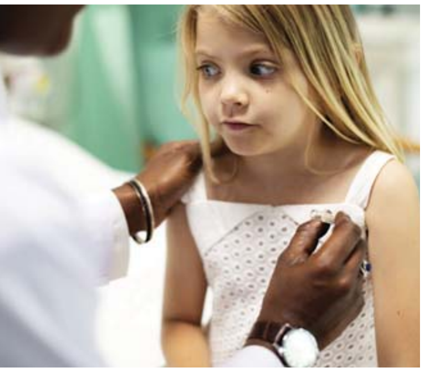
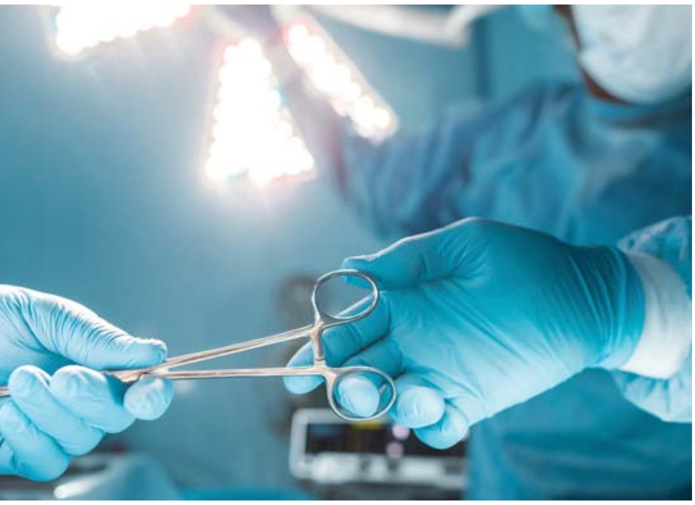
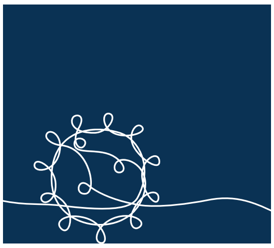



Integrated annual report 2021

Life Healthcare

Contents

FORWARD-LOOKING STATEMENTS

This integrated report contains forward-looking statements that, unless otherwise indicated, reflect the Group's expectations as at 30 November 2021. 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.

FEEDBACK

At Life Healthcare, we value your feedback as we endeavour to provide accurate, transparent and balanced information to our stakeholders. We invite you to contact the Group Company Secretary, **J Ranchhod** on **+27 11 219 9000** or **joshilar@life.co.za** or our Head of Investor Relations, **M Wadley** on **investor.relations@lifehealthcare.co.za** should you have any questions.

NAVIGATION

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

Stakeholders		Material matters
Patients	1	COVID-19
Doctors and specialists	2	Business disruptions due to social unrest and shortages of critical supplies
Healthcare funders	3	Labour relations and employee retention
Industry regulatory bodies	4	Healthcare funders and the cost of care
Shareholders, investors and financiers	5	Specialised skills shortage
Government	6	Quality of care standards
Employees	7	Portfolio performance
Suppliers	8	Government relationships
Society	9	Increased regulations
	10	Cyber-security and data protection

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

A A non-financial indicator that was assured by Deloitte.

This icon indicates that further information is available online.

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

STRATEGIC PILLARS

QUALITY

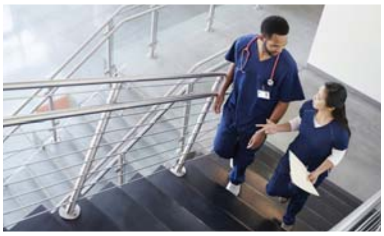
GROWTH

EFFICIENCY

SUSTAINABILITY

Life Healthcare's corporate head office in Johannesburg

About our report



SCOPE, REPORTING PROCESS AND BOUNDARY

We are pleased to present our 2021 integrated annual report, which is our primary report prepared for all stakeholders. This report is produced based on Life Healthcare's integrated thinking and reporting process that is governed by the Board of Directors (the Board). Our integrated annual report evolves from our performance reports, which are compiled monthly and reviewed by management – an integral part of this report's overall assurance, in respect of the integrity of the data. Further our integrated reporting process is supported by the Group's governance framework and incorporates discussions and decisions at board and management level. The report is also informed by various external and internal factors including our external operating environment, strategy, business model, stakeholders, key risks and opportunities, material matters and the Group's governance.

Our report covers the period 1 October 2020 to 30 September 2021 and was compiled with information that the Board and management believe is relevant and material to provide an integrated view of the Group's performance. We have also included all relevant information and material events after year-end up to the approval of the integrated report on 30 November 2021.

ASSURANCE

We followed a combined assurance process during the preparation of this integrated report, with the Board, its committees and management responsible for finalising the disclosures contained herein. The Group's annual financial statements were independently assured by our external auditors, Deloitte. The summarised financial information included in this report was extracted from the Group's audited annual financial statements. However, this report in its entirety has not been independently assured. Non-financial indicators that have been assured are denoted by A.

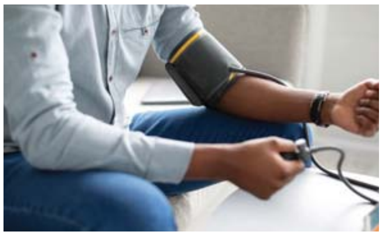
A *A number of non-financial indicators were assured by Deloitte. For the selection of indicators and the independent assurance report, refer to page 172.*

REPORTING SUITE AND FRAMEWORKS

Our reporting suite comprises the reports listed below and is guided by various reporting frameworks, standards and codes. These include the International <IR> Framework (January 2021), the Global Reporting Initiative (GRI) Standards, the International Financial Reporting Standards (IFRS), the King Code of Governance Principles for South Africa (King IV), the JSE Listing Requirements and the South African Companies Act, 71 of 2008. The Annual Financial Statements and the Sustainability (ESG) Data Report can both be found on our website at www.lifehealthcare.co.za.

Integrated Annual Report + Annual Financial Statements + Remuneration & Implementation Report + Sustainability (ESG) Data Report





VALUE CREATION, PRESERVATION AND EROSION

Through our business model, we strive to create and preserve value, and not to erode value. The Group's six critical capital resources, namely financial capital, intellectual capital, manufactured capital, human capital, social and relationship capital and natural capital are deployed in a balanced manner through our business model (inputs, business activities and outputs) and culminate in outcomes for all key stakeholders. When capital resources are used, we take account of necessary capital trade-offs to ensure these resources are used in a balanced manner. To reflect how we create, preserve and erode value, this report focuses on the Group's performance, strategy, material matters, risks and opportunities for our two geographical regions, namely:

- **Southern Africa:** Our operations are in South Africa, with business activities also taking place in Botswana, which represent 70.8% (2020: 72.3%) of the Group's revenue and include both hospital and healthcare services divisions.
- **International:** Our growing international operation includes Alliance Medical Group Limited (AMG) across the United Kingdom (UK) and Europe. International operations represent 29.2% (2020: 27.7%) of the Group's revenue, and include diagnostic and molecular imaging, radiopharmacy and radiotracer development.

For more information on our value creation, preservation and erosion, refer to page 10.

MATERIALITY

We report on 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 factors and influences when identifying our material matters and, once identified, we prioritise these matters according to their likelihood and potential impact. These identified material matters inform and shape our strategy and are reviewed annually.

We identified the following matters as material during 2021:

- COVID-19
- Business disruptions due to social unrest and shortages of critical supplies
- Labour relations and employee retention
- Healthcare funders and the cost of care
- Specialised skills shortage
- Quality of care standards
- Portfolio performance
- Government relationships
- Increased regulations
- Cyber-security and data protection

For more information on our material matters, refer to page 18.

BOARD RESPONSIBILITY

Life Healthcare's Board is ultimately responsible for the integrity and completeness of this integrated report and is assisted by its sub-committees throughout the reporting process. The Board applied its mind during the preparation of this integrated report. Based on the completeness of the information collected and the assurance thereof, the Board concluded that this integrated report aligns with the International <IR> Framework (January 2021) and provides a true, complete and material account of the Group's performance and strategic direction.

This integrated report was approved by the Board on 30 November 2021.

Dr VL Litlhakanyane
Chairman

PG Wharton-Hood
Group Chief Executive

Who we are

We are an international healthcare provider. We provide care that is valued by our patients and stakeholders by focusing on our employees, clinicians, clinical excellence, using analytics and technology to positively impact the care we deliver. We are committed to being a good corporate citizen and conducting our business ethically and sustainably.

Our geographic footprint spans across southern Africa, the United Kingdom and Europe.

Our core purpose is
Making life better

International healthcare provider | **Diversified offering** | **Clinical excellence, analytics and technology**

Offering an integrated healthcare model and diagnostic imaging capability

With a growing share of revenue and earnings from non-acute sources

Focus on our employees, clinicians, clinical excellence and using analytics and technology to positively impact patient care

Our vision

Our **vision** is to be an international healthcare provider delivering **measurable clinical quality** through a **diversified** offering and **people-centred** approach.

Our mission

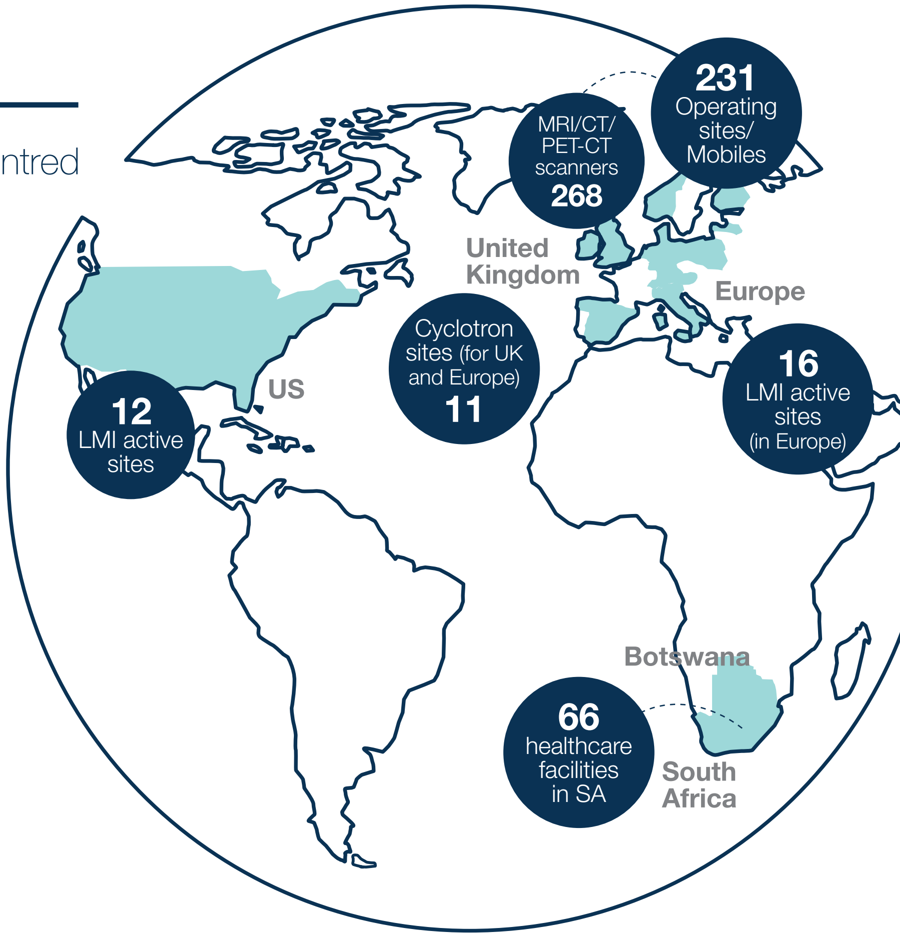
We **improve** the lives of people through the **delivery** of **high-quality**, **cost-effective care**.

CULTIVATING RELATIONSHIPS

We work with various stakeholder groups across our businesses, and we continue to invest in these relationships to maintain our competitive edge. Building relationships with our doctors and specialists is critical and leads to a growing and highly skilled base of healthcare professionals. Our engagement with hospitals, medical associations and tertiary institutions is ongoing to establish a pipeline of specialists for the future.

What we do

We provide high quality, people-centred care throughout our diverse range of healthcare services across two major segments.



SOUTHERN AFRICA

Total registered beds	9 177
Acute hospitals	**49**
Complementary services facilities	
Mental health facilities	9
Acute rehabilitation facilities	7
Renal dialysis stations	433
Oncology units	5
Life Employee Health Solutions (Life EHS)	
Occupational health clinics	281
Employee wellness clinics	78
Public Private Partnerships (PPPs)	
Life Esidimeni	10
Nursing Education	
Learning centres across SA	7

UNITED KINGDOM AND EUROPE

Operating sites/Mobiles	231
Cyclotron sites	11
No of scanners MRI/CT/PET-CT	268

LIFE MOLECULAR IMAGING

Manufacturing sites North America	12
Manufacturing sites Europe	16
Manufacturing sites Rest of the world	10
Ongoing and planned sites	8

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.

Our **hospital division** includes acute hospitals in South Africa (SA) and Botswana, as well as complementary services comprising oncology, acute rehabilitation, renal dialysis and mental health.

Our **healthcare services division** provides specialised care offered by Life Esidimeni and occupational health and employee wellness services offered by Life Employee Health Solutions.

For more on our southern African segment, refer to page 138.

INTERNATIONAL

Our international segment includes **Alliance Medical Group** (AMG) and **Life Molecular Imaging** (LMI).

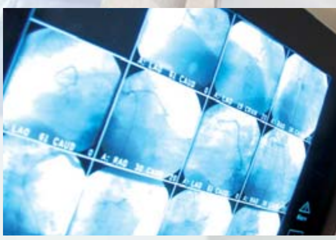
AMG is one of the largest independent imaging providers in the United Kingdom (UK) and Europe.

LMI is a fully integrated research and development pharma company dedicated to developing and globally commercialising innovative molecular imaging agents for use in PET-CT diagnostics.

For more on our International segment, refer to page 128.

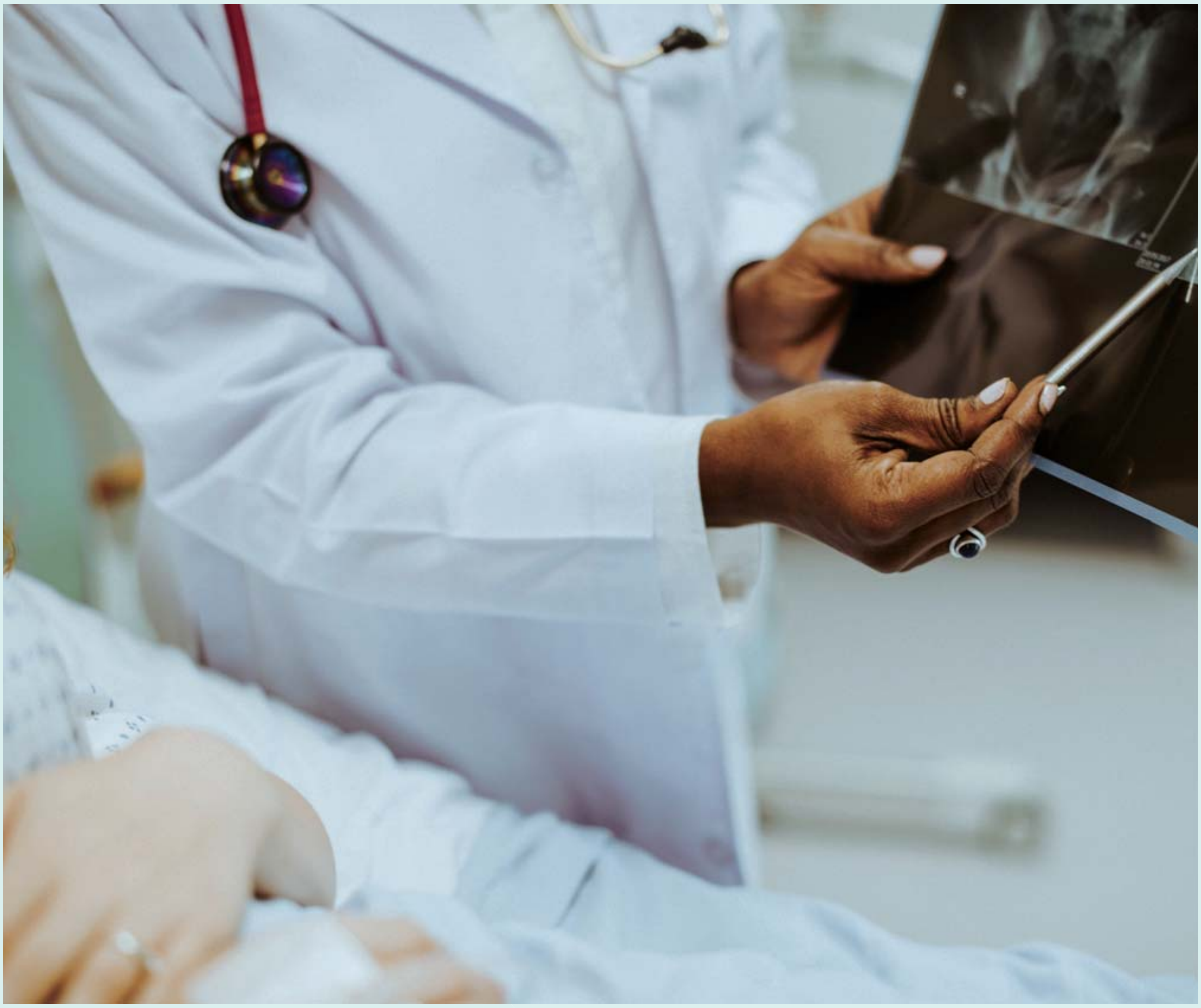




In this section

How we create value



Our business model

Our purpose is ***Making life better.*** In order to achieve this, we have a well-developed business model which takes into account the following key factors:

Inputs

Our ability to deliver high-quality, people-centred care and generate value for all stakeholders involves various capital input resources.

FINANCIAL CAPITAL

The sustainability of our Group depends on how efficiently we manage the pool of funds entrusted to us by our shareholders and capital providers. Funds include equity capital, short and long-term loans, as well as profits generated from our business activities and investments.

R19.2 billion equity
(2020: R18.3 billion)

R10.4 billion net debt
(2020: R14.1 billion)

R6.6 billion undrawn facilities
(2020: R6.3 billion)

INTELLECTUAL CAPITAL

We differentiate ourselves through excellent service offerings, responsible corporate governance and adherence to quality standards – the intangibles of our business that contribute to our competitive advantage.

Global healthcare provider delivering high quality care

Robust governance framework

Novel radiotracers within LMI, including FDA approved NeuraCeq®

HUMAN CAPITAL

We depend on the skills, knowledge and experience of our employees to implement our strategy. By delivering our products and services, our employees attend to our patients' needs, thereby creating sustainable value for our stakeholders.

Diverse Board and experienced leadership team

Fair and transparent remuneration

19 535 employees (2020: 18 923)

R158 million invested in training (2020: 224 million)

SOCIAL AND RELATIONSHIP CAPITAL

Creating and nurturing long-term relationships with our key stakeholders – including doctors, patients, suppliers, business partners, governments and labour unions – is how we build our reputation and brand, which is essential to our success.

22 COVID-19 vaccination sites

Nurturing stakeholder relations

Public-private partnerships with governments in South Africa, UK and Europe

R92 million (2020: R65 million) **community upliftment investment in South Africa**

MANUFACTURED CAPITAL

Our clinical excellence is supported by our technologically advanced and multi-disciplinary facilities, optimal infrastructure, data and analytics capabilities, and world-class medical equipment and consumables.

R14.7 billion in property, plant and equipment (PPE) (2020: R15.4 billion)

R1.5 billion in maintenance capital expenditure (capex) (2020: R1.2 billion)

R0.4 billion growth capex (2020: R0.8 billion)

NATURAL CAPITAL

We make use of both renewable and non-renewable natural resources in the delivery of services to our patients. While our business has an unavoidable impact on the environment, we endeavour to reduce negative impacts by measuring and managing our activities.

Solar panels at 15 facilities (2020: 12) **which generated 7.8 gWh of power**

1.1 million kl water consumed (2020: 1.0 million kl)

150 gWh grid-tied electricity purchased
(2020: 156 gWh)

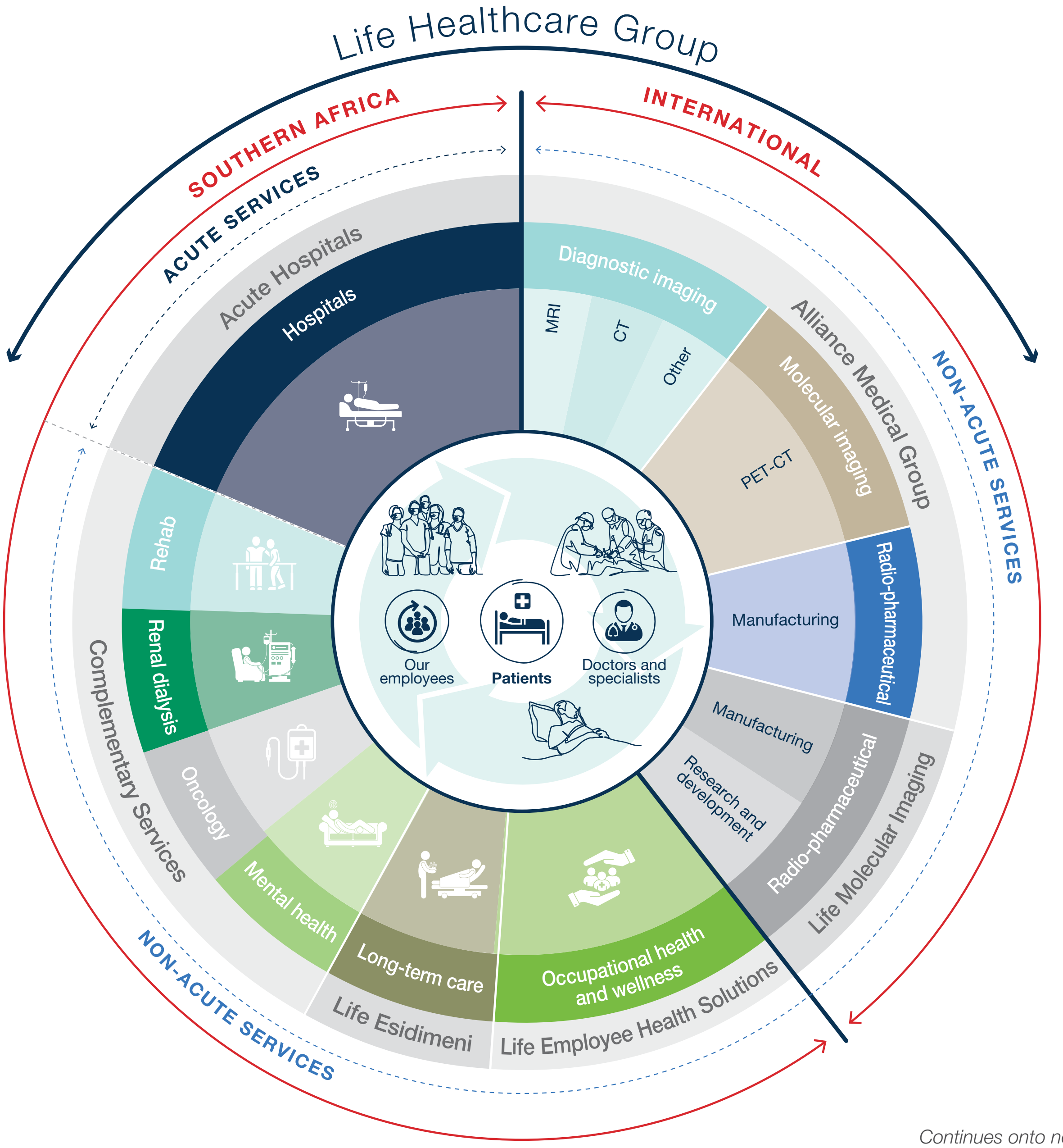
OPERATING ENVIRONMENT
See page 12.

