25.86			235 992
LTIP 2015 Scheme	P van der Westhuizen	01 Jan 16	34.58			40 620
		01 Jan 17	31.59			65 380
		01 Jan 19	25.86			220 803
	A Pyle	01 Jan 17	31.59			34 126
		01 Jan 19	25.86			114 969
	M Chapman	01 Jan 19	25.86			127 191

LTIP 2016 Allocation – Outcome of performance against vesting criteria

PERFORMANCE MEASURE	WEIGHTING	OUTCOME	THRESHOLD	RESULT
Actual TSR compared to a comparator group of companies	50%	Life Healthcare ranked at 42nd percentile	50th percentile	No payment
Actual EBIT growth compared to a composite inflation rate (taking into account all countries)	50%	Average composite inflation: 5.2% Compound annual growth EBIT: 1.1% % over/(under) composite CPI: -4.2%	CPI + 1%	No payment

- As a result of the rights offer in March 2017 and according to the rules of the LTIP scheme, an adjustment was made to the LTIP 2015, 2016 and 2017 scheme allocations to ensure that participants were in the same economic position that they were in prior to the occurrence of the event. This change was effected in terms of the rules of the LTIP scheme. Adjustment is reflected in the summary of holdings in the table below.
- Life Healthcare could not make the 2018 offer in terms of the 2015 long-term incentive plan allocation, as the Company entered an extended closed period in November 2017. Accordingly, the Company made an **alternative once-off long-term restricted cash offer**, the details of which were described in the 2018 remuneration report. Payment of the scheme will only be made in January 2021.
- The **2019 LTIP allocation** was made with effect 1 January 2019 and notional performance shares were granted to the executive.

Rights issue					Vested 1 February 2019		Balance as at 30 September 2019		
Offer price R	Investment shares purchased by executive	Adjustment co-matched shares	Adjustment to performance shares	Vesting date	Number of shares	Price at exercise date R	Number of shares	Allocation value R	Value based on 30 September 2019 share price
24.50	2 526	4 280		01 Feb 19	**26 696**	**R27.24**			
				31 Dec 21			**235 992**	**6 103 300**	**5 352 299**
			8 679	31 Dec 18	**49 299**	**R0.00**			
			13 970	31 Dec 19			**79 350**	**2 506 667**	**1 799 658**
				31 Dec 21			**220 803**	**5 710 477**	**5 007 812**
			7 292	31 Dec 19			**41 418**	**1 308 395**	**939 360**
				31 Dec 21			**114 969**	**2 973 365**	**2 607 497**
				31 Dec 21			**127 191**	**3 289 454**	**2 884 692**

IMPLEMENTATION REPORT continued

REMUNERATION OUTCOMES – OTHER INCENTIVE SCHEMES

As detailed in our 2018 remuneration report, the outperformance incentive scheme was introduced in FY2018 to secure the Company's key talent by incentivising superior business and personal performance. The scheme runs annually for two years, and the first payment was made at the end of February 2019.

This scheme is performance-based on the outcomes of the short-term incentive scheme as well as an assessment of a scorecard of critical sustainability measures. Specifically: actual bonuses generated as outcomes in the short-term incentive plan (VCP) are matched with a further 40% component, which matching component is subject to a modifier between 50% and 150%, based on an assessment of the following (equally weighted) critical sustainability measures:

- Personal performance rating
- Demonstrated innovation
- Talent retention index
- Values promotion

The Group CEO and International CEO were excluded from participation in this scheme as senior management needed to be in service from 1 January 2016 to be eligible for participation. The Group CFO scored **4.24** on assessment of these measures by the Group CEO. This resulted in 100% payment of on-target reward of R1 099 236 earned in FY2018. The threshold and maximum potential award table as well as the respective payment made to the Group CFO at the end of February 2019 are indicated below:

	Score	% award
Threshold	2	50
On-target	4	100
Out-performance	7	150

		Score	% award	Outperformance bonus
P van der Westhuizen	Group CFO	4.24	100	1 099 236

The CEO-SA will be eligible for participation (pending performance outcomes) for the FY2020 payment.