RISKS AND OPPORTUNITIES
See page 100.

MATERIAL MATTERS
See page 18.

Business activities and outputs

Our healthcare and operational activities enable us to deliver world-class outputs in southern Africa and internationally. Our unique international diversified healthcare service offering is summarised below (please note that the segment sizes are illustrative and not proportional to revenue contribution).



Continues onto next page:
Outcomes, Creating value for our shareholders, Stakeholders impacted and Trade-offs

Our business model continued

Value creation key:

Value created Value preserved Value eroded

Continues from previous page:
Inputs,
Business activities
and Outputs

Our inputs, business activities and outputs culminate in outcomes for our stakeholders. These outcomes either create, preserve or erode value resulting in capital trade-offs.

Outcomes

Creating value for our stakeholders and managing trade-offs

FINANCIAL CAPITAL	**R5.1 billion normalised* EBITDA** (2020: R4.2 billion)	Value created
	R1.9 billion net profit after tax (2020: R38 million)	Value created
	25 cents dividend declared (2020: zero cents)	Value created
	Improved performance and cost savings resulted in improved cash generation	Value created
	Normalised* earnings per share (NEPS) of 112.7 cps (2020: 61 cps)	Value created
	Share price **2 279 cents up 33.6%** year-on-year at 30 September 2021 (versus same date in 2020) (2020: 1 706 cents)	Value created
INTELLECTUAL CAPITAL	Improvement in profit margins during 2021	Value created
	High clinical quality metrics maintained	Value preserved
	Growth opportunity for NeuraCeq® following FDA approval of Biogen's Alzheimer's drug Aduhelm®	Value created
	Enhanced pricing models (alternative reimbursement models) with medical schemes in South Africa, including development of value-based care products	Value created
HUMAN CAPITAL	**R7.2 billion** in employee salaries (2020: R8.7 billion)	Value created
	645 nurses trained through a Life Healthcare Nursing College (2020: 855)	Value created
	81.4% female employees in South Africa (2020: 79.6%)	Value created
	29 employees succumbed to COVID-19 (2020: 19) and c.2 900 employees contracted COVID-19 (2020: c.2 700)	Value eroded
SOCIAL AND RELATIONSHIP CAPITAL	c.80% of healthcare employees vaccinated in South Africa against COVID-19	Value created
	Level 3 B-BBEE rating (2020: Level 4)	Value preserved
	99% of procurement spent with local suppliers (2020: 96%)	Value created
	c.380 000 vaccinations done at 22 Life Healthcare facilities to date in 2021	Value created
MANUFACTURED CAPITAL	c.365 000 COVID-19 patient days within our facilities	Value preserved
	16 beds, 65 renal dialysis stations added	Value created
	1 cyclotron acquired	Value created
	58.6% occupancy rate in our acute and complementary services division in 2021 (2020: 58.0%)	Value created
NATURAL CAPITAL	**1.1 million kl water consumed** (2020: 1.0 million kl)	Value eroded
	150 gWh grid-tied electricity purchased (2020: 156 gWh)	Value created
	1.7 million tons of waste recycled (2020: not available)	
	2.87 kg/PPD of healthcare risk waste generated (2020: 2.01) (A)	Value eroded
	7 800 tons of CO_2 emissions prevented by energy from solar panels	Value preserved

* *Normalised EBITDA and NEPS exclude non-trading related costs or income and are non-IFRS measures.*

Links back to our Inputs *on page 8*

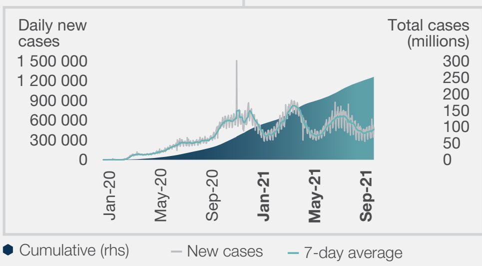
Stakeholders impacted	Trade-offs
3 5 7	Shareholders received a final dividend of 25 cents per share (2020: zero cents), which negatively impacted financial capital (cash outflow) but positively impacted social and relationship capital (shareholders). Disposal of Scanmed generated net proceeds of R681 million which improved our financial capital (cash inflow).
2 3 5	Further developments around new disease modifying drugs for Alzheimer's disease positively impacted our intellectual capital. Our strategy to implement digitally enabled value-based care over time will negatively impact financial capital but positively impact intellectual and social and relationship capital (patients, employees, doctors and specialists).
1 2 7	The loss of 48 employee lives from COVID-19 and c.5 600 employees who contracted COVID-19 impacted negatively on human capital as employee morale was impacted. High employee turnover and increased use of agency employees negatively impacted financial capital.
4 6 8 9	Good progress with employee vaccinations positively impacted human (employees) and social (patients, doctors and specialists) capitals but assistance with national vaccination roll-out negatively impacted financial capital from a cost perspective. Increased preferential procurement spend supported social and relationship capital (suppliers).
1 5	Capital expenditure during 2021 positively impacted our manufactured capital however this negatively impacted our financial capital (cash outflow).
1 2 5 7	Due to intermittent electricity blackouts our diesel consumption increased which negatively impacted on our natural and financial capitals. The COVID-19 waves put strain on our employees and continued to put pressure on profit margins impacting both human and financial capitals.

Our operating environment

As we progress towards our vision of being an international, healthcare provider delivering measurable clinical quality through a diversified offering and people-centred approach, we have to traverse a complex and changing healthcare landscape. This landscape is impacted by global macro-economic events and trends which can affect our operations and ability to create value. This external operating context impacts our profitability, business continuity, risk management and also informs the decisions we make on our strategy.

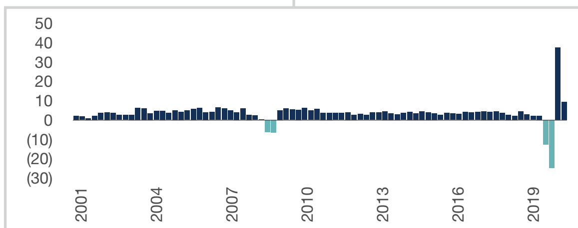
	COVID-19	**Global economy**
WHAT HAPPENED	**The COVID-19 pandemic continued to cause supply and demand disruptions during 2021.** **Demand for healthcare has been impacted by successive COVID-19 waves.** **During these waves, in our southern African operations, demand for COVID-19 specific treatment increased, while elective and routine healthcare services declined.** **Within AMG we had opportunities to help public health authorities with COVID-19-related support measures.** **Supply-side disruptions include remote working during lockdowns, employee absenteeism due to illness or self-isolation and consumable shortages due to supply chain shocks.**	**During 2020 COVID-19 had a dramatic impact on the global economy due to forced lockdowns and supply chain disruptions.** **These disruptions have reduced since the beginning of 2021, in part due to waning cases in some countries, followed by easing of restrictions, and continued central bank fiscal support.** **While many countries saw significant contractions in GDP during 2020, the rebound in activity across many sectors globally, has led to a strong resurgence in GDP metrics across the globe.**
OUTLOOK	Through a combination of herd immunity and mass vaccinations we will learn and adapt to live with COVID-19 and further waves of infection, much like we do with influenza viruses. Annual booster vaccinations may become routine particularly if additional viral variants emerge. Supply chains will normalise and demand for routine healthcare services will return. In some cases, pent-up demand may lead to a spike in activity. In some cases delayed healthcare treatment may lead to more severe illness with poorer outcomes.	Mass vaccination roll-outs across the globe since early 2021 have improved global sentiment, seen reduced work-from-home activity and a resumption in international travel. Many global activities are likely to return to pre-COVID-19 levels during 2022 in the absence of further COVID-19 waves and the impact of any intermittent lockdowns driven by new variants.

Global COVID-19 chart



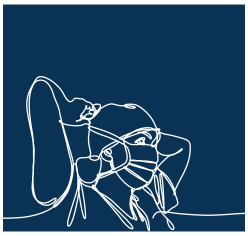
Source: Bloomberg

Global quarterly GDP, growth year-on-year (annualised) (%)



Source: Bloomberg



Exchange rates

Our major currency exposures from a reporting perspective are the British pound (GBP) and the euro (EUR). While AMG reports in GBP, c.50% of AMG's revenue is generated in EUR. AMG's results are consolidated into Rand for our Group results. A weaker Rand enhances returns from our international division, although a strong GBP versus the EUR reduces AMG's returns.

Weak growth prospects, electricity supply constraints and sub-investment grade sovereign debt have all contributed to a weaking of the Rand versus major currencies over time. COVID-19 negatively impacted the Rand initially in 2020, but the currency strengthened during 2021 as rising mineral prices enhanced the Rand value of these exports.

The outlook for our volatile currency depends on inflation expectations globally and how central banks respond to this.

It is possible that we see further Rand weakness given the relatively weaker growth trajectory that South Africa is forecast to have. Fiscal stabilisation and a continued commodities boom could lead to a strengthening of the currency.

ZAR and Euro versus GBP (100 = 1 October 2019)

Source: Bloomberg

Innovation

Digital innovation has been accelerated by COVID-19, lockdowns and work-from-home demands.

Patients and healthcare providers had previously been slow to adopt platforms that provided online consultations while regulators restricted services like electronic prescriptions.

The *internet of things* has enhanced the collection and data analytics from an increasing array of remote monitoring devices and wearables, further accelerating the digital healthcare offering.

Digital innovation in healthcare will continue. It should become an enabler for better healthcare access (through virtual consultations and remote monitoring), record keeping (electronic health records) and research (analytics and big data).

Our operating environment continued

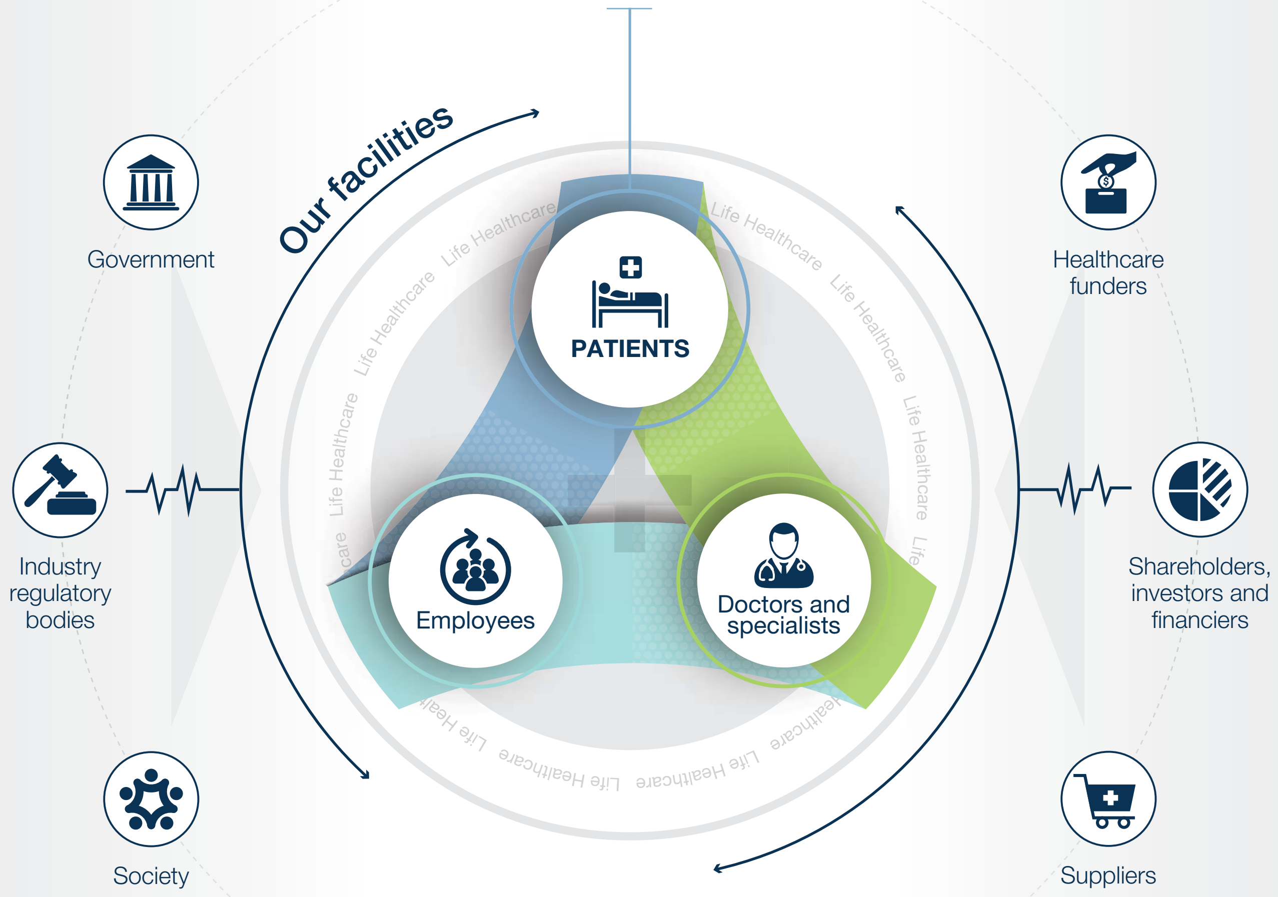
Our stakeholders

When assessing business risks and opportunities we must be cognisant of the operating environment we choose to be part of, the risks and opportunities inherent in the market, while also weighing up our relative strengths and capabilities to compete in the target market. Several key stakeholders (depicted below) shape our operating environment and contribute to our ability to deliver services across our business.

The **patients** we treat are our **primary stakeholders.**

Making life better for them is key to what we do.

Patients care about the **quality of care** they receive as well as the **affordability and accessibility** of care.

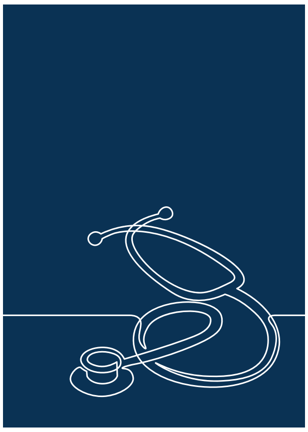


To achieve our purpose of ***Making life better*** for our patients, we also interact with and are dependent on several other important stakeholders, as discussed below.

STAKEHOLDER		Links to material matters	Links to key risks
4, 6	Healthcare is a heavily regulated sector world-wide. These regulations, from national **governments or from professional or other regulatory bodies**, define what we can and can't do from a healthcare provision perspective. As a consequence of regulations, different healthcare models are employed around the world. In South Africa, competition regulations limit our ability to grow by acquisition in the acute hospital space due to our relative market share. In addition, we are largely not allowed to employ medical specialists, and there are restrictions on our ability to provide fully accredited undergraduate training for nurses and doctors despite shortages of these skills in South Africa.	5, 8, 9	¬ Complexity of regulatory environment and compliance risk ¬ Reputational risk ¬ Skilled healthcare professional shortages
9	Governments, and their regulations, are essentially a reflection of the values, beliefs and aspirations of **society**. Society plays a role in holding governments and businesses accountable for their actions. We are serious about corporate responsibility, which is embodied by our commitment to ethical and sustainable behaviour. We discuss these commitments within our governance overview (refer to page 46) and Social, Ethics and Transformation section (refer to page 60).	8, 9	¬ Changing business environment and innovation risk ¬ Reputational risk
7	**Our employees** are critical to the delivery of our services. Our ability to employ and retain talented and passionate employees is a key component of delivering consistent high-quality care. Shortages of nurses globally have led us to invest in training in SA nurses through our own nursing college (Life College of Learning). However, regulatory restrictions related to accreditation of independent training colleges hampers our ability to train fully registered nursing employees.	1, 2, 3, 5, 6	¬ Human capital (people) risk ¬ Complexity of regulatory environment and compliance risk ¬ Clinical and patient safety risk
2	**Doctors and specialists** are critical to our healthcare services delivery. In many countries we operate in we either do not, or are not allowed to, employ doctors and specialists. They act as consulting partners with access to our facilities and have rights to carry out procedures and admit patients within our facilities. Shortages of doctors globally, our inability to do accredited medical school training of doctors, and our inability to employ them directly within South Africa, present challenges in terms of the sustainability of our operations, our ability to expand across the continuum of care, and our aspirations to implement value-based care across our business.	1, 2, 3, 5, 6	¬ Skilled healthcare professional shortages ¬ Complexity of regulatory environment and compliance risk ¬ Clinical and patient safety risk

Our operating environment continued

STAKEHOLDER		Links to material matters	Links to key risks
3	**Healthcare funders** are important stakeholders as we receive much of our remuneration directly from them. In southern Africa our services are mostly funded through private medical insurance coverage and occasionally through direct out-of-pocket payments or publicly funded schemes (such as the Road Accident Fund). In the United Kingdom and Europe most of our services are funded by national healthcare services and a small component from private sector funding.	1, 2, 4, 6	¬ Funder risk
5	**Shareholders, investors and financiers** provide the equity and debt capital we rely on to fund our businesses and growth aspirations.	1, 2, 4, 6, 7, 9	¬ Macroeconomic and political risk ¬ Changing business environment and innovation risk ¬ Business resilience and continuity risk ¬ Complexity of regulatory environment and compliance risk ¬ Clinical and patient safety risk ¬ Reputational risk
8	Our **suppliers** deliver the consumables, drugs, equipment and food we utilise during the provision of our services. We also rely on utilities to supply us with water, electricity and other municipal services. Reliability of our supply chain and utilities is crucial to the sustainability of our services.	1, 2	¬ Business resilience and continuity risk



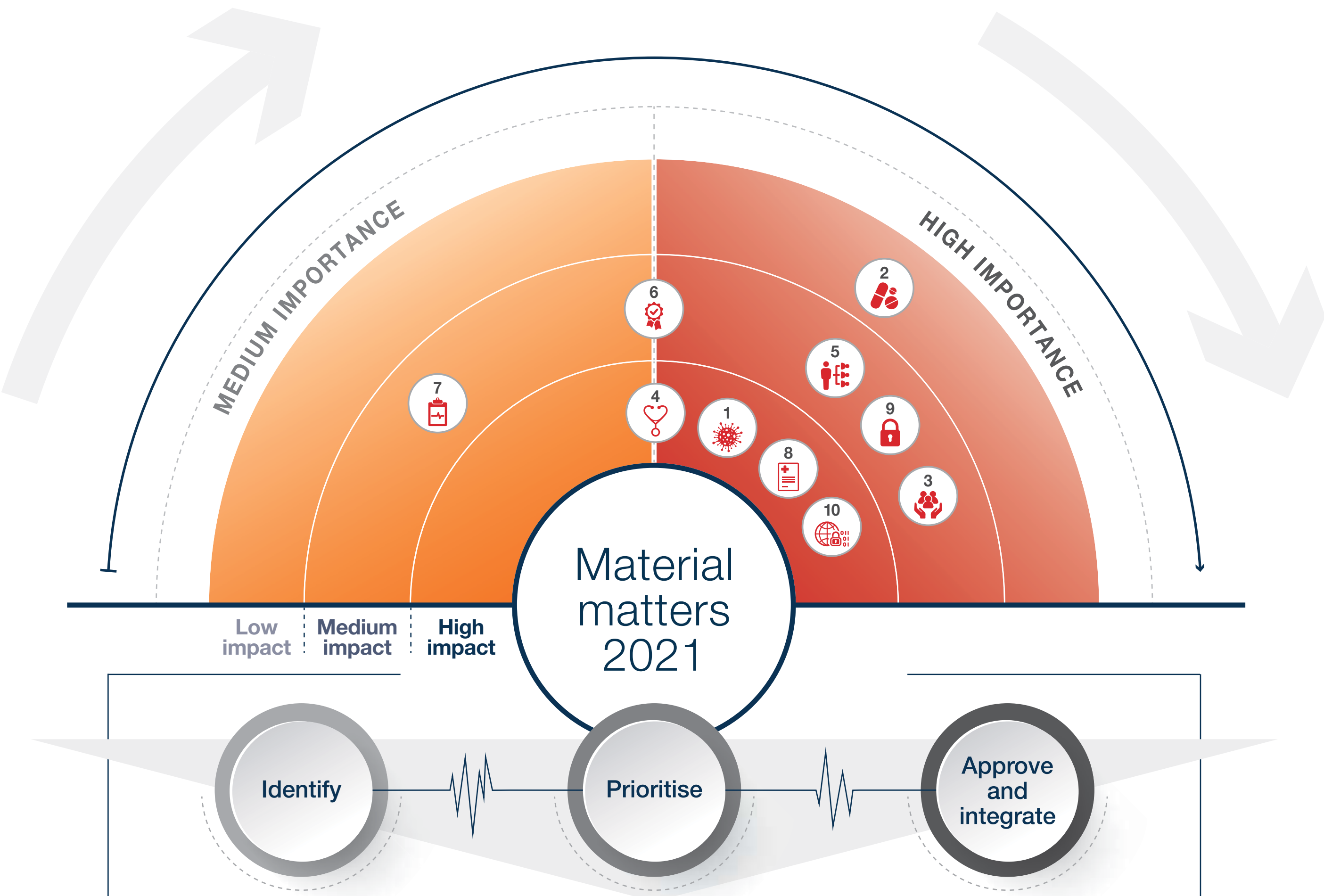
Our material matters

Our material matters are those issues that could affect our ability to deliver care, or the economic, environment and social value we create for our stakeholders through our business strategy. We manage our material matters strategically to ensure sustainable value in the short, medium and long term.

MATERIAL MATTERS DETERMINATION PROCESS:

Our material matters determination process (depicted below) involves assessing our operating environment, considering and discussing what matters most for our various key stakeholders and what risks and opportunities the Group faces. These matters are then identified, prioritised and integrated into the business. The matters are also approved by the Board annually. Following this process during 2021, ten matters were identified as the most material to our current operations and stakeholders (see below).

Our material matters influence the Group's strategy (page 25), the Board's agenda, management reports, the external operating environment (page 12), our relationships with stakeholders (page 30), and our key risks and opportunities (page 100).



When identifying our material matters, we evaluate internal and external factors that are relevant to the environment in which we operate.

Our identified material matters have the ability to impact the Group over time. We prioritise these material matters in terms of likelihood and potential impact, as depicted in the heat map above.

Our prioritised material matters are approved by the Board and integrated into our Group strategy and business operations.

Change in severity year-on-year:

Unchanged Decreased NEW New material matter

Levels of control:

LOW LOW/MED MEDIUM MED/HIGH

WE HAVE IDENTIFIED THE FOLLOWING MATERIAL MATTERS THAT COULD IMPACT OUR ABILITY TO CREATE VALUE IN THE SHORT, MEDIUM AND LONG TERM:

1 COVID-19

Change: Unchanged

Level of control: LOW

Why matter is considered material

COVID-19 continues to impact economies and societies world-wide and, given our international footprint, our operations were at the frontline in combatting the effects of the pandemic. We continue to prioritise the safety and health of our nurses, clinicians, employees and patients. Our response has been informed by best practice local and international guidelines and procedures to safeguard the Group's sustainability.

COVID-19 has introduced additional operational costs for all of our operations, including the costs of PPE, absenteeism (due to sickness or isolation). We have introduced a mandatory vaccination policy across the Group, starting with our corporate head office (from 1 December 2021) and then rolling out to our clinical facilities during 2022.

Factors impacting this material matter

- Availability of nursing and key human resources
- Introduction of new laws and regulations
- Best practice guidelines and protocols
- Availability of personal protective equipment for frontline workers
- Capacity within our hospitals and clinics and the impact this has on elective cases
- Rate of infection, timing of the COVID-19 peak and recurring outbreaks
- Economic impact and government support
- Unpredictability of COVID-19 waves
- Fear and anxiety

Affected stakeholders

1 2 3 4 5 6 7 8 9

Related key risks and opportunities

- Human capital (people) risk
- Macroeconomic and political risk
- Changing business environment and innovation risk
- Skilled healthcare professional shortages
- Business resilience and continuity risk
- Clinical and patient safety risk

Our response – strategic pillars

Our material matters continued

2 Business disruptions due to social unrest and shortages of critical supplies

Change: NEW

Level of control: LOW/MED

Why matter is considered material

The social unrest in KwaZulu-Natal and Gauteng (in SA) during July caused significant damage, particularly to many retailers, and disrupted supply chains in these areas. While none of our facilities were damaged, our ability to get employees and medical supplies (particularly medical oxygen) into some of our facilities was hampered for some days.

Factors impacting this material matter

- High rate of unemployment in South Africa, especially among the youth
- Inadequate police and other law enforcement capabilities

Affected stakeholders

1, 2, 5, 6, 7, 8, 9

Related key risks and opportunities

- Human capital (People) risk
- Macroeconomic and political risk
- Business resilience and continuity risk
- Clinical and patient safety risk

Our response – strategic pillars

3 Labour relations and employee retention

Change: ↓

Level of control: MED/HIGH

Why matter is considered material

The shortages in critical skills lead to an increase in salary costs which, in turn, can impact the affordability of care. Furthermore, this could also affect the level of quality care provided to our patients. Employee retention is crucial for the future growth of Life Healthcare.

Factors impacting this material matter

- Competition for specialised and scarce skills
- Increases in salaries exceeding inflation
- The potential impact of industrial action in South Africa
- Talent management, succession planning, development and training

Affected stakeholders

1, 7

Related key risks and opportunities

- Human capital (People) risk
- Skilled healthcare professional shortages
- Business resilience and continuity risk
- Clinical and patient safety risk

Our response – strategic pillars

4 Healthcare funders and the cost of care

Change: ⟷

Why matter is considered material

Healthcare funders have a significant influence on patients' accessibility to healthcare. Healthcare funder decisions affect our revenue and market share. Private healthcare funders reimburse c.95.0% (2020: 95.1%) of our hospital division's revenue in southern Africa. Internationally, a large proportion of revenue is derived from public funders, ranging between 40% to 90% in the different geographies in which we operate.

The increased cost of care remains a reality across the regions in which we operate. Providing efficient and affordable care options is crucial in enabling us to achieve our mission of improving the lives of people through the delivery of high-quality yet cost-effective care.

Factors impacting this material matter

Healthcare funders

- Prevalence of designated service provider network agreements
  - Significant exposure to medical schemes in South Africa
  - In 2021 73.2% of our acute hospital revenue comes from schemes administered by Discovery Health Medical Scheme, the Government Employees Medical Scheme (GEMS) and Medscheme (2020: 74.0%)
- Increased bargaining power of funders due to consolidation
- Viability of agreements with public funders internationally
- Affordability of private healthcare in southern Africa, and increasing wealth inequality

Cost of care

- Costs of resources, materials and services to maintain quality of care
- Fluctuating exchange rates
- Need to import necessities, such as surgical consumables and medical equipment
- Pressures on healthcare funders to contain costs
- Specialised and critical skills shortages and salary costs
- Alignment between employee levels and occupancies in our facilities
- Partnerships with medical professionals

Level of control:

MEDIUM

Affected stakeholders

1 2 3 4 5 6 7 8 9

Related key risks and opportunities

- Funder risk
- Business resilience and continuity risk
- Changing business environment and innovation risk
- Clinical and patient safety risk
- Skilled healthcare professional shortages
- Complexity of regulatory environment and compliance risk
- IT systems, infrastructure and project implementation
- Reputational risk

Our response – strategic pillars

Our material matters continued

5 Specialised skills shortage

Change: ↔

Level of control: MEDIUM

Why matter is considered material

The limited availability of skilled health professionals, including doctors, pharmacists, specialist and registered nurses, as well as ICU nurses, continues to be a concern globally. The skills provided by these specialists are a key driver of the Group's future growth across southern Africa and internationally.

Factors impacting this material matter

- Highly competitive skills market
- Immigration regulations and labour-related agreements (including the impact of Brexit)
- Limited training and skills development initiatives, sponsorships and bursaries
- Leveraging skills and transfer of knowledge from our international operations to grow our imaging presence in southern Africa

Affected stakeholders

2, 6, 7

Related key risks and opportunities

- Skilled healthcare professional shortages
- Human capital (People) risk
- Business resilience and continuity risk
- Clinical and patient safety risk
- Complexity of regulatory environment and compliance risk

Our response – strategic pillars

6 Quality of care standards

Change: ↔

Level of control: MED/HIGH

Why matter is considered material

Maintaining and improving the quality of care is linked to our core values. It is also a crucial part of building strong and mutually beneficial relationships with our stakeholders, which is one of the ways in which we protect our reputation.

Factors impacting this material matter

- Standards and practices recommended by governments and other regulators
- Group policies, including clinical quality procedures and frameworks
- Environmental, health and safety requirements
- Technological innovation
- Shortages in specialised skilled personnel

Affected stakeholders

1, 2, 3, 6, 7

Related key risks and opportunities

- Human capital (People) risk
- Business resilience and continuity risk
- Funder risk
- Clinical and patient safety risk
- Skilled healthcare professional shortages
- IT systems, infrastructure and project implementation
- Complexity of regulatory environment and compliance risk
- Reputational risk

Our response – strategic pillars

7 Portfolio performance

Change: ⟷

Why matter is considered material

Each business division is critical to delivering on our strategy and growth ambitions. We leverage our intellectual capital across the Group to support the expansion of our footprint.

Factors impacting this material matter

- Political and socio-economic circumstances in each region where we operate
- Demand for healthcare services
- Strength and leadership of management teams
- Competitive environment of each market
- Investment decisions made by management and the Board

Level of control: MEDIUM

Affected stakeholders

5

Related key risks and opportunities

- Human capital (People) risk
- Funder risk
- Macroeconomic and political risk
- Business resilience and continuity risk
- Skilled healthcare professional shortages
- IT systems, infrastructure and project implementation

Our response – strategic pillars

8 Government relationships

Change: ⟷

Why matter is considered material

The governments in the regions where we operate are among our key stakeholders who have significant influence over our business and form a primary source of revenue in our international operations.

Factors impacting this material matter

- Regulatory challenges for brownfield and greenfield expansion in southern Africa
- Regulatory reforms that impact on our revenue and profitability – or on our ability to attract and retain employees
- Changes in healthcare tariffs
- Reductions or delays in payments from governments
- National Health Insurance (NHI) implementation plans and timeline in South Africa

Level of control: LOW

Affected stakeholders

5 6 9

Related key risks and opportunities

- Complexity of regulatory environment and compliance risk
- Macroeconomic and political risk
- Business resilience and continuity risk
- Reputational risk

Our response – strategic pillars

Our material matters continued

9 Increased regulations

Change: ⟷

Level of control: LOW/MED

Why matter is considered material

The healthcare industry is highly regulated and, while this is often necessary, it does impact on our cost of care and growth. We fully support regulators' intentions, but the scale and pace of change in our regulatory landscape remains unprecedented, placing an unavoidable burden on the Group. We protect our reputation and licence to operate by complying with all applicable regulations.

Factors impacting this material matter

- Regulations around licensing, conduct of operations, security of medical records, occupational health and safety, quality standards and certain categories of pricing
- Maintaining the security of our medical records
- Compliance with occupational health and safety and quality standards
- Potential impacts of the HMI, NHI and Medical Schemes Amendment Bill on our South Africa operations
- Compliance with POPIA in South Africa and GDPR data privacy regulations internationally
- The impact of Brexit on our UK and European operations particularly in terms of cross border employee recruitment and procurement

Affected stakeholders

2 5 6 7

Related key risks and opportunities

- Complexity of regulatory environment and compliance risk
- Cyber-crime and data breach
- Reputational risk
- Macroeconomic and political risk

Our response – strategic pillars

10 Cyber-security and data protection

Change: ⟷

Level of control: MEDIUM

Why matter is considered material

Cyber-crime is increasing globally and, as a healthcare provider, we are particularly at risk. Data breaches come in the form of external and internal attacks, resulting in the disruption of services and disclosure of confidential information. With the adoption of work-from-home policies, extra vigilance and awareness are required.

Factors impacting this material matter

- COVID-19 and working-from-home
- Globalisation and geopolitics
- Vulnerabilities in IT infrastructure
- Lack of awareness and knowledge of cyber-threats within the organisation

Affected stakeholders

1 7 8

Related key risks and opportunities

- Cyber-crime and data breach
- Complexity of regulatory environment and compliance risk
- IT systems, infrastructure and project implementation
- Business resilience and continuity risk
- Reputational risk

Our response – strategic pillars

Our strategy

Our purpose of ***Making life better*** can only be successfully fulfilled by utilising a coherent strategy which is understood and implemented across the whole Group.

Our strategy is informed by various external and internal factors, including our operating environment, material matters, risks and opportunities and the availability of capital resources. Proactive engagement with our key stakeholders in relation to these internal and external factors continues to shape our strategy.

Our strategy has **four key pillars** which form the foundation for much of what we set out to do. Whether we embark on a restructuring programme, or implement a new business line, the impact must be measurable in terms of either **Quality**, **Growth**, **Efficiency** or **Sustainability** for the Group. While many functions across our Group are involved in delivering our strategy, the key enablers are our **people, technology, data and analytics**.

Our strategy continued

Strategic pillars

	1 QUALITY	2 GROWTH	3 EFFICIENCY
STRATEGIC PRIORITY	**Deliver clinical excellence and a leading patient experience**	**Drive continued growth while diversifying our revenue and earnings**	**Deliver operational excellence**
STRATEGIC OBJECTIVES	¬ Deliver patient-centred care aligned with clinical best practice ¬ Reduce variation in clinical care ¬ Drive quality through centres of excellence	¬ Deliver growth in existing lines of business ¬ Leverage existing assets and capabilities to grow new lines of business and diversify revenue	¬ Stabilise operating margins in SA ¬ Deliver operational leverage internationally

STRATEGIC TIME HORIZONS

STRATEGIC INITIATIVES	QUALITY	GROWTH	EFFICIENCY
SHORT TERM 2021 – 2023 Execute	¬ Continue to standardise care pathways and formularies ¬ Collect and report on patient reported outcomes	¬ Expand complementary services ¬ Execute SA imaging services deals ¬ Increase global NeuraCeq® production capability	¬ Increase SA bed occupancy levels ¬ Improve cost control across the business
MEDIUM TERM 2022 – 2025 Transform	¬ Enhance quality measurement and process improvements ¬ Pilot renal dialysis and other value-based care products	¬ Pilot value-based care projects ¬ Prepare for UK PET-CT contract renewal process ¬ Roll out community diagnostic centres in the UK	¬ Drive nursing excellence programme ¬ Leverage scale to improve procurement and contracting
LONG TERM 2025 ONWARDS Innovate	¬ Develop and introduce integrated value-based care products	¬ Develop and introduce multiple value-based care products ¬ Increase public-private partnership models	¬ Use technology, data and analytics to enable adaptable, innovative, decisive and insight-driven decisions

Strategic enablers

4 SUSTAINABILITY	People	Technology, Data and Analytics
Ensure the long-term viability and sustainability of our business	**Become an international employer of choice**	**Modernise our IT environment and create value through the use of data and analytics**
¬ Deliver responsible environmental, social and governance (ESG) practices ¬ Link material ESG imperatives directly to our strategic priorities	¬ Embed a culture of transformation, diversity and inclusion ¬ Attract, motivate, reward and retain our talented people	¬ Deliver and maintain a secure, modern IT environment ¬ Embed data-driven decision making within the organisation ¬ Network modernisation and cloud migration
¬ Deliver financial stability by improving margins and reducing employee turnover ¬ Ensure business continuity (back-up generator power and water storage) ¬ IT system modernisation and enhance business continuity and disaster recovery capabilities	¬ Develop and retain a highly skilled, competent nursing workforce ¬ Increase doctor support and retention ¬ Implement measures to reduce employee turnover in a competitive market ¬ Deliver on transformation, diversity and inclusion targets	¬ Enhance cyber security capability ¬ Decommission legacy systems
¬ Reduce grid-tied electricity with additional solar installations ¬ Develop group-wide environmental measurement capability ¬ Formalise environmental sustainability strategy with targets	¬ Continue to review reward and retention philosophy ¬ Run clinical and professional training programmes to ensure we have highly skilled, competent clinical workforce delivering quality care ¬ Deliver on transformation, diversity and inclusion targets	¬ Implement digital clinical and nursing excellence pilot projects ¬ Implement cloud migration of systems and data ¬ Enhance data and analytics capabilities to optimise performance and improve quality ¬ Integrate international IT environment
¬ Continue to be a good and ethical corporate citizen and deliver measurable reduction in our environmental impact	¬ Continue engagement with employees and other stakeholders to ensure that we remain an employer of choice ¬ Deliver on transformation, diversity and inclusion targets	¬ Digital technology platform and advanced analytics underpin the delivery of high-quality, cost-effective care

Our strategy continued

The Group's strategic goals are incorporated under four strategic pillars that are approved by the Board annually and updated where relevant. Life Healthcare's group executive committee is responsible for embedding these pillars Group-wide and monitoring progress.

See our four strategic pillars page 27.

Strategic goals

STRATEGIC PILLAR	Key measures	Progress in 2021	Value created preserved or eroded
	Group Chief Medical Officer appointment	Permanent appointment made	
	Quality metrics	Most quality metrics improved, although some were impacted by COVID-19 case mix	
	Patient experience	Consistently high feedback with improvement in 2021	
	Standardise care pathways and formularies	Some progress made during the year	
	Stabilise SA operating margins	SA normalised EBITDA margin 17.1% (2020: 16.8%), but still below 2019 level of 23.8%	
	Improved margins in AMG	Delivered improved underlying margins (excluding COVID-19 contracts)	
	EBITDA margin	Group normalised EBITDA margin 18.6% (2020: 17.4%)	
	Improved radio-pharmacy supply	Radiopharmacy supply 96.5% (versus target of 95.0%)	
	Reduce nursing employee turnover and agency usage	Nursing turnover remains high as does agency usage, and is higher versus 2020	
	Net debt to normalised EBITDA	Reduced to 1.82 times (2020: 2.96 times) following good cash generation and Scanmed disposal	
	B-BBEE Level	Level 3 obtained (2020: Level 4)	
	80% female employees by 2024	81.4% female employees in SA (2020: 79.6%)	
	Increase diversity of Board members	38% female Board members	
	ESG rating	MSCI Global ESG rating improved to AAA (from A)	
	Increase NeuraCeq® production capability	This has been initiated following the FDA approval of Aduhelm®	
	Expand complementary services	Growth in renal footprint and increased utilisation of services has led to revenue and normalised EBITDA growth in 2021	
	Execute SA imaging strategy	Progress has been made in acquiring imaging businesses	
	Earnings per share	NHEPs growth >100% to 112.7 cps (2020: 61.0 cps)	
	Capital expenditure	R1.9 billion spent in 2021 (2020: R 2.0 billion)	

Good progress | Limited progress | No progress

Value created | Value preserved | Value eroded

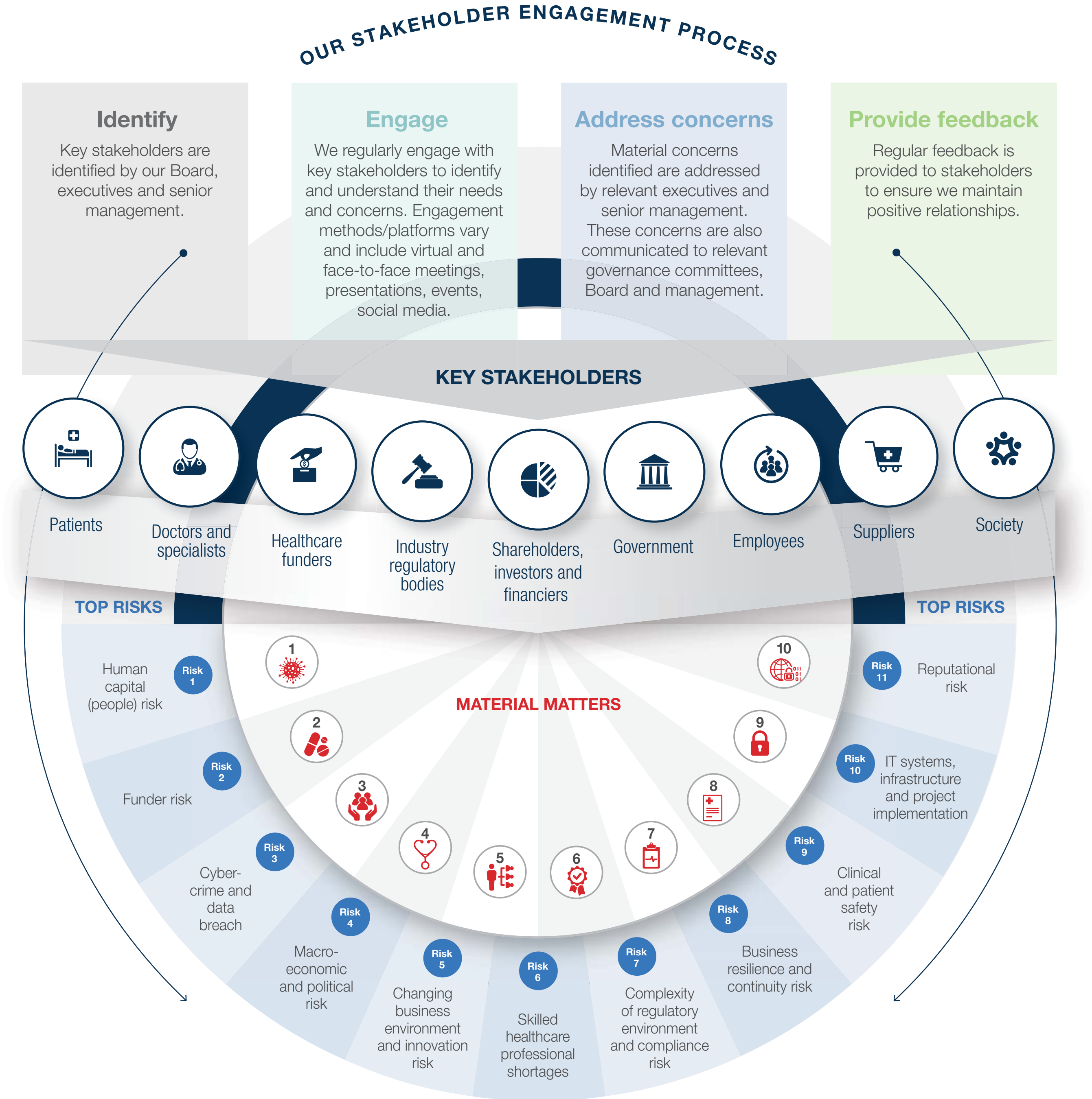
OUR STRATEGIC ENABLERS ARE KEY TO THE IMPLEMENTATION OF THE GROUP'S STRATEGY. REGULAR STRATEGIC PROGRESS IS COMMUNICATED TO THE BOARD.