APPENDICES

IN THIS SECTION

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SEVEN-YEAR PERFORMANCE HISTORY

GROUP STATEMENT OF COMPREHENSIVE INCOME

	CAGR since 2012 %	2019 R'm	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm
Revenue	13.8	**25 672**	23 488	20 797	16 404	14 647	13 046	11 834
Normalised EBITDA[1]	9.4	**5 727**	5 535	5 001	4 314	4 048	3 611	3 337
Operating profit	5.4	**3 944**	3 848	3 620	3 660	3 496	3 150	2 878
Net finance cost	30.5	**(998)**	(962)	(1 229)	(502)	(404)	(215)	(202)
Share of associate' net profit after tax	(20.3)	**18**	(105)	(15)	8	14	39	70
Profit before tax	5.0	**3 706**	2 837	1 934	2 864	3 112	3 973	2 764
Profit for the year	6.2	**2 871**	1 914	1 119	1 970	2 228	3 098	2 004
Ordinary equity holders of the parent	7.0	**2 569**	1 575	814	1 616	1 866	2 774	1 711
Non-controlling interest	0.5	**302**	339	305	354	362	324	293
Normalised EBITDA[1]	9.4	**5 727**	5 535	5 001	4 314	4 048	3 611	3 337
Operating profit	5.4	**3 944**	3 848	3 620	3 660	3 496	3 150	2 878
Profit on disposal of property, plant and equipment		**–**	–	–	–	–	–	(4)
Depreciation on property, plant and equipment		**1 236**	1 133	971	530	445	355	354
Amortisation on intangible assets		**586**	537	439	147	127	122	116
Severance payments		**–**	51	–	–	–	–	–
Retirement benefit asset and post–employment medical aid income		**(39)**	(34)	(29)	(23)	(20)	(16)	(7)

[1] *Normalised EBITDA – operating profit before depreciation on property, plant and equipment, amortisation of intangible assets and non-trading related costs or income.*

GROUP STATEMENT OF FINANCIAL POSITION

	2019 R'm	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm
ASSETS							
Non-current assets							
Property, plant and equipment	**12 929**	12 243	11 131	7 752	7 101	5 901	4 517
Intangible assets	**16 969**	17 084	16 281	3 196	2 964	2 318	2 084
Investment in associates and joint ventures	**53**	35	2 976	2 548	2 311	828	1 178
Employee benefit assets	**448**	401	399	433	394	376	337
Other non-current assets	**1 189**	795	672	466	382	263	220
Total non-current assets	**31 588**	30 558	31 459	14 395	13 152	9 686	8 336
Current assets							
Cash and cash equivalents	**1 544**	1 494	1 176	604	812	422	297
Trade and other receivables	**3 923**	3 761	3 602	2 133	1 640	1 330	1 098
Inventories	**379**	360	357	318	271	240	214
Other current assets	**132**	128	45	47	48	121	11
Asset classified as held for sale	**–**	2 841	–	–	–	–	–
Total current assets	**5 978**	8 584	5 180	3 102	2 771	2 113	1 620
Total assets	**37 566**	39 142	36 639	17 497	15 923	11 799	9 956
EQUITY AND LIABILITIES							
Capital and reserves	**16 188**	14 916	14 380	5 486	5 168	4 792	4 525
Non-controlling interest	**1 303**	1 286	1 171	1 312	1 280	1 108	1 081
Total shareholders' equity	**17 491**	16 202	15 551	6 798	6 448	5 900	5 606
Non-current liabilities							
Interest-bearing borrowings	**9 399**	12 870	7 786	5 469	5 263	2 344	1 657
Derivative financial instruments	**–**	6	749	–	–	9	–
Deferred tax liabilities	**1 371**	1 226	1 203	547	520	438	388
Other non-current liabilities	**862**	662	253	95	69	76	66
Total non-current liabilities	**11 632**	14 764	9 991	6 111	5 852	2 867	2 111
Current liabilities							
Bank overdraft	**867**	488	450	1 030	557	155	233
Trade and other payables	**4 799**	4 409	4 174	2 217	2 125	1 866	1 501
Interest-bearing borrowings	**2 596**	3 086	6 301	1 312	924	1 007	452
Other current liabilities	**181**	193	172	29	17	4	53
Total current liabilities	**8 443**	8 176	11 097	4 588	3 623	3 032	2 239
Total equity and liabilities	**37 566**	39 142	36 639	17 497	15 923	11 799	9 956