See our strategic enablers page 27.

Outlook	Reference to further information
Appoint SA Chief Medical Officer	Quality report (page 150)
Drive continued improvement in metrics and reporting	Quality report (page 150)
Drive continued improvement in patient experience	Quality report (page 150)
Develop and trial additional care pathways for renal dialysis and oncology, increase formulary compliance	Quality report (page 150)
Seek further savings in operating costs through more efficient nursing care and usage of protective equipment expenditure and reduced corporate overheads	SA operational review (page 138)
Increased volumes in imaging services and cyclotrons to deliver operating leverage	International operational review (page 128)
Increase Group margin as a result of improved operating performances across SA and international	Group CFO's review (page 122)
Improve manufacturing uptime and efficiencies through refurbished cyclotrons	International operational review (page 128)
Enhance employee value proposition to attract and retain employees	People report (page 156)
Keep net debt ratio within bank covenants	Group CFO's review (page 122)
Maintain Level 3 rating or better	SET report (page 60)
Continue to drive ratio higher	People report (page 156)
Continue to increase Board diversity	Governance report (page 46)
Increased focus on ESG and introduce ESG targets in 2022	SET report (page 60)
Execute third-party manufacturing agreements in Asia and Latin America and continue to grow international sales force	International operational review (page 128)
Expand offerings in renal dialysis and oncology	SA operational review (page 138)
Execute and complete imaging transactions	SA operational review (page 138)
Continue to grow earnings per share	Group CFO's review (page 122)
Fund maintenance projects to retain fit for purpose facilities and fund growth opportunities	Group CFO's review (page 122)

Creating value for our stakeholders

Our success and sustainability depend on our positive relationships with, and support of, our key stakeholders. It is essential for us to engage, understand and be responsive to their needs and interests whilst also delivering value to them, in the short, medium and long term.



Material matters key:

1 COVID-19
2 Business disruptions due to social unrest and shortages of critical supplies
3 Labour relations and employee retention
4 Healthcare funders and the cost of care
5 Specialised skills shortage
6 Quality of care standards
7 Portfolio performance
8 Government relationships
9 Increased regulations
10 Cyber-security and data protection

Stakeholder value creation

Positive Stable

OUR KEY STAKEHOLDERS

Patients

Stakeholder relationship with Life Healthcare

THE VALUE WE CREATE

>95% patient satisfaction in AMG Excellent clinical quality outcomes

1.9 million paid patient days (PPDs)

17.2 million theatre minutes

176 000 renal dialysis treatments

27 000 births

1.2 million diagnostic scans by AMG

What our stakeholders care about

- Cost and quality of care
- Reputation and quality of doctors, specialists, healthcare and other service providers
- Capable and caring nursing employees
- Clinical pathway experience

Our response

- Patient surveys
- Publish quality metrics
- Training of nurses, doctors, specialists
- Standardisation of cost-effective pathways, processes and measurable outcomes
- Ongoing investment in facilities

Link to material matters

1 2 5 6 10

Link to risks

Risk 3, Risk 5, Risk 6, Risk 8, Risk 9

Strategic pillar focus

Employees

Stakeholder relationship with Life Healthcare

THE VALUE WE CREATE

R7.2 billion in salaries paid (2020: R6.7 billion)

R158 million spent on training (2020: R224 million)

645 nurses trained (2020: 855)

9 322 nursing employees

c.8 000 other permanent employees

81.4% of total employees are female

77.9% of total employees are ACI

What our stakeholders care about

- Fair remuneration and reward
- Job satisfaction
- Training and development
- Transformation, diversity and inclusion
- Quality of patient care
  - Caring employees
  - Safety
- Support during COVID-19

Our response

- Market-related remuneration and reward
- Long-term incentive plans across all employee categories
- Accelerated employee pay rises for 2022 to 1 September 2021
- Assisting employees with ongoing professional training and registration fees
- Vaccination sites
- Wellness programmes

Link to material matters

1 2 3 4 5 6 10

Link to risks

Risk 1, Risk 3, Risk 5, Risk 7, Risk 9

Strategic pillar focus

Creating value for our stakeholders continued

Doctors and specialists

Stakeholder relationship with Life Healthcare

THE VALUE WE CREATE

Access to our world-class facilities and advanced medical equipment

Bursaries and training to facilitate upskilling

Through our partnership model, we enable doctors and specialists to provide excellent care to patients

c.3 000 doctors, specialists and healthcare professionals working in our facilities

What our stakeholders care about

- Quality of nursing
- Quality of facilities
- Clinical governance
- Infrastructure and technology
- Medical liability insurance
- Financial security

Our response

- Strengthen doctor and specialist engagements and support
- Use data and analytics to drive compliance with pathways and formularies
- Doctor shareholding

Link to material matters

1 2 3 4 5 6 10

Link to risks

Risk 1 Risk 3 Risk 5 Risk 7 Risk 9

Strategic pillar focus

Healthcare funders

Stakeholder relationship with Life Healthcare

THE VALUE WE CREATE

Business model to deliver high-quality, cost-effective care

Our differentiated service offering

Designated service provider (DSP) network deals in southern Africa and innovative pricing models

73.2% of our acute hospital revenue in SA comes from three medical schemes

c.70.0% of SA revenue from alternative revenue models

What our stakeholders care about

- Clinical efficiency and quality of care
- Cost and accessibility of healthcare
- Sustainability of providers
- Care pathways
- Geographic coverage and networks
- Value-based care products

Our response

- Continued investment in our employees and facilities so as to remain fit-for-purpose
- Standardised pathways and formularies with measurable quality and cost metrics
- Regular engagement on costs of existing care pathways and innovative pricing options

Link to material matters

1 2 3 4 5 6 10

Link to risks

Risk 1 Risk 3 Risk 5 Risk 7 Risk 9

Strategic pillar focus

Government

Stakeholder relationship with Life Healthcare

THE VALUE WE CREATE

Our community health projects help uplift the communities in which we operate

Key imaging services partner to public sector internationally

R714 million tax paid in 2021 (2020: R597 million)

Level 3 B-BBEE accreditation

c.90% of AMG's UK revenue comes from delivering services to the UK's National Health Service

What our stakeholders care about

- Regulatory compliance
- Clinical standards
- A strong and sustainable healthcare system
- Cost of healthcare
- Employment opportunities
- Being a good corporate citizen

Our response

- We foster a pipeline of skilled healthcare professionals (nurses, pharmacists and radiographers) by continued investment in training and development
- We have made 22 of our facilities and 320 of our employees available in SA
- Rapidly deployed COVID-19-related solutions for public health authorities in the UK, Italy and Ireland

Link to material matters

4 5 6 8 9 10

Link to risks

Risk 2 Risk 3 Risk 6 Risk 7

Strategic pillar focus

Industry regulatory bodies

Stakeholder relationship with Life Healthcare

THE VALUE WE CREATE

Constructive dialogue and relationship with regulatory bodies has contributed in us being able to employ radiographers in SA

Health Professions Council of South Africa (HPCSA)

Hospital Association of South Africa (HASA)

South African Nursing council (SANC)

South African Pharmacy council

Other professional bodies

What our stakeholders care about

- Compliance with regulatory and legal requirements
- Safety of employees and patients and the quality of care provided
- Proactive discussions on opportunities to improve access and affordability of healthcare

Our response

- Ongoing engagement with relevant industry and regulatory bodies on critical issues (future impacts of the Health Market Inquiry (HMI) and National Health Insurance (NHI) in South Africa) to ensure best possible outcomes for all stakeholders
- Provide continuing medical education and training for our employees
- Received approval to employ radiographers in South Africa after years of engagement

Link to material matters

4 5 6 8 9 10

Link to risks

Risk 2 Risk 3 Risk 6 Risk 7

Strategic pillar focus

Creating value for our stakeholders continued

Shareholders, investors and financiers

Stakeholder relationship with Life Healthcare

THE VALUE WE CREATE

R35 billion market capitalisation

33.6% increase in share price (1 October 2020 to 30 September 2021)

25 cps final dividend payment (2020: zero)

Listed on the main board of the JSE

c.56% of shares held by top 10 institutional shareholders

c.74% of shares held by South African entities or individuals

What our stakeholders care about

- Sustainable growth and profit generation
- Cashflow generation and debt levels
- Effective corporate governance, experienced leaders and succession plans
- Dividends paid
- Return on invested capital (ROIC)
- Increasing regulation and relationships with governments
- ESG metrics

Our response

- We have frequent engagements with shareholders, investors and analysts through earnings calls, presentations and the AGM
- COVID-19 worsened many of our financial metrics, but with improved operating results during 2021, these metrics are improving
- We continue to invest in projects we believe will produce an acceptable rate of return
- We have resumed dividends

Link to material matters

2, 3, 4, 5, 6, 7, 8, 9, 10

Link to risks

Risk 1, Risk 2, Risk 3, Risk 4, Risk 5, Risk 6, Risk 7, Risk 8, Risk 9, Risk 10, Risk 11

Strategic pillar focus

Suppliers

Stakeholder relationship with Life Healthcare

THE VALUE WE CREATE

R6.1 billion spent on procurement of supplies, equipment and drugs

R625 million spent on COVID-19-related protective equipment since the beginning of the pandemic

99% of procurement in southern Africa is with local suppliers

87.0% of procurement in AMG business units is with local suppliers

What our stakeholders care about

- Timely payments
- Beneficial relationships
- Transformation through B-BBEE

Our response

- Cultivating and nurturing supplier relationships
- Timely supplier payments
- Supporting enterprise development initiatives
- Providing quality supplies to our patients, doctors and specialists

Link to material matters

1, 2, 6, 7, 8, 9, 10

Link to risks

Risk 3, Risk 4, Risk 5, Risk 6, Risk 7, Risk 9, Risk 11

Strategic pillar focus

Society

Stakeholder relationship with Life Healthcare

THE VALUE WE CREATE

Uplifting communities through our investment in CSI programmes, focusing on education and healthcare

200 cataract surgeries were sponsored during 2021 in Limpopo in partnership with the South African Council for the Blind (SANCB)

R14 million for SANCB Optima College to fund 120 learnerships and 250 short programmes

4 000 food parcels for needy communities in SA

What our stakeholders care about

- Health and wellness
- Community upliftment
- Employment, development and educational opportunities
- ESG and sustainability metrics
- Protection of rights

Our response

- Ethical behaviour with fair recruitment practices
- Creating job opportunities through our investment in projects
- Bursaries and educational funding through CSI initiatives
- We are implementing our ESG strategy and targets

Link to material matters

1 2

Link to risks

Risk 4 Risk 11

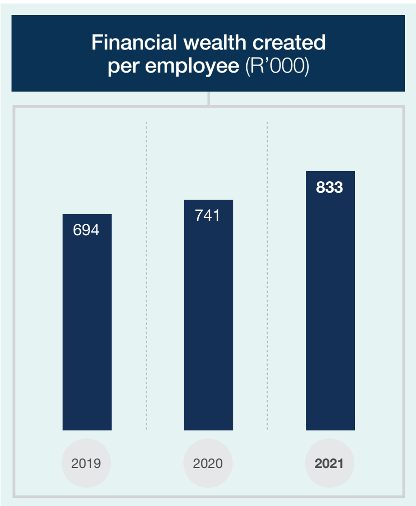
Strategic pillar focus

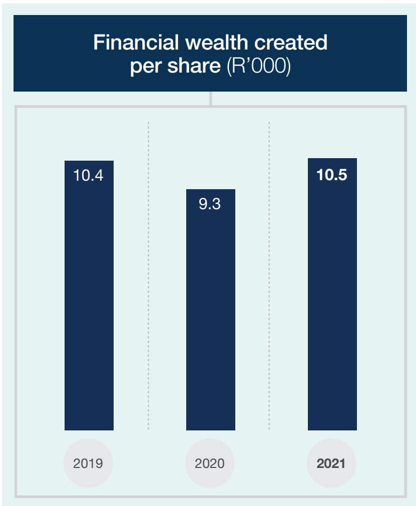
Statement of value added

for the year ended

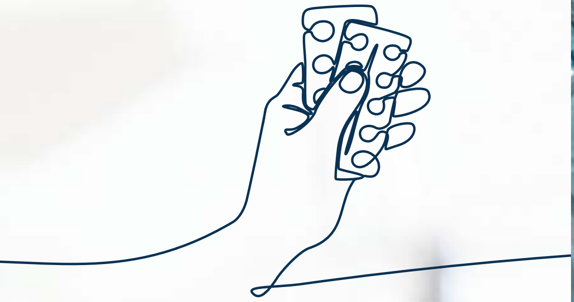
	September 2021 R'm	September 2020 R'm	September 2019 R'm
Revenue[1]	**26 885**	23 851	25 672
Less: purchased cost of goods and services	**(11 887)**	(10 517)	(10 777)
Financial value added	**14 998**	13 334	14 895
Other income	**253**	185	232
Financial wealth created	**15 251**	13 519	15 127
Employees	**9 391**	8 675	8 821
Providers of equity	**176**	974	1 559
Providers of funding[2]	**315**	1 489	633
Governments	**714**	597	1 185
Maintenance and expansion of capital	**2 026**	1 952	2 179
Reinvestment in the Group[3]	**2 629**	(168)	751
Financial wealth distributed	**15 251**	13 519	15 128
Average number of employees[4]	**18 302**	18 249	21 795
Financial wealth per employee (R'000)	**833**	741	694
Weighted average number of shares ('m)	**1 454**	1 455	1 451
Financial wealth created per share (R)	**10.5**	9.3	10.4

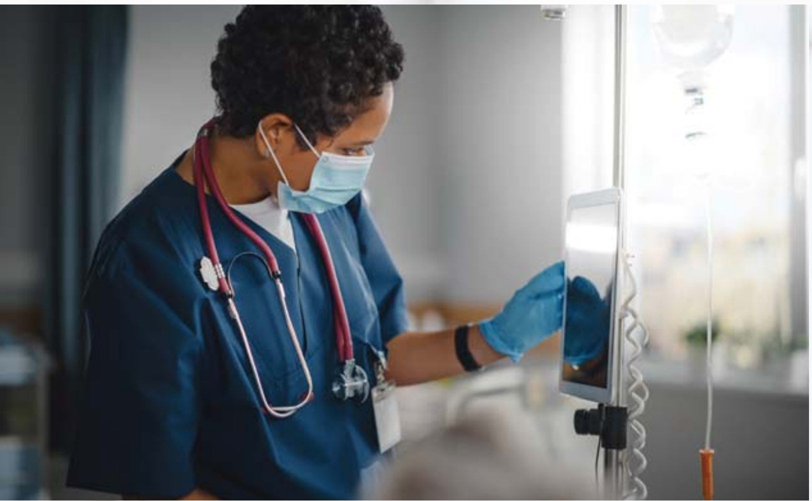
[1] *2019 includes revenue from Scanmed.*
[2] *2019 included R1.5 billion in proceeds from the disposal of Max India which were used to pay down debt, and in 2021 R681 million in proceeds from the disposal of Scanmed were used to reduce debt.*
[3] *In 2020 the reinvestment in the Group includes impairment of R798 million, with R793 million related to impairment of investment in Scanmed.*
[4] *2019 includes Scanmed employee figures.*










In this section

How we run our business

Chairman's review

It has been an extraordinary challenging time to step in as the Life Healthcare Chairman. Almost two years have passed since COVID-19 was declared a pandemic by the World Health Organization (WHO).

Dr Victor Litlhakanyane
Chairman

Exceptional
Alliance Medical Group
performance

REVENUE
up **21.0%**

NORMALISED EBITDA
up **40.7%**

Despite an unprecedented global vaccination effort that has already seen almost eight billion vaccine doses administered, the COVID-19 pandemic continues to inflict significant disruption to the health and wellbeing of people and economies globally.

Over 259 million people have been infected with the virus and more than five million lives have been lost.

2021 has also been a year of remarkable scientific progress. Never before have we witnessed vaccine development and clinical trials completed with such speed and global collaboration. I am encouraged with the vaccination effort gaining momentum, but there is more to be done. A slower than anticipated vaccine roll-out coupled with uneven and inequitable distribution around the world will allow the virus to mutate further, resulting in increased resurgent infections and rising COVID-19 death tolls.

Together with my Board colleagues, the Group's dedicated management and employees, I look forward to building a business for the future that focuses on value creation for all our stakeholders.

MAKING LIFE BETTER

Our purpose of ***Making life better*** is at the heart of everything we do. It has also never been more relevant as we navigate through these turbulent times. As an international healthcare group, we are at the frontline facing the pandemic every single day.

Throughout 2021, despite the turmoil the pandemic has caused, we continued our uncompromising drive to improve our patients' experience and our clinical quality outcomes.

In our southern African operations, during 2021, we saw second and third COVID-19 waves, each of which was more severe as various mutations of the virus became more prevalent.

In addition, South Africa's vaccination roll-out programme remains behind the national target of vaccinating 70% of the adult population by the end of 2021. This is a concern as more lives could be lost and further social, health and economic impacts could be experienced from a fourth and fifth wave. On a positive note, we were able to deploy lessons learned from prior waves with great effect.

With a considerable proportion of our local and international employees fully vaccinated against COVID-19, we had fewer employees off sick, at home isolating, or hospitalised due to illness. All of these factors have helped ***Making life better*** both for our own employees, and for the patients we continue to serve.

I look forward to building a business for the future

that focuses on value creation for all our stakeholders.

Good performance **in southern Africa**

REVENUE

up **10.3%**

NORMALISED EBITDA

up **12.2%**

We are proud to be supporting South Africa's response to the pandemic. Our employees have played an active and constructive role with the National Department of Health in SA, from developing and planning the roll-out of the EVDS system, the Sisonke vaccination programme, and the ongoing vaccination drive. We have 22 Life Healthcare vaccination sites manned by approximately 320 employees. We have administered a total of about 380 000 vaccinations to date. While this comes at a cost, and adds additional strain on our scarce nursing resources, we are delighted to be playing our part in protecting the public against the worst effects of the coronavirus.

OUR OPERATING ENVIRONMENT

South Africa's economic outlook has been under pressure as the economy struggles to rebound following the COVID-19 waves. Unemployment figures in many countries reached levels not seen since World War 2, with South Africa's official unemployment rate at 34.4%.

Life Healthcare had a good year across all businesses, despite the challenges that we have faced during the year. The operational and financial results we present within this report are testament to the strength of our strategy, the resilience of our diversified operating model and our employees' ongoing commitment.

In our southern African operations, which continue to form the bulk of the Group's revenue and profit, the acute hospital sector, and many complementary healthcare services, have been significantly impacted by the COVID-19 pandemic. During each COVID-19 wave we have seen reductions in elective surgical activity, routine medical cases not related to COVID-19, referrals for psychiatric and oncology treatment, and rehabilitation treatments. Some of this activity resumes quickly as COVID-19 waves subside and coupled with our learnings from prior waves, we have seen pleasing improvement in revenue and EBITDA across many of our southern African business segments.

Occupancies within our acute and complementary services have improved to 58.6% in H2-2021 from 57.4% in H1-2021 and 50.0% in H2-2020. These improved occupancies have helped to drive normalised EBITDA margins for our southern African segment to 17.6% in H2-2021, from 16.6% at H1-2021 and 8.5% at H2-2020.

Our International operations have weathered the pandemic very well after the initial restrictive lockdowns. With significant fiscal support from national governments across Europe and the United Kingdom (UK), jobs were preserved despite severe economic contractions. Funding for public healthcare was prioritised and private sector healthcare assets were contracted to help fight the pandemic. As a result, our International operations saw a quick rebound in activity levels, along with additional demand from public sector COVID-19-related contracts. Consequently, most of our International business segments have seen activities returning to pre-COVID-19 levels.

CHALLENGES IN THE POST-COVID-19 WORLD

Average life expectancies globally were increasing before the pandemic and we expect this trend to resume in a post-COVID-19 world. Coupled with an ageing population, we anticipate an increase in non-communicable diseases (NCDs), particularly lifestyle-associated diseases including heart disease and diabetes. In addition, we expect to see continued growth in the prevalence of cancer and dementia.

While all these factors will lead to increased demand for our acute and complementary healthcare services, there will also be an increasing demand for preventative healthcare measures including health and wellness services and diagnostic screening and testing. Our array of preventative services within southern Africa, and our vertically integrated diagnostic imaging businesses in Europe and the UK, all stand to benefit from these global healthcare trends.

This is not to say that the path ahead will be easily navigated. Our operating

Chairman's review continued

Our people are key in delivering our services and business sustainability. Transformation, diversity and inclusion (TDI) continues to take precedence during Board discussions as we embrace a culture of equality, diversity and inclusivity.

environment in South Africa remains challenged by several factors. There has been no growth in medical scheme lives for eight years, while an increasing percentage of medical scheme members have reduced their insurance coverage to reduce their premiums to more affordable levels. Simultaneously there has been a substantial increase in hospital beds in the market, particularly from independent hospital operators. In a market which has not grown, this has led to increasing pressure on occupancy levels in our hospitals, while also increasing the competition for our most important resources – our employees. Therefore, the recruitment and retention of our employed nurses, pharmacists, support employees and hospital management has become more complex and expensive. Medical specialists, who consult at our facilities and admit patients into our facilities, have other competing facilities to choose from. Shortages of healthcare personnel, in South Africa and internationally, are further driving up wage costs.

In addition, expenditure on healthcare globally is increasing due to the demand for treatment of an ageing global population with an increasing disease burden. This presents affordability issues for all healthcare funders, whether private medical insurers in South Africa, or public healthcare providers elsewhere in the world. A number of these issues were present prior to the onset of the pandemic and have been worsened by the effects of it.

Therefore, it is imperative to deliver quality healthcare that is both people-centred and affordable. We are constantly working with funders in South Africa and internationally, to ensure that our services and treatment pathways are efficient and cost-effective, without compromising on quality. We will increasingly use technology and data analytics to enhance our offerings, particularly as we move towards value-based care packages for our patients.

PEOPLE AND SUSTAINABILITY

Our people are key in delivering our services and business sustainability.

Transformation, diversity and inclusion (TDI) continue to take precedence during Board discussions as we embrace a culture of equality, diversity and inclusivity. We have made significant strides on TDI, with considerable improvement in our hiring ratios throughout the year. During the financial year, we established our *Women in Life* programme, which is gaining momentum in all geographies where we operate. We also established a National Transformation Committee in South Africa comprising of 22 employee members, with representation from all the southern African businesses and across various employee skill levels.

In South Africa, 81.4% (2020: 79.6%) of our employees are female, and 77.9% (2020: 76.4%) are African, Coloured and Indian (ACI) employees. Internationally 69.0% (2020: 69.0%) of our employees are female. ACI doctor recruitment in SA has also been particularly successful during 2021.

The sustainability of our business is dependent on how our business is governed. This includes how we manage business risks and our role as a good corporate citizen, whether as a force for social good or reducing our impact on the environment. Environmental, social and governance (ESG) factors are a key focus area for the Group. In 2021 we experienced noteworthy progress in our sustainability strategy and journey. We anticipate the formalisation of our sustainability strategy into actionable targets during 2022. In recognition of progress made, we received an upgraded rating from 'A' to 'AAA' from MSCI. MSCI is the world's largest provider of ESG indexes. A 'AAA' rating places Life Healthcare in a best-in-class category within the global healthcare sector.

IN SOUTH AFRICA,

81.4%

of our employees **ARE FEMALE** and

77.9%

ARE AFRICAN, COLOURED AND INDIAN (ACI) EMPLOYEES.

79.6% in 2020 were female
76.4% in 2020 were ACI

INTERNATIONALLY

69.0%

of our employees **ARE FEMALE**

69.0% in 2020 were female

NATIONAL HEALTH INSURANCE

Life Healthcare reaffirms its support of the South African government's national health insurance (NHI) plan. The NHI principles and objectives aim to provide access to affordable, comprehensive, quality healthcare services for all South

We anticipate the **FORMALISATION OF OUR SUSTAINABILITY STRATEGY INTO ACTIONABLE TARGETS DURING 2022.**

In recognition of progress made, we received an upgraded rating from

'A' to 'AAA' from MSCI

MSCI is the world's largest provider of ESG indexes.

A 'AAA' rating places Life Healthcare in a **BEST-IN-CLASS CATEGORY WITHIN THE GLOBAL HEALTHCARE SECTOR.**

Africans irrespective of socio-economic status. This will be the largest single undertaking by the South African government, and it is not solely government's responsibility but must be a collaborative effort between the private and public sector. For NHI to achieve its objectives, we would however need sufficient healthcare workers and facilities, appropriate standards, management skills, capital and appropriate reimbursement models. The one thing that this pandemic has emphasised, is the power of public and private sector collaboration and how much can be accomplished when working towards the same goal. Life Healthcare stands ready to co-operate with and assist the government where possible in delivering a successful NHI in South Africa.

We believe that the experience of our international operations, where government-led healthcare systems are the norm, will be invaluable in navigating the future of the healthcare industry in South Africa. In all the regions where we operate, we understand that effective and excellent healthcare depends on strong, long-lasting relationships between the public and private sector.

LEADERSHIP AND GOVERNANCE

Life Healthcare continues building on a culture of honesty, ethical values and accountability, and acknowledges that robust governance across our Group is critical to enhancing stakeholders' trust. We have enhanced existing governance processes, frameworks and structures in line with the adopted Board strategy, to ensure the executive management team can achieve our strategic imperatives and create stakeholder value.

Board diversity and experience is essential to support the delivery of our strategy and value creation. Ensuring the Board has an optimal mix of skills and experience is key to fulfilling our fiduciary duties in the best interests of all stakeholders. During the year under review, we strengthened our Board diversity and experience with the appointments of Cindy Hess and Caroline Henry, as independent non-executive directors, effective 1 September 2021. Cindy and Caroline are both chartered accountants and bring a wealth of financial, leadership and business experience to the Board. On the Board's behalf, I welcome these two appointments, look forward to their contribution and wish them well in their new roles.

BOARD FOCUS AREAS FOR 2022

Key focus areas from a Board perspective will be the Group's delivery against its key strategic objectives, continued focus on people, clinical quality and building an analytics-led, technologically enabled, diversified international healthcare Group. Ongoing government engagement and our response to NHI remains a focus, as well as the delivery of our South African imaging strategy. We will continue to focus on planning for success in Life Molecular Imaging as well as improvement in our B-BBEE performance and score.

APPRECIATION AND CONDOLENCES

To our senior management team and our Board members, my sincere appreciation for your commitment, guidance and support in my first year as Group Chairman. I would like to thank my predecessor, Mustaq Brey, for the solid foundation laid during his tenure and I wish him everything of the best going forward.

To our almost 20 000 employees, nurses, support employees and doctors worldwide, thank you. I have personally witnessed the dedication, commitment and care shown by our team to all our patients, which makes me extremely proud to be the Chairman of Life Healthcare. For those of you who have lost loved ones and those who mourn the 48 Life Healthcare employees who have succumbed to COVID-19, the Board extends its deepest condolences.

To our patients, we continue to focus on improving people's lives through the delivery of high-quality cost-effective care, and we thank you for choosing us as your partner in health.

Dr Victor Litlhakanyane
Chairman

Board of directors

Our Board of directors plays a crucial role in our organisation's effective leadership, providing guidance on strategy, governance and policy. Appropriately balanced between independent non-executive and executive directors, the Board is committed to upholding the Group's vision, mission and purpose.

Dr Victor Litlhakanyane[1]

Independent non-executive director
Chairman

Qualifications
MBChB, Master of Medicine (radiotherapy), Master of Business Administration

Age 56

Appointed
27 January 2021 (appointed as Chairman)
15 April 2020 (appointed to the Board)

Committee membership
NG I C

Peter Golesworthy[2]

Lead independent non-executive director

Qualifications
BA (Hons) (first class), Accountancy Studies, CA

Age 63

Appointed
10 June 2010

Committee membership
A NG RCIT I

Prof Marian Jacobs[1]

Independent non-executive director

Qualifications
MBChB (UCT), Diploma in Community Medicine (UCT), Fellow of the College of South Africa (paediatrics)

Age 73

Appointed
1 January 2014

Committee membership
RCIT C SET

Audrey Mothupi[1]

Independent non-executive director

Qualifications
BA (Hons), (PolSci), Trent University, Canada

Age 51

Appointed
3 July 2017

Committee membership
A RCIT SET

Joel Netshitenzhe[1]

Independent non-executive director

Qualifications
MSc (University of London, School of Oriental and African Studies), PGDip (Economic Principles), Dip (PolSci)

Age 64

Appointed
30 November 2010

Committee membership
RCIT SET

Dr Malefetsane Ngatane[1]

Independent non-executive director

Qualifications
BSc, MBChB, FCOG

Age 67

Appointed
10 June 2010

Committee membership
NG C SET

Board committees

- Audit committee (A)
- Nominations and governance committee (NG)
- Risk, compliance and IT governance committee (RCIT)
- Investment committee (I)
- Clinical committee (C)
- Social, ethics and transformation committee (SET)
- Human resources and remuneration committee (HR)
- ● Chairman

Adv Mahlape Sello[1]

Independent non-executive director

Qualifications
Master of Arts and Law (Russia), LLB (Wits)

Age 59

Appointed
3 July 2017

Committee membership
NG RCIT HR

Garth Solomon[1]

Independent non-executive director

Qualifications
CA(SA)

Age 54

Appointed
10 June 2010

Committee membership
I C HR

Royden Vice[1]

Independent non-executive director

Qualifications
CA(SA)

Age 74

Appointed
1 January 2014

Committee membership
A I HR

Peter Wharton-Hood[1]

Executive director, Group Chief Executive

Qualifications
CA(SA)

Age 56

Appointed
1 September 2020

Committee membership
RCIT I C SET

Pieter van der Westhuizen[1]

Executive director, Group Chief Financial Officer

Qualifications
CA(SA)

Age 50

Appointed
1 June 2013

Committee membership
RCIT I

Caroline Henry[1]

Independent non-executive director

Qualifications
CA(SA)

Age 54

Appointed
1 September 2021

Committee membership
A SET

Cindy Hess[1]

Independent non-executive director

Qualifications
CA(SA)

Age 45

Appointed
1 September 2021

Committee membership
A HR

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

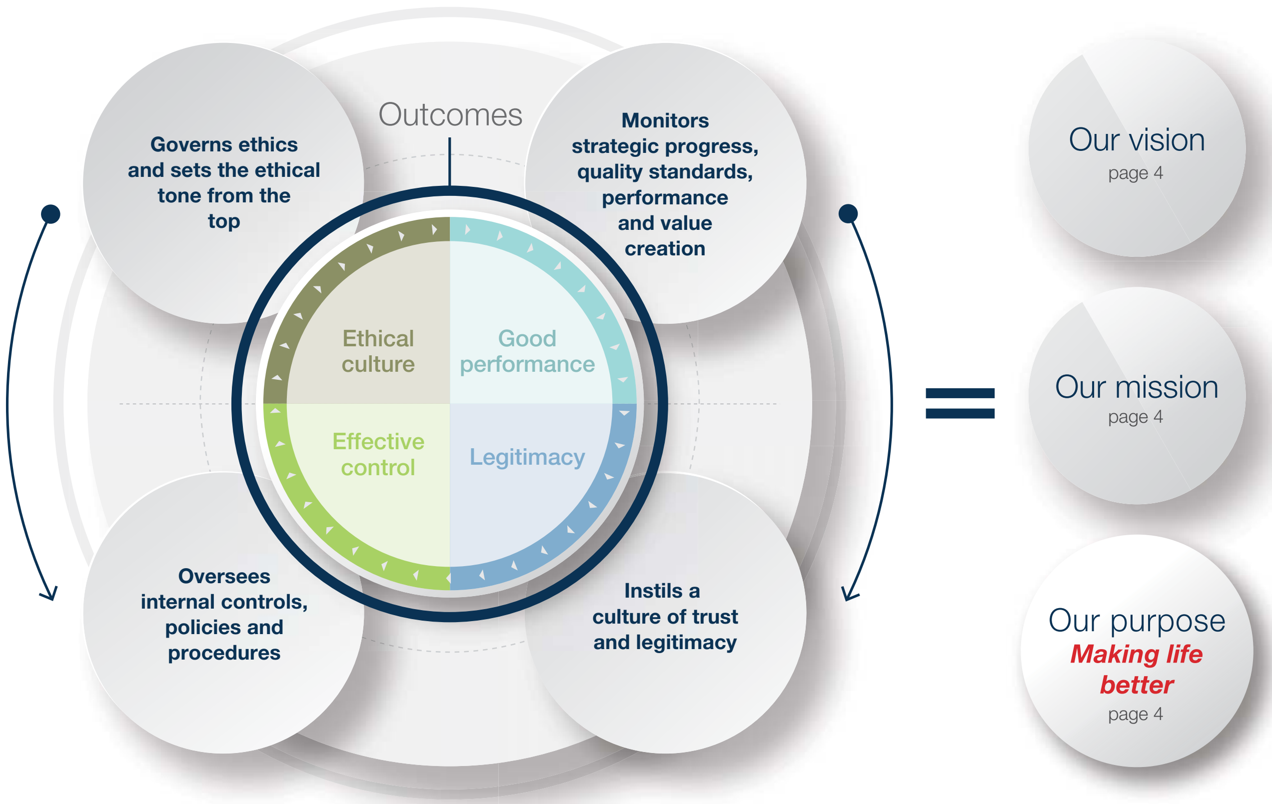
Corporate governance overview

Our vision is to be an international healthcare provider delivering measurable clinical quality through a diversified offering and people-centred approach. To support this vision, we have solid and embedded governance structures in place. Life Healthcare's established governance framework embodies the King IV principles and outcomes that continue to stand us in good stead.

Corporate governance philosophy

The governing body (the Board) remains Life Healthcare's overall custodian of sound corporate governance. The Board strives to entrench sound corporate governance principles and adhere to high levels of ethical standards and effective leadership throughout the business. This sets the tone for our organisation as a whole and reinforces our ability to generate and deliver long-term sustainable value to our stakeholders. We continue to ensure that we grow and evolve in this role through ongoing review of and improvement to 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.



KING IV

Life Healthcare endorses and endeavours to adhere to the guidelines and principles of King IV. The Group also embraces the achievement of King IV's governance outcomes, namely: an ethical culture, good performance, effective control and legitimacy, as depicted below.
A King IV Implementation Report is available on the Group's website www.lifehealthcare.co.za

CORPORATE GOVERNANCE OUTCOMES

The Board is instrumental in ensuring that the Group achieves its governance outcomes, in order to realise our vision, mission and purpose. This is attained through the Board's wealth of knowledge, oversight, monitoring and guidance.

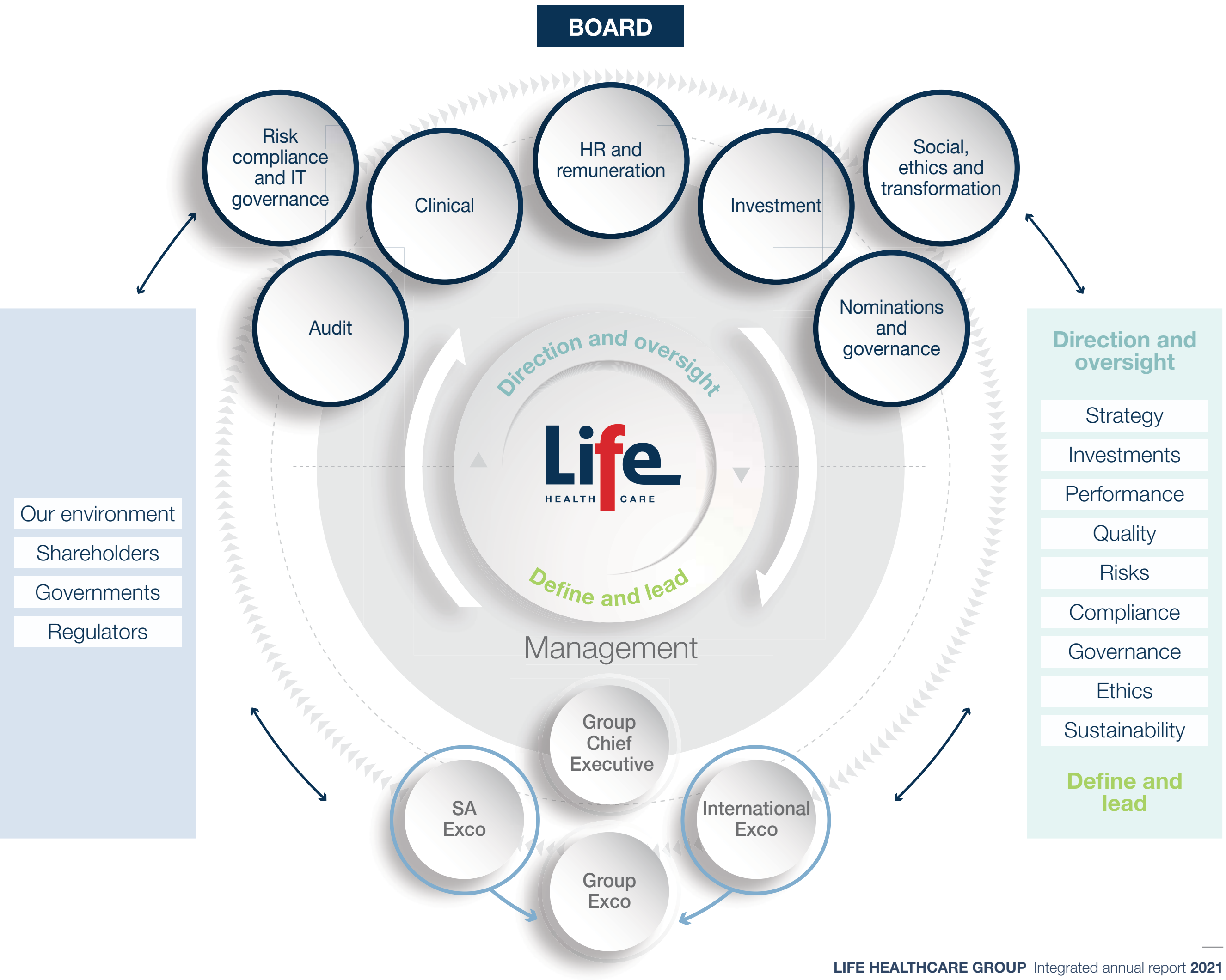
Group governance framework

The Group's governance framework was formulated to ensure effective and sustainable delivery of our overall strategy. This framework provides a structure within which the business is properly managed and the interests of our stakeholders are protected. The framework has been especially useful as we navigate our way through the impact of COVID-19; to provide clear and concise guidance on the most effective and pragmatic manner of governing the organisation.

GOVERNANCE DURING COVID-19

Proactive and resilient corporate governance is critical in times of crisis, such as the current COVID-19 pandemic. The culture and inherent value system that is deeply entrenched within our business has played a material role in enabling the Board to guide the Group through the pandemic. Our governance framework continues to contribute towards the efficacy and resilience of our governance responses regarding the COVID-19 crisis. This continues to allow the Board and senior management to focus on the significant challenges and agile decision-making required to respond appropriately.

Our governance framework and accompanying policies and processes also provided clarity during a very challenging time, and clearly delineated roles and areas of accountability, ensuring proper alignment across the Group. The framework focused and informed decision making at the appropriate levels across our various operational jurisdictions.



Corporate governance overview continued

Role of the Board

Life Healthcare has a unitary Board of directors that is supported in delivering its mandate through various Board committees, as well as 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 cooperation. While retaining overall accountability, the Board has delegated authority to the Group Chief Executive (GCE) to manage the day-to-day affairs of the Group who, in turn, is supported by the Group executive committee.

The Group Operating Committee, comprising the Group Chief Executive and the top 26 senior leaders in the organisation, reviews and monitors policies and frameworks prior to Board approval. This committee is structured in a manner that strives to ensure an appropriate balance of diversity, knowledge, skills and experience.

Key Board focus areas in 2021	Governance outcome	Strategic objective addressed	Material matters addressed
Ongoing response to the COVID-19 pandemic	Good performance		1
Driving quality and efficiency	Legitimacy		6, 7
Growth and innovation	Good performance		4, 7
Reviewing long-term strategy	Good performance		1, 2, 3, 4, 5, 6, 7, 8, 9, 10
Strengthening our ESG framework and reporting	Good performance Legitimacy		7, 9
Policies/frameworks reviewed in 2021			
Anti-bribery and corruption policy	Ethical culture		3, 5
Treasury distribution policy	Good performance		7
Combined assurance framework	Legitimacy		6, 9

Key Board focus areas for 2022	Governance outcome	Strategic objective addressed	Material matters addressed
Retention of key people	Good performance		3 5 6 7
Focus on IT technology stability, security and capability	Good performance		7 9 10
Growth initiatives (SA imaging, LMI and Community Diagnostic Centres)	Good performance		4 7

DELEGATION OF AUTHORITY

Life Healthcare's operations span across a number of geographies. The business is capital-intensive and the strategy, operating and investment budget and plans are approved by the Board. To facilitate effective control of trading activities, it is the Board's philosophy that authority and responsibility be delegated, and management is expected to always act in accordance with the Group values and code of conduct.

The Group delegation of authority includes fundamental elements such as:
- An authority matrix for the Board, GCE and management in the different geographies
- Corporate, finance, governance and HR matters reserved for the Board
- Processes for the approval or amendment of the Group's business plan and annual budget
- Acquisitions and disposals
- Salary mandate

ROLES OF THE CHAIRMAN, LEAD INDEPENDENT DIRECTOR AND GCE

The roles of Chairman, Lead Independent Director and GCE are separate, and there is a clearly outlined division of responsibilities as tabled below.

Chairman's responsibilities	Lead independent director responsibilities
Provides Board leadership and oversees ethical conduct	**Provides** support and advice to the Chairman as a trusted confidante
Oversees the Group's strategy, Board succession and performance	**Chairs** Board discussions and decision-making where the Chairman has a conflict of interest or is unavailable
Manages any conflicts of interest	**Leads** discussions at Board and committee meetings regarding the Board Chairman's performance appraisal and remuneration
Engages with the GCE and ensures positive stakeholder relations are maintained	

Group Chief Executive's responsibilities	
Manages the business according to the Board approved strategy	**Implements** the policies and strategies adopted by the Board
Ensures appropriate internal control mechanisms are in place to safeguard assets and maintains compliance with all relevant laws and best practice	**Guides** and evaluates executive management's performance against strategic objectives
Delegates the appropriate authority to the executive management within defined levels of authority and retains accountability to the Board	

Corporate governance overview continued

The Board delegates its authority to the GCE who is supported by an executive team. The Board is kept apprised of developments through regular quarterly meetings and ad hoc meetings when material matters arise. Senior executives attend Board meetings as and when necessary to apprise the directors of important events and share strategy. This encourages communication and co-operation between the directors and executive management.

In accordance with the Board Charter, collegiality is encouraged amongst the directors without inhibiting candid debate and create tension among directors. Directors are encouraged to play a full and constructive role in the affairs of the Group; this ensures that there is no unfettered power in relation to decision making.