SEVEN-YEAR PERFORMANCE HISTORY continued

GROUP STATEMENT OF CASH FLOWS

	2019 R'm	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm
Cash operating profit	**5 886**	5 707	5 302	4 556	4 213	3 785	3 514
Changes in working capital	**41**	(204)	(639)	(520)	(356)	(253)	(92)
Cash generated from operations	**5 927**	5 503	4 663	4 036	3 857	3 532	3 422
Transaction costs paid	**(147)**	(38)	(210)	(12)	(15)	(16)	–
Interest received	**60**	40	162	12	12	22	14
Tax paid	**(1 185)**	(1 065)	(891)	(981)	(903)	(980)	(804)
Net cash from operating activities	**4 655**	4 440	3 724	3 055	2 951	2 558	2 632
Net cash utilised in investing activities – investments to expand	**(2 329)**	(3 375)	(11 957)	(2 025)	(3 198)	(1 457)	(828)
Net cash generated from investing activities – disposals	**4 395**	61	73	15	–	1 369	5
Net cash (utilised)/generated from investing activities – other	**(295)**	(50)	(1)	14	–	13	42
Net cash (utilised in)/generated from financing activities	**(6 765)**	(826)	9 298	(1 677)	222	(2 288)	(2 031)
Net increase/(decrease) in cash and cash equivalents	**(339)**	250	1 137	(618)	(25)	195	(180)
Cash and cash equivalents – beginning of the year	**1 006**	726	(426)	255	267	64	244
Effect of foreign exchange rate movements	**10**	30	15	(63)	13	8	–
Cash and cash equivalents – end of the year	**677**	1 006	726	(426)	255	267	64

BUSINESS PERFORMANCE AND METRICS

	2019	2018	2017	2016	2015	2014	2013
Number of registered beds[2]	**9 136**	9 055	8 983	8 768	8 647	8 418	8 279
Paid patient days[3]	**2 269 756**	2 251 600	2 226 337	2 265 653	2 177 833	2 115 254	2 074 551
Occupancy (%)[3,4]	**69.7**	69.7	70.0	72.5	71.9	71.9	71.7
Length of stay[3]	**3.76**	3.72	3.71	3.68	3.63	3.57	3.50
Number of scans	**1 731 867**	1 593 417	1 455 499	n/a	n/a	n/a	n/a
Number of machines:							
MRI	**155**	150	137	n/a	n/a	n/a	n/a
CT	**51**	49	41	n/a	n/a	n/a	n/a
PET-CT	**48**	51	46	n/a	n/a	n/a	n/a
Cyclotrons	**9**	9	9	n/a	n/a	n/a	n/a
Financial ratios							
Normalised EBITDA margin (%)	**22.3**	23.6	24.0	26.3	27.6	27.7	28.2
Tax rate excluding secondary tax on companies (%)	**22.5**	32.5	42.1	31.2	28.3	22.0	27.5
Effective tax rate (%)	**22.5**	32.5	42.1	31.2	28.3	22.0	27.5
Debtors' days[2]	**42**	45	49	37	31	31	31
Stock cover (days)[2]	**26.1**	24.8	24.5	25.6	24.6	24.1	24.3
Quick ratio (:1)	**0.84**	1.13	1.08	0.95	1.03	1.04	0.91
Current ratio (:1)	**0.90**	1.06	1.01	0.85	0.93	0.92	0.79
Gearing net of cash (%)	**38.4**	46.5	45.1	53.1	46.9	33.3	26.5
Total debt (R'm)	**11 995**	15 956	14 087	6 781	6 187	3 351	2 109
Net debt (R'm)	**11 318**	14 950	13 361	7 207	5 932	3 084	2 045
Interest bearing debt (R'm)	**10 568**	14 452	12 447	5 830	5 207	2 490	1 515
Debt related to finance leases raised in terms of IAS 17	**1 427**	1 504	1 640	951	980	861	594
Net debt: normalised EBITDA	**1.96**	2.73	2.55	1.67	1.49	0.84	0.63
Interest cover	**5.6**	5.7	4.2	8.2	9.7	21.0	13.4
Return on Net Assets (RONA) (%)	**23.6**	16.4	10.4	25.9	32.3	55.0	46.0

[2] Life St Vincent's and Life Carstenview opened during October 2016 and January 2017 respectively. Life Hilton Private Hospital opened in September 2015 and Genesis Maternity Clinic was acquired in March 2015. In March 2014 Life Sandton Surgical Centre closed. Life St Josephs, Life Piet Retief Hospital and Life Poortview opened in November 2011, December 2011 and May 2012 respectively. Life Grey Monument management agreement concluded during October 2011 and Life Birchmed was disposed of in March 2012.

[3] Metrics for southern African operations.

[4] Occupancy is measured based on the weighted number of available beds during the period and takes acquisitions and expansions during the year on a proportionate basis into account.

[5] The initial investment in Max Healthcare in 2012 was funded through the issue of preference shares to the value of R820 million. In 2015 preference shares to the value of R2 050 million were issued to fund the additional investment in Max Healthcare, to equalise our shareholding, and for further acquisitions within the Scanmed Group. The acquisition of Alliance Medical in 2017 was funded by way of a bridge facility of R14 601 million, during the 2017 financial year R8 770 million was repaid via the funds raised through the rights offer.

[6] IAS 17 requires lessees at the commencement of the lease term, to recognise finance leases as assets and liabilities in the statement of financial position, at amounts equal to the fair value of the leased property.

SEVEN-YEAR PERFORMANCE HISTORY continued

	2019	2018	2017	2016	2015	2014	2013
Earnings per share (cents)	**176.4**	108.6	62.2	144.1	167.3	248.7	153.3
Diluted earnings per share (cents)	**175.8**	108.1	62.0	143.7	166.7	248.1	153.1
Headline earnings per share (cents)	**88.7**	108.8	77.4	179.1	167.3	165.3	153.3
Diluted headline earnings per share (cents)	**88.4**	108.3	77.2	178.5	166.7	164.9	153.1
Normalised earnings per share from continued operations (cents)	**116.4**	110.2	93.9	169.4	165.0	156.7	140.1
Normalised earnings per share from continued operations excluding amortisation (cents)	**148.1**	139.3	120.6	179.0	173.2	164.6	147.5
Weighted average number of shares in issue ('m)	**1 456**	1 451	1 310	1 121	1 115	1 115	1 116
Weighted average number of shares for diluted earnings per share ('m)	**1 464**	1 457	1 314	1 125	1 119	1 118	1 117
Total number of shares in issue ('m)	**1 467**	1 467	1 449	1 058	1 042	1 042	1 042
Distributions per share (cents)	**93.0**	88.0	80.0	165.0	154.0	141.0	126.0
Net asset value per share (cents)	**1 103.2**	1 016.8	992.4	518.5	495.9	459.8	434.2
Normalised earnings	**1 695**	1 598	1 230	1 899	1 840	1 747	1 563
Profit attributable to ordinary equity holders	**2 569**	1 575	814	1 616	1 866	2 774	1 711
Adjustments (net of tax):							
Businesses disposed/closed	**–**	–	–	–	–	(54)	(120)
Loss/(gain) on remeasuring of fair value of equity interest before business combination	**–**	–	(4)	23	–	–	–
Gain on bargain purchase	**–**	–	–	–	–	(1)	–
Loss on derecognition of finance lease asset	**–**	–	–	–	–	–	3
Additional payment on previous disposed business	**–**	–	–	–	–	–	–
Profit on disposal of businesses	**(11)**	–	–	–	–	(1)	–
Profit on disposal of investment in associate	**(1 407)**	–	–	–	–	(929)	–
Profit on disposal of property, plant and equipment	**–**	(30)	37	(1)	–	–	(3)
Impairments	**140**	34	167	370	–	–	–
Gain on derecognition of lease assets and liabilities	**–**	(71)	–	–	–	–	(16)
Retirement funds	**(28)**	(24)	(21)	(16)	(15)	(11)	(5)
Retirement fund (included in employee benefit expenses)	**–**	–	–	(3)	(4)	(7)	(7)
Transaction costs	**148**	38	267	12	15	16	–
Fair value loss/(gain) on foreign exchange hedge	**292**	(17)	(7)	–	(1)	(40)	–
Contingent consideration released	**42**	18	(43)	(109)	(21)	–	–
Other	**(50)**	75	20	7	–	–	–