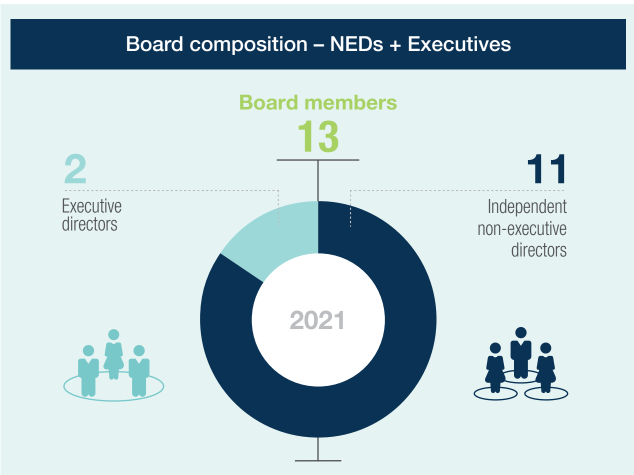
The Board ensures that shareholder interests are protected and considers whether there is an appropriate balance of knowledge, expertise and diversity among the non-executive directors. In doing so, the Board is satisfied that the non-executive directors have a mix of the required skills and experience to have objective judgement on matters of strategy, operational performance, resources, diversity and inclusion, employment equity, standards of conduct, evaluation of results, economic, social and environmental policies.

When required, directors are entitled to seek independent professional advice to further their duties and the cost will be covered by the Company. 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.

Board composition

BOARD INDEPENDENCE

The majority of the Group's Board members are independent directors, which complies with King IV and global best-practice.



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.

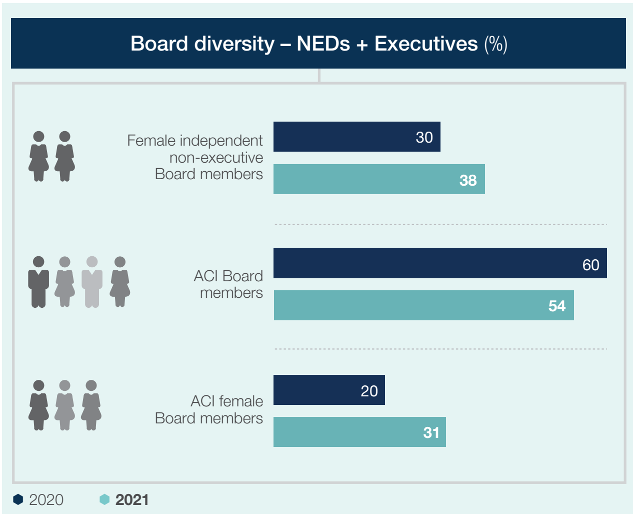
The Board was satisfied that its non-executive directors met its independence criteria for the 2021 financial year.

BOARD DIVERSITY

Board diversity has been a focus area for the Company as it is an important dynamic for ensuring that the Company looks to richer conversation with a diversity of views and is important for remaining relevant and sustainable from both a South African and international perspective. The Board's 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 ensure that diversity indicators are considered in relation to any proposed appointments to the Board.

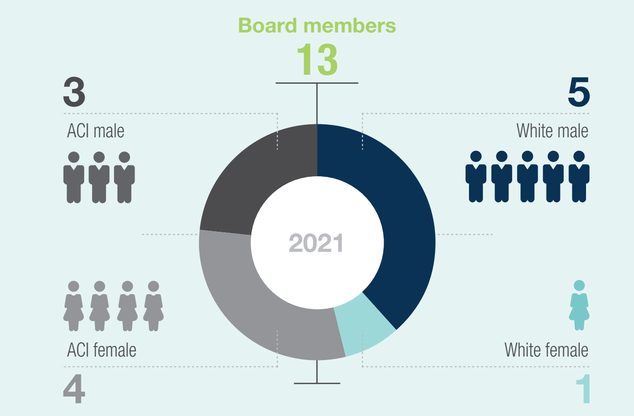
Diversity at Board level

During 2021 we appointed two female independent non-executive Board members, and Mustaq Brey retired as Chairman. Consequently, the Board increased to 13 members (2020: 12).



BOARD DEMOGRAPHICS

Board demographics – NEDs + Executives



The Group's nominations and governance committee will make recommendations to the Board based on merit and will consider candidates against objective criteria with due regard to the benefits of international 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. This was evidenced by the appointment of two women this year.

DIVERSE SKILLS AND EXPERIENCE AT BOARD LEVEL

Life Healthcare's Board has a broad range of skills and experience, which we believe enhances and promotes debate and helps create value in the interests of all stakeholders.

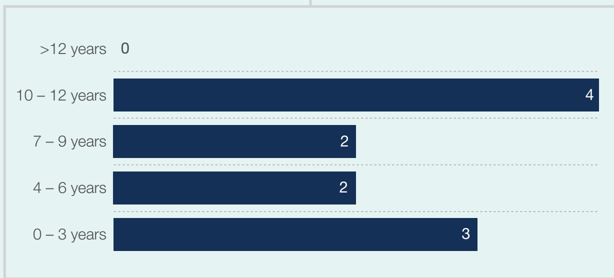
Board members' skills and expertise includes: financial and business acumen; investments, mergers and acquisitions; remuneration and human resources; healthcare and clinical; corporate governance and leadership; strategy and legal expertise; and information technology experience.

Board appointments will continue to introduce a diverse mix of skills, with a focus on increasing healthcare and multi-national corporate experience.

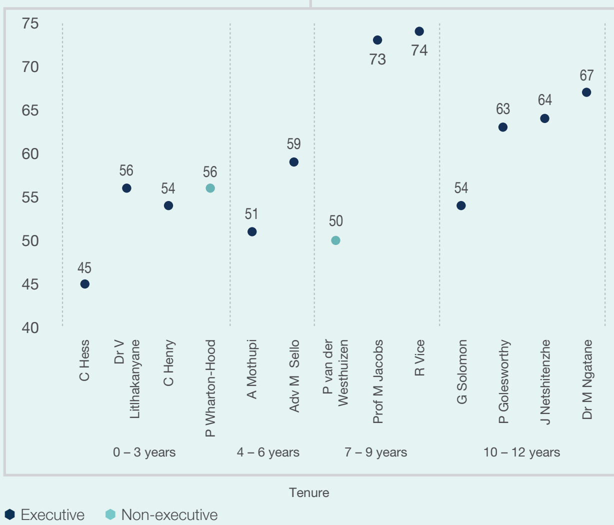
BOARD TENURE AND AGE

Maintaining a balance of experience and new ideas at Board level ensures continuity, sustainability and refreshment of thinking and debate.

Board tenure – NEDs



Tenure and age breakdown – NEDs + Executives



ROTATION OF DIRECTORS

Life Healthcare's memorandum of incorporation (MOI) stipulates that one-third of the Board members will retire from office at the AGM 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.

At the upcoming AGM, the following directors will stand for re-election: Royden Vice, Marian Jacobs, Garth Solomon, Malefetsane Ngatane, Peter Golesworthy and Joel Netshitenzhe. The appointment of the two new directors, Caroline Henry and Cindy Hess, will be confirmed.

Corporate governance overview continued

Board processes

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 the Group Company Secretary. The nominations and governance committee has 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 must 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.

During the year under review, the following training was conducted:
- JSE Listings Requirements
- Risk, tolerance and appetite
- Companies Act

Directors have full and unrestricted access to management and information when required, and they are entitled to seek independent professional advice in support of their duties at the Group's expense.

Key focus areas	Progress in 2021
Enhanced engagement with relevant stakeholders within the healthcare industry.	Meetings with HASA, government departments and leaders in healthcare
A firm focus on ensuring the efficacy and sustainability of the IT systems and infrastructure.	Risk Committee mandate extended to include IT governance and cyber security
A key focus on continued implementation of the Board succession strategy.	Two new Board members appointed to the Board
Transformation and diversity.	Two new women appointed: one white female and one ACI female candidate

Board and committee evaluations

External independent reviews of Board and committee effectiveness are conducted every third year, with the last external evaluation done in 2020. An internal evaluation was conducted in 2021 and based on the assessments the Board and its committees are functioning effectively and fulfilling their mandates.

Board succession

The Board succession strategy considers a number of criteria including but not limited to the tenure of Board members, skills required and diversity. The strategy ensures continuity and sustainability of corporate and Board performance and effectiveness. The nominations and governance committee supports the Board in the execution of the succession strategy. Life Healthcare's skills matrix maps out the profile of competencies and demographics that guide new appointments to the Board.

Appointments and rotation

In accordance with the memorandum of incorporation (MOI), one-third of the Board members will retire at the AGM and will be eligible for re-election. As per the MOI, directors who have reached or exceeded the age of 70 years are annually evaluated to consider their continued service to the Board. 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, with due regard to TDI imperatives.

Internal controls

We maintain accounting records, and have developed systems designed to provide reasonable assurances as to the integrity and reliability of the financial statements. The Board delegates responsibility for the adequacy and operation of these systems to the GCE and Group CFO. These records and systems are designed to safeguard assets and minimise fraud. The systems of internal control are based on established organisational structures and 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.

The Group's combined assurance model (page 100) enables an effective control environment that support the integrity of information for internal decision making and external reports. The Group's management approves relevant policies and processes in support of the combined assurance model.

Board and Board committees' activities

In fulfilling its duties, the Board is supported by various committees that focus on specific areas as prescribed by their terms of reference.

The Group has seven committees, and each committee comprises of at least three members, the majority of whom are independent. Specific executives and senior management are standing invitees to these meetings and in certain cases, for instance at the audit committee, the Group's external auditors are invited.

All committee's terms of reference are aligned to relevant codes and legislation including King IV, the JSE Listings Requirements and the Companies Act. These terms of reference are updated to include any new legislative requirements, as well as the evolving needs of the business.

During the year under review, each committee satisfied itself that it discharged its duties in terms of its specific terms of reference.

Number of **BOARD MEETINGS IN THE YEAR**

4

attendance rate

98%

	Audit	Board	Investment	Nominations and governance	Human resources and remuneration	Risk, compliance and IT governance	Social, ethics and transformation	Clinical
MA Brey[1]		1/1		1/1				
PJ Golesworthy[2]	5/5	4/4	6/6	5/5		4/4		
CM Henry[3]								
CJ Hess[3]								
ME Jacobs		4/4				4/4	2/2	4/4
VL Litlhakanyane[4]		4/4	6/6	4/4				4/4
AM Mothupi	5/5	4/4				4/4	2/2	
JK Netshitenzhe		4/4				4/4	2/2	
MP Ngatane		4/4		5/5			2/2	4/4
M Sello[5]		3/4		2/2	3/4	4/4		
GC Solomon[6]	5/5	4/4	6/6		4/4			4/4
PP van der Westhuizen		4/4	4/4			4/4		
RT Vice	5/5	4/4	6/6		4/4			
PG Wharton-Hood		4/4	5/6			4/4	2/2	4/4

1 *Mustaq Brey retired from the Board on 27 January 2021*
2 *Peter Golesworthy stepped down as Chairman of the Nominations and Governance Committee on 27 January 2021*
3 *Cindy Hess and Caroline Henry were both appointed to the Board effective 1 September 2021*
4 *Dr Victor Litlhakanyane was appointed as Chairman of the Board effective 27 January 2021 and was appointed as Chairman of the Nominations and Governance Committee on 27 January 2021*
5 *Adv Mahlape Sello was appointed a member of the Nominations and Governance Committee on 17 June 2021*
6 *Garth Solomon stepped down from the Audit Committee effective 31 August 2021*

Corporate governance overview continued

Audit committee

Chair: **P Golesworthy**

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 Board in discharging its responsibilities relating to the safeguarding of assets, and 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

Key focus areas during 2021

- Continued oversight of finance systems across the operations
- Oversight of the newly appointed internal auditors and the delivery of the internal audit plan
- Continued evaluation of the key risks, related controls and mitigations in respect of the IT infrastructure and project implementation
- Overseeing the accounting for the disposal of Scanmed and the subsequent disclosures related thereto
- Continuous focus on the Group's reporting processes and financial controls

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

Members

A Mothupi, R Vice, G Solomon (resigned 31 Aug 2021), **C Hess and C Henry** (both appointed 1 Sept 2021)

INDEPENDENCE

100%

ATTENDANCE RATE

100%

Outlook

- Continued oversight of key IT initiatives across the Group with a focus on those affecting reporting processes
- Monitoring changes to the finance structure
- Continued evaluation of the IT environment, in consultation with the Risk, Compliance and IT Governance Committee
- Continued monitoring of the assessment of internal controls to enable the GCE and Group CFO attestation
- Consideration of the evolving ESG-related reporting requirements

Risk, compliance and IT governance committee

Chair: **J Netshitenzhe**

Role

The role of the committee is to assist the Board to set the direction for the manner in which risk is managed and addressed, compliance is embedded into the organisation and IT governance is implemented. This is all executed while adopting a stakeholder-inclusive approach. The committee also oversees and directs that the Company has implemented an effective policy and plan for risk management and compliance encompassing the opportunities and associated risks to be considered when developing strategy and the potential (positive and negative) effects of these on the achievement of the Company's strategic objectives.

Key focus areas during 2021

- Group-wide focus on risk management
- Clinical risk and responsibility of the committee against a backdrop of the global COVID-19 pandemic
- Risk maturity assessment
- Group privacy compliance
- IT risk and mitigation including the improvement of IT systems
- Implementation of the Group's compliance framework and policy

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

Members

P Golesworthy, Prof M Jacobs, A Mothupi, Adv M Sello, P van der Westhuizen and P Wharton-Hood

INDEPENDENCE

71%

ATTENDANCE RATE

100%

Outlook

- Firm focus on cyber security, data security and accessibility of data
- Continued evaluation of IT platforms and the introduction of new IT systems
- Monitoring of key IT initiatives and project management across the Group
- Continued review of patient safety and care according to industry best practice
- Monitoring macroeconomic, political and other risks
- Monitoring compliance with relevant laws and regulations in all jurisdictions in which the Group operates

Investment committee

Chair: **G Solomon**

Role

The overall functions of the committee are to:

- Ensure 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
- Provide a level of comfort to the Board that the Group's overarching approach to the consideration of investment opportunities acquisitions, disposals and capital expenditure is aligned to the Group's strategy and monitor that the benefits are realised

Key focus areas during 2021

- Consideration of the Group's 2021 budget
- SA Imaging strategy in South Africa
- Radiopharmacy in LMI
- Review of material property investments and disposals
- Community diagnostic centres
- Post-investment reviews

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

Members

Dr V Litlhakanyane, P Golesworthy, R Vice, P Wharton-Hood, P van der Westhuizen

INDEPENDENCE

67%

ATTENDANCE RATE

97%

Outlook

- Consideration of the Group's 2022 budget
- Implementation of the SA Imaging strategy in South Africa
- Development of Clinical Diagnostic Centres (CDCs) in the International operations
- Expansion of radiopharmacy in South Africa and Internationally

Corporate governance overview continued

Human resources and remuneration committee

Chair: **R Vice**

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 HR strategy that supports the strategic objectives of the Group
- The Group's performance in HR development and retention against internal transformation targets on legislative imperatives are appropriate

Key focus areas during 2021

- Reviewing the collective responsibilities of the committee against a backdrop of the global pandemic
- Consideration of the Group's remuneration policy, overall reward framework 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

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

Members

C Hess, Adv M Sello, G Solomon

INDEPENDENCE

100%

ATTENDANCE RATE

92%

Outlook

- A review of the Company's reward philosophy
- Due consideration of shareholder views when planning the reward strategy
- Ensure continued performance-driven reward
- Global integration focusing on organisational culture, global mobility, talent management, HR metrics and retirement funds
- Diversity, equal opportunity and fair representation of the communities we serve

Social, ethics and transformation committee

Chair: **A Mothupi**

Role

The social, ethics and transformation committee is constituted as a statutory committee in terms of section 72(4)(a) of the Companies Act. The committee monitors matters in relation to:

- Ethics and business integrity
- Social and economic development
- Good corporate citizenship
- Environment, health, patient and public safety
- Consumer relationships
- Labour and employment practices

The social, ethics and transformation committee's report is detailed on page 60.

Key focus areas during 2021

- Environmental, social and governance imperatives
- Employment equity, diversity and inclusion across our operations
- Consideration of the Group's B-BBEE strategy and progress against the B-BBEE scorecard
- Health policy and related legislation
- Support to government in relation to the roll-out of vaccines
- CSI and support to our communities

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

Members

C Henry, Prof M Jacobs, J Netshitenzhe, Dr M Ngatane, P Wharton-Hood

INDEPENDENCE

83%

ATTENDANCE RATE

100%

Outlook

- Assessment of progress against sustainability targets
- Monitor the integration of ESG imperatives across the business
- Review of the Group's CSI initiatives across the geographies
- Monitor TDI and progress against the previous year

Clinical committee

Chair: **Prof M Jacobs**

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 exist, as well as the plans to address such risks

The Group's Quality report is detailed on page 150.

Key focus areas during 2021

- Continued application of the Group clinical governance framework
- Standardising 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.

Members

Dr M Ngatane, Dr V Litlhakanyane, G Solomon, P Wharton-Hood

INDEPENDENCE

100%

ATTENDANCE RATE

100%

Outlook

- Review of the Clinical Governance Framework, organisational structures, and integration across the Group
- Standardisation of Clinical Governance processes both in southern Africa and in the International operations
- Review of the quality assessment and scoring and the introduction of Statistical Protocol Methodology
- Review mechanisms for eliciting outcome measures, specifically patient outcome measures

Nominations and governance committee

Chair: **Dr V Litlhakanyane**

Role

The overall functions of the committee are to assist the Board in:
- Driving the effectiveness of all Board processes and deliverables
- The nomination of directors in line with an approved diversity policy
- Ensuring a comprehensive induction of new directors
- 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

Key focus areas during 2021

- Approval of the Board succession strategy for the short to medium term
- Recruitment of independent non-executive directors in line with the Board diversity policy
- Ensuring that the Board remained apprised of changes to legislation and best practice
- Overseeing a complete review of the terms of reference for all committees
- Overseeing a review of the Board charter

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

Members

P Golesworthy, Dr M Ngatane, Adv M Sello

INDEPENDENCE

100%

ATTENDANCE RATE

100%

Outlook

- Board succession with due regard to transformation, diversity and inclusion
- Review of governance frameworks across the business with a focus on the International operations
- Continued training and updates to the Board on changes in legislation and/or the JSE Listings Requirements

Corporate governance overview continued

Ethical leadership

The Group recognises that ethical leadership starts at the top, and the Board subscribes to the Group's code of conduct. In so doing it ensures fairness and ethical behaviour in all its business dealings and processes. The Board sets the values by which the Group abides and a culture of ethical conduct throughout the company.

CODE OF CONDUCT

Guidance for appropriate behaviour throughout the Group is based on the Code of Conduct (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.

Tip-offs anonymous

Employees, doctors and suppliers can report suspected irregularities anonymously to an independent hotline operated by a leading international audit firm. Reported incidents are independently assessed and, where relevant, independently investigated. These incidents are also reported to the audit, and social, ethics and transformation committees.

During the year under review, 46 (2020: 36) tip-offs were received in SA. There were no tip-offs in the international business. Of the 46 (2020: 36) tip-offs received in the year, 41 (2020: 28 cases) have been closed and 5 are recent and remain under investigation.

Conflicts of interest

Directors and employees 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 meetings.

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.

Political party contributions

In line with the code of conduct, 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. There were no political contributions made in 2021.

GROUP COMPANY SECRETARY

Joshila Ranchhod was appointed as the Group Company Secretary, with effect from 1 March 2021, following the resignation of Avanthi Parboosing, with effect from 28 February 2021. Her primary role is to ensure that the Board is cognisant of its fiduciary duties and responsibilities. The Group 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 and emerging trends. Other key performance areas of the Group Company Secretary include overseeing the induction of new directors, and ongoing education of directors.

An assessment of the Group Company Secretary was carried out for the year under the auspices of the nominations and governance committee. The Board confirms that the Group Company Secretary has the requisite experience and qualifications to carry out the role, and that she maintains an arms-length relationship with the Board.

IT GOVERNANCE

The Board is responsible for the governance of technology and information within the Group. It provides direction and oversight of the Group's IT strategy to ensure alignment with the achievement of the Group's strategic objectives. The Board's risk, compliance and IT governance committee supports the Board in discharging its technology and information oversight duties. At a management level, the IT management forum ensures that relevant IT policies are developed, approved and embedded within the organisation. This committee also ensures that technology is leveraged to enhance our service offering to patients and to provide accurate data and analytics for the Group to make informed decisions.

Key focus areas in 2021 included improving the security of our data and systems while at the same time starting the process of upgrading our IT platform and phasing out legacy systems. In addition, a dedicated cyber security function was set up.

Going forward the Group will continue to focus on the modernisation of our IT platform along with migration of systems and data into the cloud. This will facilitate improved security whilst also building a platform on which to build a digitally enabled healthcare ecosystem which will enhance our data and analytic capabilities.

GOOD CORPORATE CITIZENSHIP

The Board is responsible for ensuring that the Group is and is seen to be a responsible corporate citizen that includes economic growth, environmental stewardship and social progress. The Board's social, ethics and transformation committee supports the Board in fulfilling this duty. At management level, the sustainable development committee continues to oversee the Group's sustainability journey and ensures that relevant policies and frameworks are in place to achieve the Group's strategic objectives. The Group's social, ethics and transformation committee's report on page 60 provides details on the focus areas for 2021 as well as the Group's focus going forward, as its sustainability journey evolves.

STAKEHOLDER RELATIONS

The Board acknowledges that the Group's sustainability depends on fostering positive relationships with our key stakeholders. While stakeholder engagement takes place at various levels within the organisation, the messaging is consistent Group-wide. The Group has adopted a stakeholder-inclusive approach to stakeholder engagement that considers the needs of our key stakeholders, at each point of our value chain, and responds appropriately so that we can consistently create value in the short, medium and long term.

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 conduct 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. Oversight of compliance risk management is delegated to the risk, compliance and IT governance 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.

There were no material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations or environmental laws.

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.

Social, ethics and transformation report

Audrey Mothupi
Chairman: Social, Ethics and Transformation Committee

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

The Group has **improved to** a

Level 3
B-BBEE

contributor status in 2021

(2020: level 4)

based on the measurement criteria contained in the B-BBEE Codes of Practice. The independent verification process was completed during September 2021.

It gives me great pleasure, on behalf of the social, ethics and transformation committee (the committee), to present our annual feedback to shareholders for the financial year ended 30 September 2021, in accordance with the requirements of the Companies Act and the JSE Listing Requirements.