MARKET INDICATORS

	2019	2018	2017	2016	2015	2014	2013
Market price – high (R) per share	**28.89**	30.52	39.02	40.48	46.67	47.81	38.55
Market price – low (R) per share	**21.12**	23.00	23.05	29.53	34.32	34.66	29.76
Market price – year-end (R) per share	**22.68**	24.56	23.70	37.87	35.00	44.54	35.74
Market capitalisation – year-end (R'm)	**33 279**	36 030	34 341	40 066	36 477	46 420	37 249
Number of shares traded ('m)	**1 055**	1 241	1 326	1 047	870	724	789
Value of shares traded (R'm)	**26 288**	32 510	39 142	38 433	34 755	29 422	27 025
Price-earnings ratio	**27.66**	22.62	38.10	26.27	20.92	17.91	21.07

INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT ON THE SELECTED SUSTAINABILITY INFORMATION IN LIFE HEALTHCARE GROUP HOLDINGS LIMITED INTEGRATED REPORT

TO THE DIRECTORS OF LIFE HEALTHCARE GROUP HOLDINGS LIMITED

We have undertaken a limited assurance engagement in respect of the selected sustainability information, as described below, and presented in the 2019 Integrated Report of Life Healthcare Group Holdings Limited (the 'Company', 'Life Healthcare' or 'you') for the year ended 30 September 2019 (the Report). This engagement was conducted by a multidisciplinary team including health, safety, social, environmental and assurance specialists with relevant experience in sustainability reporting.

SUBJECT MATTER

We have been engaged to provide a limited assurance conclusion in our report on the following selected sustainability information, marked with (A) on the relevant pages in the Report. The selected sustainability information described below have been prepared in accordance with the Company's reporting criteria that accompanies the sustainability information on the relevant pages of the Report (the accompanying reporting criteria).

Nr	Selected sustainability information	Unit of measurement	Boundary	Page
1	Healthcare risk waste generated	kg/PPD	Southern Africa business	Page 50
2	Patient safety adverse events	Total patient incidents/PPD x 1 000	Southern Africa business	Page 49
3	Paid patient days (PPD)	Number	Southern Africa business	Page 47
4	Healthcare associated infections (HAI)	HAI/PPD x 1 000	Southern Africa business	Page 49

We refer to this information as the 'selected sustainability information' for limited assurance respectively, and collectively as the 'selected sustainability information'.

YOUR RESPONSIBILITIES

The directors are responsible for the selection, preparation and presentation of the selected sustainability information in accordance with the accompanying reporting criteria as set out on pages 49, 50, 75 and 81 of the Report (the 'reporting criteria').

This responsibility includes:

- the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainability performance; and
- the design, implementation and maintenance of internal control relevant to the preparation of the report that is free from material misstatement, whether due to fraud or error.

The directors are also responsible for determining the appropriateness of the measurement and reporting criteria in view of the intended users of the selected sustainability information and for ensuring that those criteria are publicly available to the Report users.

INHERENT LIMITATIONS

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practices on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors

INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT ON THE SELECTED SUSTAINABILITY INFORMATION IN LIFE HEALTHCARE HOLDINGS LIMITED INTEGRATED ANNUAL REPORT continued

(revised January 2018) and parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (revised November 2018) (together the IRBA Codes), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

The firm applies the International Standard on Quality Control 1, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

OUR RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the selected sustainability information based on the procedures we have performed and the evidence we have obtained. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information* (ISAE 3000 (revised)) issued by the International Auditing and Assurance Standards Board. These standards require that we plan and perform our engagement to obtain limited assurance about whether the selected sustainability information is free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (revised) involves assessing the suitability in the circumstances of the Company's use of its reporting criteria as the basis of preparation for the selected KPIs, assessing the risks of material misstatement of the selected sustainability information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected sustainability information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included enquiries, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process
- Inspected documentation to corroborate the statements of management and senior executives in our interviews
- Tested the processes and systems to generate, collate, aggregate, monitor and report the selected sustainability information
- Performed a controls walkthrough of identified key controls
- Inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria
- Evaluated the reasonableness and appropriateness of significant estimates and judgements made by the directors in the preparation of the selected sustainability information
- Evaluated whether the selected sustainability information presented in the report are consistent with our overall knowledge and experience of sustainability management and performance at the company.

The procedures performed in a limited assurance engagement vary in nature and timing, and are less in extent than for a reasonable assurance engagement. As a result the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the Company's selected sustainability information have been prepared, in all material respects, in accordance with the accompanying the Company's reporting criteria.

LIMITED ASSURANCE CONCLUSION

Based on the procedures we have performed and the evidence we have obtained, and subject to the inherent limitations outlined elsewhere in this report, nothing has come to our attention that causes us to believe that the selected sustainability information as set out in the Subject Matter paragraph above for the year ended 30 September 2019 are not prepared, in all material respects, in accordance with the reporting criteria.

OTHER MATTER(S)

The maintenance and integrity of Life Healthcare's website is the responsibility of Life Healthcare's directors. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the report or our independent assurance report that may have occurred since the initial date of presentation on Life Healthcare's website.

RESTRICTION OF LIABILITY

Our work has been undertaken to enable us to express a limited assurance conclusion on the selected sustainability information to the directors of the Company in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than the Company, for our work, for this report, or for the conclusion we have reached.