In my report to shareholders the year prior, I spoke of the extremely challenging operational environment within which the Company operated and the resolve and resilience that was required to see us through.

The year under review has remained as challenging. The pressure of the pandemic has been unrelenting, with the third wave exceeding previous waves by some distance. The unrest in KwaZulu-Natal (KZN) in July 2021 amplified an already strained environment but we are sincerely grateful that we did not lose any patients, employees or doctors to the unrest and suffered no physical damage to our hospitals.

Continued delivery by our frontline colleagues and extended employee base, whilst bearing the distress and relentless pressure and impact of the pandemic and the unrest, has emphasised all of the heroes we have on the frontline and within the Company.

It is important for the Company and the committee to also acknowledge the official inquest into Esidimeni and the tragic deaths of 144 former patients, who had been transferred from our facilities. This inquest commenced on 19th July 2021 in the High Court of Pretoria. The Esidimeni tragedy of 2016 caused untold suffering to our former patients, to their families, and to those who cared for them. Life Healthcare continues to support and cooperate with the investigative authorities and the Gauteng Department of Health.

As the world over navigates this uncertain and difficult time, we at Life Healthcare remain resolute on ***Making life better*** for all our stakeholders.

COMPOSITION OF THE COMMITTEE

There was an additional appointment to the Committee for the year under review and the current constitution is as follows:

- Audrey Mothupi (Chairman and independent non-executive director)
- Prof Marian Jacobs (independent non-executive director)
- Joel Netshitenzhe (independent non-executive director)
- Dr Malefetsane Ngatane (independent non-executive director)
- Caroline Henry (appointed with effect from 1 September 2021)
- Peter Wharton-Hood (Group Chief Executive and Executive Director)

Senior executives and functional heads attend meetings, as appropriate and at the request of the Committee. 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 twice 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
- labour and employment practices

The Committee continues to execute on its responsibility to draw matters within its mandate to the attention of the Board and to shareholders, when necessary.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) HIGHLIGHTS

The Group's journey to identify ESG matters as part of our operational performance continued to gain traction for the year under review, with the creation of a Group Sustainable Development Committee and the approval of the Sustainable Development Strategy by the Committee. The current ambition rests on moving towards a more holistic approach of identifying key ESG matters and linking these to risks and opportunities as well as materiality and long-term strategic intent. The Group's current focus is now on identifying strategic interventions with linkages to business strategy for value creation.

Recognising the global nature of our business, our international operations have been fully integrated into our ESG agenda and during the last 12 months have taken some notable progress driven by the appointment of two international executives onto our ESG governance committee. This year has seen our international colleagues align their ESG reporting framework to the Group model and also introduce a series of ESG specific initiatives including: the development of an integrated equality, diversity and inclusion strategy with associated objectives, measures and targets and the introduction of electric vehicle options into company car schemes. We anticipate the coming year will see further significant steps being taken.

In August 2021, the Company celebrated Women's Month with the Girl Child Project at Jabulani Secondary School in Soweto, and Siyanda Secondary School in Sweetwaters, KZN. The events were attended by the Honourable Gauteng MEC for Health, Dr Nomathemba Mokgethi and the Honourable Deputy Minister of Health, Dr Sibongiseni Dhlomo respectively. Feminine care packs were distributed to each girl child in the school, as well as holding career guidance talks with regards to nursing and pharmacy. Three nursing bursaries for each school were made available to students who met the criteria. The total sponsorship value over the duration of the training period is R1 million.

Our *Women in Life* programme, implemented last year, continues to gain traction and focus. This senior group of women leaders continues to play a vital role in maintaining our operational excellence and driving our strategic outcomes.

There were some notable achievements during the year under review and I am delighted to report that, during the fourth quarter, the Group received an upgraded ESG rating from 'A' to 'AAA' from MSCI. MSCI is the world's largest provider of ESG indexes. An 'AAA' rating places Life Healthcare in a best-in-class category within the global healthcare sector.

The Green Building Council of South Africa has also completed its review of the Group's new head office building and has awarded Life Healthcare a 5-Star Green Star Office Design certification. This is an outstanding achievement by the Group and further entrenches our commitment to environmental imperatives as per our medium to long term sustainability strategy.

The Committee confirms that the Group has retained its position as a constituent of the FTSE/JSE Responsible Index, based on the FTSE ESG rating.

Social, ethics and transformation report continued

CORPORATE SOCIAL INVESTMENT AND RESPONSIBILITIES (CSI)

I am proud to confirm that the Group's focused drive to continue supporting our stakeholders, yielded pleasing results for the year under review. Some of the notable initiatives are listed herein:

- 4 000 food parcels were distributed to needy communities in KZN, Gauteng and Eastern Cape, parcels each of which fed a family of four for four weeks
- In a drive to create access to drinkable running water, three Play pumps were installed in the Eastern Cape and a further six have been earmarked for KZN
- Funding for the establishment of a rural community centre and the salaries for the practitioners in the Manketu Village in Pondoland were approved during the year under review
- During the civil unrest 2.5 tons of basic food was distributed to employees in KZN
- 200 cataract surgeries were sponsored in Limpopo in partnership with the SA National Council for the Blind
- Funding for the establishment of a Saturday School for learners and educators of Nomzamo Secondary School in the Western Cape, specifically focusing on additional tuition in maths and science, has been approved
- 25 nursing bursaries have been awarded for students in their third and fourth year of study at 12 higher education universities across the country
- We continue to fund the full operations of the Optima College for visually impaired students. 354 training programmes were undertaken in 2021

IMPACTFUL PARTNERSHIPS

Guided by our belief that healthcare providers have an obligation to partner with government, especially during times of unprecedented crisis, we are proudly supporting South Africa's massive vaccination drive and efforts through 22 Life Healthcare vaccination sites, manned by approximately 320 employees across the country. The Company has administered a total of 380 000 vaccinations to date in 2021.

In Europe, our international colleagues also stepped up to support the fight against COVID-19 through various partnerships with public health providers, including the provision of a 24/7 national CT imaging service in the UK and the creation of additional laboratory capacity in Italy.

DIVERSITY AND INCLUSION

South African operations

Steady progress continues to be made on improving employee diversity, with good performance in 2021. There is also an increased focus on improving the number of women within the higher grades of the organisation. A number of training initiatives were put in place during the year under review, including; hospital management, nurse management, finance and administration and engineering. These initiatives will continue to be a focus area for 2022.

International operations

The international initiative to develop an integrated equality, diversity and inclusion strategy and action plan for each region has concluded with country-specific strategies, objectives, targets and action plans in place for implementation during 2022.

National Transformation Committee

The Company has an established National Transformation Committee in South Africa comprising of 22 employee members, with representation from all the South African businesses and across various employee skill levels. This committee will further drive and embed a culture of equality, diversity and inclusivity in South Africa.

Broad-Based Black Economic Empowerment (B-BBEE)

We are pleased to announce that the Group has obtained an improved level 3 B-BBEE contributor status (2020: level 4) for the year under review, based on the measurement criteria contained in the B-BBEE Codes of Practice. The independent verification process was completed during November 2021.

CONCLUSION

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 remains cognisant of the fact that our material matters are those issues that could affect the economic, environment and social value we create for our stakeholders. With this in mind, the committee continues to play a key role in assisting with the strategic management of our material matters, to ensure sustainable value in the short, medium, and long term.

The Committee is satisfied that it has discharged its responsibilities in accordance with its mandate for the year ended 30 September 2021.

In closing, I extend my sincere appreciation to my fellow Committee members, to the management team, and to the entire formidable workforce at Life Healthcare. Your unwavering support during a challenging year has been phenomenal.

Audrey Mothupi
Chairman of the Committee

Sustainability highlights

At Life Healthcare Group we recognise sustainable development as a key strategic focus for the long-term viability of our business. Sustainable development is a strategic tool that enables us to incorporate the creation of social, environmental and economic value into our strategy and day-to-day operations for long term sustainability. We believe that sustainable development makes business sense, while also being good for our people and our planet.

We understand that for our business to grow sustainably, we have a duty to develop our people, enhance stakeholder value and minimise the impact of our operations on the environment. We are aware that it is critical in today's world to identify, understand, and manage material ESG impacts.

While as a Group we are in the early phase of our sustainability journey, we are delighted to have attained a significant milestone with the awarding of the 5-Star Green Star Office Design rating from the Green Building Council of South Africa for our new head office. This internationally recognised award is an indication of our commitment to protecting our people and our planet.

Life Healthcare's corporate head office in Johannesburg

Sustainability highlights continued

We also received an 'AAA' rating from MSCI ESG Research (2020: 'A') placing Life Healthcare in a best-in-class category within the global healthcare sector.

	2021
FTSE/JSE Responsible investment index score	3.3
Sustainalytics ESG score *(Risk rating = Low 10 – 20, Med 20 – 30, High 30 – 40)*	24.4
MSCI ESG Research Inc. rating	AAA

Our approach to sustainability as an international corporate citizen is guided by the United Nations Global Compact (UNGC) requirements and the United Nations – Sustainable Development Goals (SDGs), which are integrated within our own Global Code of Conduct.

Life Healthcare intends to set sustainability targets for the Group during 2022. The targets will be based on the material issues relevant to the nature of our business and our operating environment. The sustainability targets will become the driving tool for our business to attain strategic Group ESG goals.

ENVIRONMENTAL IMPACT

As part of understanding our impact on the environment, we have been measuring various environmental factors for a number of years. As we progress towards developing our environment goals and related targets in 2022, we will use 2021 as a baseline and as such are publishing some of the metrics below for the first time.

The diesel usage in our business relates to the requirement for us to have two back-up diesel generators at all of our hospital facilities so that we can continue to operate throughout the rolling electricity blackouts we experience regularly in South Africa. This is an imperative from a sustainability perspective, but the trade-off is that it has a negative environmental impact.

In our effort to become less reliant on grid-tied electricity, we have installed solar panels at 15 of our facilities over the last five years, and further installations are planned in the future. These solar installations have helped to reduce the Group's dependence on grid-tied electricity by c.5%.

A total of 13 of the solar installations were developed by Fibon Energy, a renewable energy company based in Johannesburg. The appointment of Fibon Energy forms part of Life Healthcare's empowerment strategy to harness corporate growth and inclusive development opportunities in a sustainable manner.

Our solar panel installations have:

Contributed **20%** **SAVING TOWARDS ELECTRICITY CONSUMPTION** at installed sites

PRODUCED ENOUGH RENEWABLE ENERGY ANNUALLY to power **c.1 500** households

PREVENTED the equivalent of **c.7 800** **TONS OF CO_2 EMISSIONS**

SAVED the equivalent of **33 000** **TREES**

Below is a summary of our key environmental data from our South African operations. For a more complete dataset, please refer to our separate Sustainability complementary data report which is available on our website.

Life Healthcare emissions data*	UOM	2021
Scope 1	tCO_2e	2 869
Scope 2	tCO_2e	142 922
Scope 3	tCO_2e	3 471

* *This data refers to South Africa only.*

ENERGY MANAGEMENT*

KPI	Description	UOM	2021
Total non-renewable energy used	HFO	L	**415 472**
	Petrol	L	**100 758**
	Diesel	L	**364 067**
	LPG	Kg	**108 773**
Total renewable energy used	Solar PV	kWh	**7 821 437**
Electricity used	Purchased	kWh	**150 444 359**
Total electricity used		kWh	**158 265 796**
Renewable energy consumption as a % of total energy consumption		%	**5.2**

WATER MANAGEMENT*

KPI	UOM	2021	2020	2019
Total water withdrawn	Kl	**1 274 035**	997 867	913 090
Total water withdrawn – municipal	Kl	**1 059 690**	997 867	913 090
Total water withdrawn – borehole	Kl	**214 345**	n/a	n/a

WASTE MANAGEMENT*

KPI	UOM	2021	2020	2019
Total HCRW generated A	Kg	**5 496 781**	4 371 882	4 453 875
HCRW – incinerated	Kg	**120 372**	n/a	n/a
HCRW – treated	Kg	**5 376 409**	n/a	n/a
Total HCRW generated per PPD A	Kg/PPD	**2.87**	2.01	1.93
HCRW – anatomical waste	Kg	**74 016**	n/a	n/a

* *This data refers to South Africa only.*

Remuneration report

I am pleased to present the 2021 remuneration report on behalf of the Board and the Company. This report highlights the key components of our remuneration philosophy and focuses on how this philosophy underpins and aligns with the Group's key strategic objectives.

Royden Vice
Chairman: Human Resources and Remuneration Committee

CONTENT

This report sets out Life Healthcare's remuneration policy and implementation report for the year under review and is presented in three sections:

Section 1

Human Resources and Remuneration Committee Chairman's report

Section 2

Life Healthcare's remuneration philosophy, policy, and framework for the forthcoming year

Section 3

Implementation report for the past year

Section 1

Human resources and remuneration committee chairman's report

Dear Shareholder

Our people remain at the heart of our business. Our priority for the year under review focused on ensuring that we rewarded our employees for their individual and collective contributions to the Group in a fair and responsible manner. The COVID-19 pandemic continues to have a severe impact on our employees, our clinical partners, our suppliers, our patients and other stakeholders. The effort and resilience, however, with which the Group has responded has been nothing short of exceptional.

KEY DEVELOPMENTS AND HIGHLIGHTS FOR THE YEAR INCLUDE:

In Southern Africa, the company implemented a salary increase for frontline and clinical employees on 1 January 2021, but, as a cash preservation measure, increases were delayed for head office and non-frontline employees until 1 May 2021.

In a similar vein, salary increases for our International senior executives were also deferred.

The continued impact of the pandemic with the associated increase in demand, such as the roll out of vaccination sites in SA or additional imaging services to meet pent-up demand in Europe, has created a substantial increase in the demand for clinical skills, both locally and abroad, with a concomitant increase in market rates for these skills. This contributed to an increase in clinical employees' turnover rate.

January 2022 will see the first vesting of the long-term incentive for our international colleagues which is a significant step in terms of creating an integrated senior executive reward structure.

In Europe, COVID-19 related recognition awards were made to the majority of patient-facing employees in our international operations alongside regular competency-based salary reviews to ensure continued competitiveness.

In South Africa, the Committee approved several interventions to address the loss of key skills, which are detailed below:

- Bringing forward the annual salary review from 1 January 2022 to 1 September 2021 for all employees excluding middle management and above. This is a once-off initiative and with effect from January 2023, will revert to the normal increase date.
- The Group will pay professional registration fees on behalf of our employees with effect from 1 January 2022 onwards. This represents a significant benefit, especially to our nursing employees.
- We have put a process in motion to offer our employees flexible contributions to their retirement fund. We are awaiting FSCA approval.
- A further tranche of Life Healthcare shares was purchased for the benefit of employees participating in the Life Healthcare Employee Share Plan.

The Group maintains excellent working relationships with representative trade unions, and we were able to reach agreement on wage increases for 2022 well in advance of the effective date.

Progress has been made in respect of Environmental, Social and Governance (ESG) matters:

- Diversity and clinical governance objectives were included in senior executive annual performance measures.
- A Group-wide sustainability committee was established which will develop a strategy and set objectives, measures, and targets during 2022, which are likely to feature in annual performance measures in future years.

THE YEAR UNDER REVIEW

Factors that have influenced the company's remuneration decisions during the year under review were as follows:

- The impact of the COVID-19 pandemic resulted in a drain of key critical clinical skills and exposed the country-wide nursing shortage and resulted in an increase in competition for these skills. The competition for nursing talent was extended from other private hospitals and the public sector to retail pharmacies and medical aids to facilitate the roll-out of country-wide vaccination sites. In addition, the consequent rise in burnout of employees required enhanced employee wellness programmes to be put in place to ensure the well-being of our people.
- The change in the nursing qualification framework resulted in an inability to train registered nurses.

Remuneration report continued

- The Group needed to review and improve its overall nursing strategy to ensure our nurses are prioritised for retention and sustainability of our core business.
- Remuneration elements needed to be revised to ensure retention of talent in a globally attractive market. This included reviewing our short-and long-term incentives to include the application of alternative methodology for unforeseen market influences and threats.

Remuneration outcomes

The Board remains focused on ensuring that there is a robust and rigorous process in place whereby significant oversight and prudence are applied to ensure remuneration outcomes are aligned both with individual and Group-wide performance, with outcomes delivered to our shareholders. In addition, it aims to retain key critical skills and be market competitive ensuring productivity, performance excellence and company sustainability.

Adaptations and revisions to certain remuneration elements have been required to give effect to this:

- **Short-term incentivisation**
  The short-term incentive payment has been changed to an annual payment to align with the Group's annual budget cycle and market best practice. Given the uncertainty in trading conditions, short-term incentive financial targets were structured on a rolling budget basis for the year under review but will revert to the normal application for the new financial year, with fixed financial performance measures. To improve individual accountability, the performance assessment of the Group Executive has been changed to a combination of financial, clinical and individual deliverables as opposed to the previous team-rating approach and the weightings have been adjusted to include clinical metrics.
- **Long-term incentivisation**
  As a result of the uncertainty brought about by the COVID-19 pandemic, the financial performance metrics in respect of the Long-term Incentive Plan (LTIP) 2021 allocation have been revised to focus exclusively on Normalised Headline Earnings per Share (Normalised HEPS). In addition, the introduction of a retention element was implemented for the Group Executive.
- **Co-Investment Policy (CIP)**
  In response to current economic conditions and the varying effects of the COVID-19 pandemic, the Board has determined that the loss of key personnel stationed throughout the Group could have a material effect on the management, sustainability of operations and growth strategy of the Group. To address this risk, the Committee supported by the Board approved the introduction of an additional long-term incentive, the CIP. At its core, the CIP is designed to secure not only the retention of participants for a minimum period of four years, but also significant buy-in and alignment of interests of participants with the Group's stakeholders. In essence, the CIP requires a significant investment by a participant upon entry to the structure (through deferral of a significant portion of their potential 2021 short-term incentive). A participant will receive a matching incentive for the potential deferral and for their continued contribution to the Group over a set period. If a participant's employment is terminated before the CIP's vesting, various onerous conditions and additional measures apply. In addition, performance shares may be awarded, linked to strategic performance conditions. Participation in the CIP is not limited to executives or the Group's most senior management, but to a certain number of individuals who have been identified as key personnel, including, inter alia, hospital management and operational heads.
- **Employee Share Plan (South Africa)**
  The Board has approved the purchase of shares, as a retention measure, for the benefit of qualifying employees.
- **Once-off gratuity payment (South Africa)**
  In recognition of the unwavering commitment, dedication and support of our non-management employees, a once-off gratuity was paid to all permanent employees during October 2020. The total payment amounted to R45 million.

Further details on each of these points can be found in sections 2 and/or 3 of the remuneration report.

Life Healthcare continues to strive towards delivering strong company performance over the short- and long-term. To achieve this objective, we must attract, motivate, and retain competent people whilst upholding and aligning their interests with shareholders.

VOTING OUTCOMES AND SHAREHOLDER ENGAGEMENT

During the Annual General Meeting (AGM) held on 27 January 2021, the outcome of the non-binding advisory vote was as follows:

- 89.71% (2020: 70.1%) of the total number of shares voted were in favour of Life Healthcare's remuneration policy; and
- 63.97% (2020: 66.7%) of the total number of shares voted were in favour of the remuneration implementation report.

As we did not receive the required 75% favourable vote in respect of the implementation report, we engaged with our key shareholders to address their concerns. During the engagement the Chairmen of the Board and Committee, the GCE, the Chief People Officer and other executives shared key philosophies in respect of remuneration with those attending the engagement. Specific concerns raised by our shareholders are highlighted within this report, along with our rationale/action plans to address them.

ACHIEVEMENT OF REMUNERATION OBJECTIVES

One of our primary objectives has been to ensure that the company's employee value proposition allows the attraction and retention of the human capital required to deliver on the company's strategic objectives. We are concerned about the increase in clinical employees turnover but believe that the measures we have implemented will mitigate this risk successfully. I am therefore satisfied that we have achieved the outcomes we have set notwithstanding the many challenges we have faced during the past year. The Committee is satisfied that the remuneration policy has fulfilled its stated objectives during the reporting period.

FUTURE FOCUS AREAS

Looking forward the Committee's focus areas will be to ensure:

- A full, holistic review of the Group's reward philosophy remains a key consideration.
- We will consider the views of our shareholders when planning our reward strategy to ensure a holistic approach to total reward.
- The Group Executive team is encouraged to hold Group shares to better align the interests of executives with shareholders.
- Continued performance-driven reward.
- Global integration continues to focus on organisational culture, global mobility, talent management and HR metrics.
- Diversity continues to be a strategic objective to ensure equal opportunity and fair representation of the communities we serve.

REMUNERATION CONSULTANTS

During the year under review, the Group engaged the services of PwC, Deloitte and 21st Century for benchmarking of non-executive director fees, executive remuneration and general market benchmarking of jobs. The Committee is satisfied that the remuneration consultants engaged were independent and objective in providing the relevant services.

CONFIRMATION

In signing off this remuneration report, the Committee is satisfied that the remuneration policy is fair, transparent and responsible in that it is reviewed and approved annually. The Committee is satisfied that it has executed its duties over the reporting period, according to its terms of reference, relevant legislation, regulation and governance standards.

CLOSING

We will table our current remuneration policy and implementation report as two non-binding advisory votes at the 2022 AGM to be held on 26 January 2022. We look forward to engaging with you further and implementing the proposed changes as contained in this report, with your support.

In closing, the Committee and I extend our sincere appreciation to the executive management and the Board for the support and dedication during the year under review. This appreciation extends to the entire workforce, who continue to make Life better.

Yours sincerely

Royden Vice
Chairman: Human Resources and Remuneration Committee

Remuneration report continued

Section 2

Remuneration philosophy, policy and framework

Index

2.1 SCOPE AND AIMS OF THE POLICY

The remuneration policy is approved by the Board and forms part of our operating philosophy, policies, and protocols which apply to all permanent employees of the Group. In line with King IV, we set out below the remuneration elements and design principles applicable to the executive management and on a high-level, other employees.

Our 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;
- to promote diversity in our workforce to align with the communities we serve;
- promote an ethical culture and responsible corporate citizenship; and
- provide a balanced remuneration mix within the Group's financial constraints.