PricewaterhouseCoopers Inc.
Director: Jayne Mammatt
Registered Auditor

4 Lisbon Lane, Waterfall City, Jukskei View, 2090

18 December 2019

GLOSSARY OF TERMS

ACI	African, Coloured and Indian
AI	Artificial intelligence
Alliance Medical	Alliance Medical Group Limited
AMS	Antimicrobial stewardship
ASL	Azienda Sanitaria Locale
B-BBEE	Broad-Based Black Economic Empowerment
BI	Business intelligence
BPMHSW	Botswana Private Medical and Health Services Workers Union
BS OHSAS	British Standard Occupational Health and Safety Assessment Series
BSI	British Standards Institution
BWP	Botswana pula
CAUTI	Catheter associated urinary tract infections
CDC	Centre of Disease Control and Prevention
CDSS	Clinical decision support system
CHKS	Caspe Health Knowledge Systems
CLABSI	Central line associated bloodstream infections
COID	Compensation for Occupational Injuries and Diseases Act
Companies Act	South African Companies Act, 71 of 2008, (as amended)
CPI	Consumer price inflation
cps	Cents per share
CQC	Care Quality Commission
CSDP	Central Securities Depository Participant
CSI	Corporate social investment
CT	Computerised tomography
DENOSA	Democratic Nursing Organisation of South Africa
DHMS	Discovery Health Medical Scheme
DI	Diagnostic imaging
DOH	National Department of Health
DPS	Dividend per share
DSP	Designated service provider
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
EHS	Life Employee Health Solutions
EMS	Emergency Medical Services
EPS	Earnings per share
ERP	Enterprise resource planning
ESC	European Scanning Centre
ESD	Enterprise and supplier development
ESG	Environmental, social and governance
EU	European Union
EUR	Euro
EVP	Employee value proposition
EY	Ernst & Young
FAM	Functional Assessment Measure
FDA	Food and Drug Administration
FIM™	Functional Independence Measure™
GBP	Pound sterling
GDP	Gross domestic product
GDPR	General Data Protection Regulation
GEMS	Government Employees Medical Scheme
HAI	Healthcare associated infections
HASA	Hospital Association of South Africa
HCAHPS	Hospital Consumer Assessment of Healthcare Providers and Systems
HCRW	Healthcare risk waste
HEPS	Headline earnings per share
HMI	Healthcare Market Inquiry
HOSPERSA	Health and Other Service Personnel Trade Union of South Africa
HPCSA	Health Professions Council of South Africa
HR	Human resources
ICNet	Life Healthcare's electronic surveillance system
ICU	Intensive care unit
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IMF	International Monetary Fund
IoDSA	Institute of Directors in Southern Africa

IOSH	Institution of Occupational Safety and Health
IRBA Code	Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors
IRMER	Ionising radiation medical exposure regulations
ISAE	International Standard on Assurance Engagements
ISMS	Information security management system
ISO	International Organisation for Standardisation
IT	Information technology
JSE	Johannesburg Stock Exchange Limited
JSE Listings Requirements	JSE Limited Listings Requirements
King IV	King IV Report on Corporate Governance for South Africa 2016
kℓ	Kilolitre
KPI	Key performance indicator
kWh	Kilowatt hour
LGH	Lifecare Group Holdings
LHC	Life Healthcare Group Proprietary Limited
LOS	Length of stay
LTI	Long-term incentive
LTIP	Long-term incentive plan
Max or Max Healthcare	Max Healthcare Institute Limited
MEEM	Multi-period earnings excess method
MI	Molecular imaging
MOI	Memorandum of Incorporation
MRI	Magnetic resonance imaging
MSA	Medical Schemes Act
NEHAWU	National Education, Health and Allied Workers' Union
NEPSAW	National Union of Public Service and Allied Workers
NFZ	Narodowy Fundusz Zdrowia
NHI	National Health Insurance
NHS	UK National Health Service
OHSA	Occupational Health and Safety Act, 85 of 1993
PET-CT	Positron emission tomography-computerised tomography
PGM	Polska Grupa Medyczne
PHEF	Public Health Enhancement Fund
PIC	Government Employees Pension Fund
PLN	Polish zloty
PoPI	Protection of Personal Information Act
PPD	Paid patient day
PPP	Public-private partnership
PROMs	Patient-reported outcome measures
PV	Photovoltaic (solar)
PwC	PricewaterhouseCoopers Inc.
PXM	Patient experience management
QMS	Quality Management System
QSSS	Quality Systems Support Specialist
RIDDOR	Reporting of injuries, diseases and dangerous occurrences regulations
ROCE	Return on capital employed
RONA	Return on net assets
SANC	South African Nursing Council
Scanmed	Scanmed S.A.
SDLC	Systems Development Lifecycle
SENS	Stock Exchange News Service
SREs	Serious reportable events
SSI	Surgical site infections
STI	Short-term incentive
TCO	Total cost of ownership
TCTC	Total cost to company
TSR	Total shareholder return
UK	United Kingdom
VAP	Ventilator associated pneumonia
VCP	Variable compensation plan
VWAP	Volume weighted average traded price
WACC	Weighted average cost of capital
WHO	World Health Organization



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