Life Healthcare's remuneration philosophy is to make certain that employees are rewarded **fairly, responsibly and appropriately** for their contribution to value creation for the Group. Our remuneration philosophy informs our reward framework and guides policy. In a continually evolving context, we continually review our remuneration policies to ensure our approach remains relevant, fair, and responsible.

The Group periodically consults market survey providers for an indication of the guaranteed remuneration and annual cash incentive payments made generally and sectorally. We utilise 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, evaluating our performance in delivering fair and equitable remuneration as part of our employee value proposition.

Ultimately, our goal is to design reward for business sustainability, balancing what is required to attract and retain the best talent with affordability considerations.

2.2 REMUNERATION GOVERNANCE

In line with best market practice, our Committee is appointed by the Board and has delegated authority, in accordance with its terms of reference (which is available on our website www.lifehealthcare.co.za), to establish and administer a remuneration strategy and to review and make decisions regarding our remuneration policies and the implementation thereof to ensure alignment with the principles of fair, transparent and responsible remuneration and legislative and regulatory requirements, as well as the needs of the Group. The remuneration strategy includes remuneration at all levels, including Executive Directors.

Our 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. This verifies that policy enables fair and equitable remuneration and ensures sound governance. In South Africa, we comply with King IV and draft guidelines and practice notes of the IoDSA. 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.

The Committee consists of the following independent non-executive directors who collectively have the appropriate experience and qualifications –

Royden Vice (Chairman and independent non-executive director)

Cindy Hess (independent non-executive director, appointed with effect from 1 September 2021)

Adv Mahlape Sello (independent non-executive director)

Garth Solomon (independent non-executive director)

Further details on these non-executive directors and the Committee can be viewed on pages 44, 45 and 56.

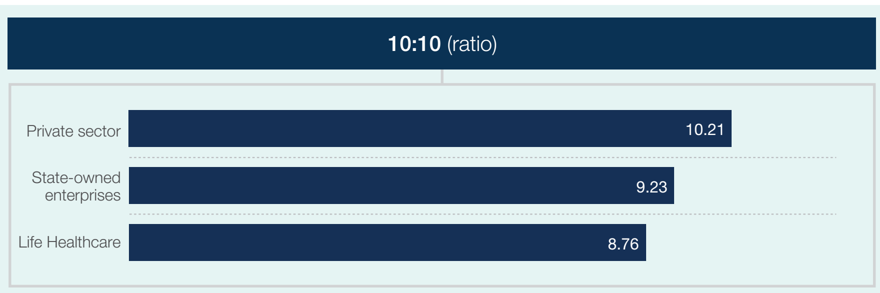
In addition to Committee members, the following individuals are invited to attend meetings as and when required by the Committee but none of them are present when their own remuneration is discussed and do not participate in any voting:

Invitees	
Dr VL Litlhakanyane	Non-Executive Director/Chairman
P Wharton-Hood	Executive Director – Group Chief Executive
A Parboosing	Chief People Officer
C Gouws	Human Resources Executive – SA
P Winchester	Human Resources Director – International
In attendance:	
J Ranchhod	Group Company Secretary

The chairperson of the Committee attends the AGM to respond to questions from shareholders within the Committee's areas of responsibility.

2.3 FAIR AND RESPONSIBLE REMUNERATION – FLATTENING THE CURVE OF THE WAGE GAP (SOUTH AFRICA)

In this context, the Group applies the 10:10 methodology to gauge the fairness of our wage gap. This is conducted on an annual basis. The 10:10 ratio expresses the sum of the salaries of the highest paid 10% of employees as a ratio of the sum of the salaries earned by the lowest earning 10% of employees. The larger this ratio, the more inequality exists. The ratios are based on 2019 South African salaries and are as follows:



Life Healthcare continues to demonstrate a smaller income gap between the top and lower earners compared to both SOEs and the private sector in general.

In addition, the company annually reviews and grants higher increases to the lowest earners as it aims to transition from applying a minimum wage to a minimum living wage. This process is supported by a focus on skills development.

2.4 PERFORMANCE MANAGEMENT

The aim of our performance management process is to promote alignment of individual and team performance objectives with strategic focus areas, as follows:

- Performance management is consistently applied;
- Objectives feature both financial and non-financial indicators aligned to strategic imperatives;
- Outcomes are appropriately differentiated to reflect the different levels of contributions made by employees and constructive interventions are made to improve poor performance; and
- Performance outcomes influence remuneration to ensure appropriate differentiation based on contribution and performance.

2.5 LINKING PAY TO STRATEGY AND PERFORMANCE

The Group's remuneration philosophy is to ensure that employees are rewarded appropriately for their specific contribution to the strategy of the Group and higher weightings are assigned to specific measurables relevant to their portfolio. The remuneration policy is designed to attract, engage, attract, and motivate the right, diverse talent to ensure long-term sustainability of the Group. Remuneration policies are designed to achieve alignment between business strategy, company values and behaviour of employees. Individual responsibility, performance, potential and behaviour in the achievement of business goals are recognised and rewarded. Participation in short- and long-term incentive schemes are dependent on the individual's role and level within the Group. Performance contracts are reviewed annually and goals for the ensuing year are agreed with employees to ensure clarity, focus, and clear measurables on outcomes are in place.

State-owned-**enterprises**

9.23

Private sector

10.21

Life Healthcare **(2021)**

8.76

21st Century's salary database (www.21century.co.za) – (Morton & Blair, 2019)

2.6 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 depends 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 Committee will continue to monitor remuneration practices to ensure that any potential for unfair bias is eliminated and fairness prevails in the attraction and retention of top talent.

The remuneration components offered at Life Healthcare include guaranteed package, short- and long-term incentives and share-based incentives.

Remuneration report continued

Our policy will be enhanced during 2022 in respect of certain elements of pay that were offered during 2020 and 2021.

ELEMENT OF PAY	Description	Eligibility	2022 policy changes	Disclosure reference
Guaranteed remuneration	Cash pay and benefits	All employees	Approval sought from FSCA to allow for flexible employee retirement fund contributions. Company will pay for professional registration fees.	Section 2
Variable remuneration – short-term	Short-term incentives in terms of the Variable compensation plan (VCP)	Executives, middle and senior management	Offered in 2022, with some implementation changes, as disclosed in further detail below	Section 2
	VCP voluntary deferral into bonus shares in terms of the new proposed CIP	Discretionary, executives, senior management and key personnel	New offering for 2022	Section 2
Variable remuneration – long-term	Performance awards under the Long-term incentive plan (LTIP)	Executives and senior management	Offered in 2022, with some implementation changes, as disclosed in further detail below	Section 2
	Bonus shares based on the voluntary bonus deferral in terms of the new proposed CIP	Discretionary, executives, senior management and key personnel	New offering for 2022	Section 2
	Matching shares based on the acquisition of the bonus shares (calculated in accordance with the matching ratio) in terms of the new proposed CIP	Discretionary, executives, senior management and key personnel	New offering for 2022	
	Performance shares in terms of the new proposed CIP as a result of the election to participate in the CIP	Discretionary, executives, senior management and key personnel	New offering for 2022	
	Matched shares based on investment	GCE and Group CFO	Not offered in 2022	Section 3 (table of unvested LTIs)
	Retention shares	International CEO and SA CEO	Not offered in 2022	Section 3 (table of settled and unvested LTIs)
Share-ownership	The company procures Life Healthcare shares on an annual basis for the benefit of permanent employees with one years' service at date of allocation. These shares are held in a Trust and vest to participants in years 5, 6 and 7.	All SA employees not participant on the long-term incentive scheme.	Additional grant to be approved for 2022 by the Committee.	Section 2

2.7 GUARANTEED REMUNERATION

Guaranteed Remuneration	Base salary
Annual individual performance review for all employees	¬ Market-related progressive pay policy tailored to role. ¬ Influenced by market conditions, company performance, internal equity, individual performance, individual potential.

Fixed Benefits		
13th cheque (SA, below senior management)	Retirement funding and risk benefits	Medical aid subsidy (SA)
Car/travel Allowance	Cell phone	Specialist and market allowances
Leave entitlement	Long service recognition	Flexible work conditions

ELEMENT	Description
General	Life Healthcare operates pay progression models that reward 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. 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 is supported by a disciplined and rigorous annual talent review process that focuses on both performance and potential, using best practice tools to interrogate and plot each of these dimensions. This talent process continues to be refined over time to ensure a robust talent identification and management practice which is shared across the Group, demonstrating factually that we out-reward top talent in a disciplined and rigorous way. Pay is reviewed regularly to ensure that employees are rewarded equitably per legislation, market, and performance. In exceptional circumstances, this may involve adjusting the pay rate of certain individuals during the year. Should an employee perform in a more senior job for a minimum period of two continuous weeks, while another employee is away from work, an acting allowance equivalent to 10% of current salary is paid.
Benchmarking	The Group makes extensive use of survey houses to support its reward benchmarking process for all employees. The services of Deloitte, PwC, Remchannel and Willis Towers Watson are utilised. We typically benchmark against market median, but in respect of top talent and critical skills, our reward philosophy allows payment up to the 75th percentile. Benchmarking is reviewed annually prior to the annual salary review process. In respect of the Group executives, we benchmark remuneration against direct healthcare competitors and utilise the Deloitte executive market survey which takes cognisance of the following three criteria: a) Size of the organisation (complexity); b) Level of the executive job within the organisation; and c) Nature and scope of the job (responsibility and accountability).
Retirement benefits	**South Africa** The revised tax legislation applicable from 1 March 2021 has aligned the retirement options of provident fund members with pension fund members, compelling provident fund members to purchase an annuity at retirement to provide a monthly pension for their monies saved after 1 March 2021. As there is no longer a distinction between pension and provident funds, the company transferred all defined contribution pension fund members to the flagship Group Provident Fund and dual fund membership no longer applies. The effective date of the transfer was 1 July 2021 to coincide with the start of the Group Provident Fund's new financial year, however actual transfer will be determined following the approval of the transfer by the FSCA.

Remuneration report continued

ELEMENT	Description
Retirement benefits continued	**South Africa** continued In addition, the company operates two defined benefit funds that have been closed to new membership since 1996. The Life Healthcare Defined Benefit Pension Fund provides retirement benefits for 77 active members and 218 pensioners (July 2021). The Lifecare Group Holdings (LGH) Pension Fund no longer has active members. The fund no longer has any liability towards members or pensioners but is currently in the process of distributing surplus due to former members who left the fund prior to the surplus apportionment date in 2004. All statutory reports of the fund are up to date. Based on the history of the fund and to mitigate future risk, the intention is to appoint a liquidator at a future date, to ensure that once the fund is closed it can never be re-opened. The Group Provident Fund offers 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. It is currently compulsory for the employer and employee to contribute to the retirement fund with most employees contributing 7.5% of basic salary. Approval is being sought from the FSCA to allow employees to structure the employee contribution to the retirement fund with a minimum contribution of 2.5%. As a responsible employer, this flexibility in choice will be accompanied by proper education to employees for careful consideration of the long-term implications to retirement fund savings. Rule amendments and system updates will be required to accommodate this change. **International** Our international businesses operate a range of retirement funds in line with legal requirements and local market practice. Defined contribution pension schemes are in operation in the UK, Ireland, Germany, and Holland, all of which are provided by third party pension providers, with other regions contributing to government social security plans as required by regional legislation. The UK launched an interactive pension portal in 2020 which allows for direct communication with the portal and allows employees to model future pension benefits based on their current level of savings. In January 2021 the UK changed the default position of contribution collections from Net Deductions to Salary Exchange, with the latter offering approved employee and employer national insurance savings on contributions. The change saw a substantial increase in employees contributing to their pensions in a more cost-effective manner.
Medical aid benefits	**South Africa** It is a condition of SA employment for permanent employees earning above R10,000 per month 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 Group. The Group participates in the open medical scheme market and offers Medshield and Discovery Health as cover options to employees. In addition, medical aid membership is voluntary for employees who earn below the threshold level, however, the Group has procured a primary health benefit for employees earning below this threshold 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. **International** Our international businesses operate a range of healthcare benefits in line with local market practice. All such schemes are provided by third party healthcare insurance providers and cover a range of benefits including private medical insurance, life assurance and permanent illness or injury insurance.
Other benefits	Benefits are industry benchmarked, priced and reviewed as part of the annual salary review process. Review of practices by direct competitors, the State and those identified by the Remchannel market surveys are utilised to ensure benefits are competitive and aid in retention. These are integrated towards wellness to drive employee effectiveness and engagement and comply with relevant legislation. Additional specialist and market retention allowances are paid to recognise skills and to incentivise and retain employees. Other variable allowances are paid for additional services rendered.

2.8 WAGE NEGOTIATIONS

Unionisation in the Group is relatively low at 23.2% as at 30 September 2021, the reason being that we believe that the consultative forums are operating effectively in terms of regular and transparent communication with employees. We are also pleased to confirm that the Group managed to negotiate and conclude the wage negotiations with all hospitals where recognition agreements are in place by the end of August 2021 for implementation as at 1 September 2021.

2.9 SHORT-TERM INCENTIVE SCHEME (VCP)

	Short-term Incentive Scheme	Variable Compensation Plan (VCP)
VARIABLE PAY	Executives and senior managers who have line-of-sight and contribute to the profitability of the business	¬ Determined by Group, 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 annually based on performance outcomes.

ELEMENT	Description
Policy and formula	Life Healthcare has defined four strategic focus areas which are quality, growth, efficiency and sustainability. Success requires strongly committed and appropriately incentivised executives, management and employees. The Variable Compensation Plan (VCP) policy is a short-term reward scheme and forms part of the overall reward plan. The VCP policy applies a balanced score card approach which measures and rewards behaviour aligned to each strategic focus area. The VCP policy and the implementation thereof are focused on rewarding the achievement of short-term strategic, financial and non-financial objectives in the one-year business plan aligned to the strategic focus areas. This policy applies to executives, middle and senior management roles. The short-term incentive bonus is formula-driven. Participants receive short-term rewards aligned to our standard remuneration policy, calculated based on a bottom-up additive approach (that is, each individual's salary multiplied by weighted Group, business unit (if applicable), strategic innovation measures and non-financial measures). The VCP operates in accordance with the following formula: STI = Targeted award percentage (dependent on level) x salary x (Group performance against stretched budget x weighting %) + (Business unit performance against stretched budget x weighting %) + (Strategic Innovation measures x weighting %) + (Non-financial measures x weighting %). The stretch targets and performance measures are set and approved annually by the Committee and communicated to each participant at the beginning of the financial year.

Remuneration report continued

ELEMENT	Description
Performance conditions weightings and vesting targets	All employees have a link to Group company and non-financial measures. In addition, some employees are also measured on business unit performance.

The following weightings and performance thresholds determine delivery of payment:

Area	Measures	Achievement against stretched budget: Gate-keepers	Threshold	On-target	Maximum
Group company performance	80% EBITA 10% Clinical measures 10% CAPEX % of EBITDA	75%	75%	95%	225%
Business unit performance	70% EBITA is measured to ensure effects of depreciation are adequately accounted for, considering the capital-intensive nature of our business. 30% Working capital management	75%	88.3%	95%	225%
Non-financial measures	Captures key strategic objectives via personal measures	Personal performance rating of 3	70%	100%	160%

We continue to set challenging stretch budgets annually, where 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% of on-target reward, where we benchmark our STI reward levels at on-target level and thus demand excellent performance before benchmarked reward is earned.

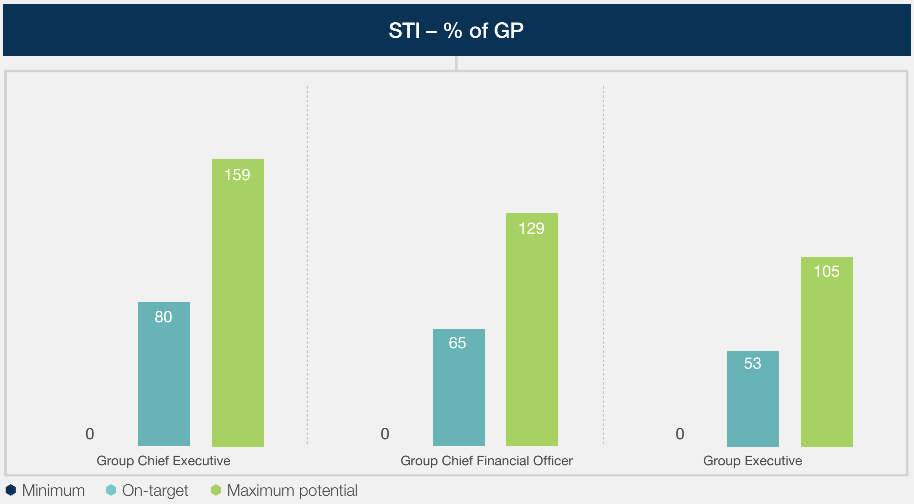
Maximum reward is earned as follows in respect of the different measurement categories:

Area	Performance achievement against target	Max reward
Group company performance	140% and above	225%
Business unit performance	140% and above	225%
Non-financial measures	On a rating scale of 1 to 7, where 7 is exceptional performance	160%

Further details for Group Executives:

Maximum reward is influenced by the weighting of each reward key performance area (KPA) and in respect of the Group Executive, this translates to the following maximum percentage of targeted reward:

KPA	Weighting	Max reward %	Weighted max reward
Group company financial performance	60%	225%	135%
Non-financial measures:	40%	160%	64%
Clinical measures	15%		
Personal performance	25%		
Total maximum reward			199%

ELEMENT	Description
Performance conditions weightings and vesting targets continued	In setting targets, we are mindful that external factors, some of which are unpredictable, can influence 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. The Board may apply its discretion on all payments, to mitigate the impact of unintended consequences, but only in exceptional circumstances. The application of any such discretion for executives will be 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. The concept of the gatekeepers ensures that the scheme does not reward participants if overall performance does not justify payment. In respect of individual performance, the gatekeeper ensures that poor performers do not qualify for any payment.
Gatekeepers	The Group emphasises pay for performance and the achievement of the threshold level of performance is a prerequisite for the delivery of any bonus. Should the Group's financial performance be less than 75% of the agreed financial targets, no VCP payments will be made, irrespective of business unit or individual performance. In addition, should job-required outputs in respect of personal performance not be met (a personal performance rating below a 3), no short-term incentive payment will be made, irrespective if other measures are met.
Maximum earning potential for executives	The on-target and maximum** opportunity is graphically displayed below:  ** *To calculate the maximum percentage reward as a percentage of Guaranteed Package (GP), the targeted reward in terms of the STI is multiplied by the blended maximum reward, i.e., in respect of the Group Chief Executive, 80% multiplied by 199% amounts to 159%.*

Remuneration report continued

ELEMENT	Description
Changes for 2022	The Group has successfully migrated to an annual evaluation and payment methodology following consultation with all scheme participants. The weightings of the performance metrics have been adjusted for 2022, with the weighting of the financial outcomes reduced as a means of enhancing focus on ESG, clinical and personal deliverables during the recovery period following the COVID-19 pandemic. However, the budget performance is still stretched to drive recovery on prior years' results. Weightings of the metrics will be as follows for the Group Executives:

Measure	Weighting 2021	Revised weighting 2022
Financial stability	60%	50%
Clinical metrics	15%	25%
Other	25%	25%

Performance conditions for 2022

Measure	Weighting	Performance
Financial stability	50%	Group EBITA (80%) Gross Cash % (10%) Capex % of EBITDA (10%) To demonstrate returns across the business against targets set, as well as remain competitive across all markets.
Clinical metrics	25%	Improve SA acute composite quality score and international clinical metrics and ensure compliance of the integrated global clinical governance structure.
Other ¬ People	25%	Executing the strategic people strategy and ensuring critical talent is retained, with succession plans in place.
¬ Stakeholder management		Clear and constructive engagement between relevant stakeholders, to ensure the continued sustainability of the business.
¬ IT delivery		Continued focus on IT and cyber-security to ensure that the approved strategy is implemented.
¬ Operational delivery		Ensure best practice protocols, ensure implementation of nursing excellence strategy and improve AMG key performance metrics.
¬ Strategic delivery		Effective and precise oversight of key strategic imperatives and the progression thereof.
¬ Leadership, values, culture, and teamwork		Continued focus on driving a culture of diversity, inclusion, thereby ensuring an engaged and committed workforce with a high and energised level of productivity.

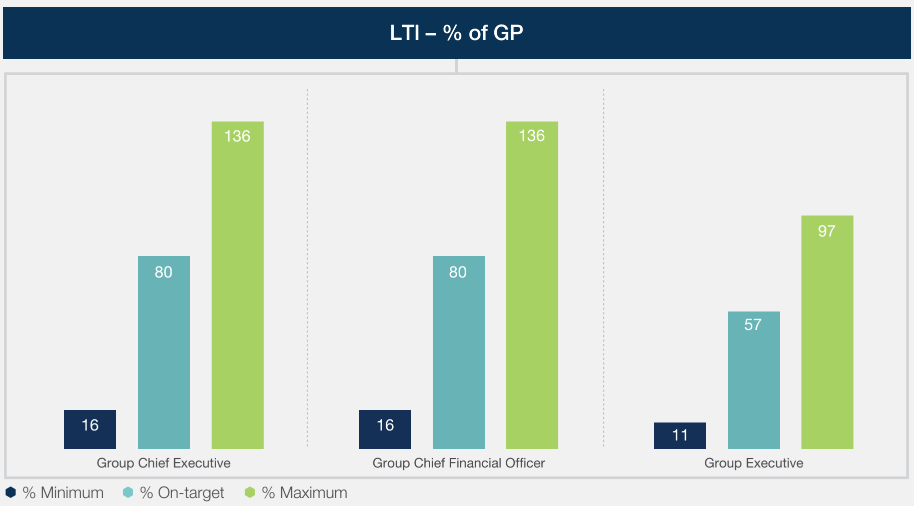
2.10 LONG-TERM INCENTIVE PLAN

VARIABLE PAY	Long-term performance incentives	Long-term Incentive Plan (LTIP)
	Executives and senior managers who have a more strategic focus and can influence the long-term performance and sustainability of the Group	¬ 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)

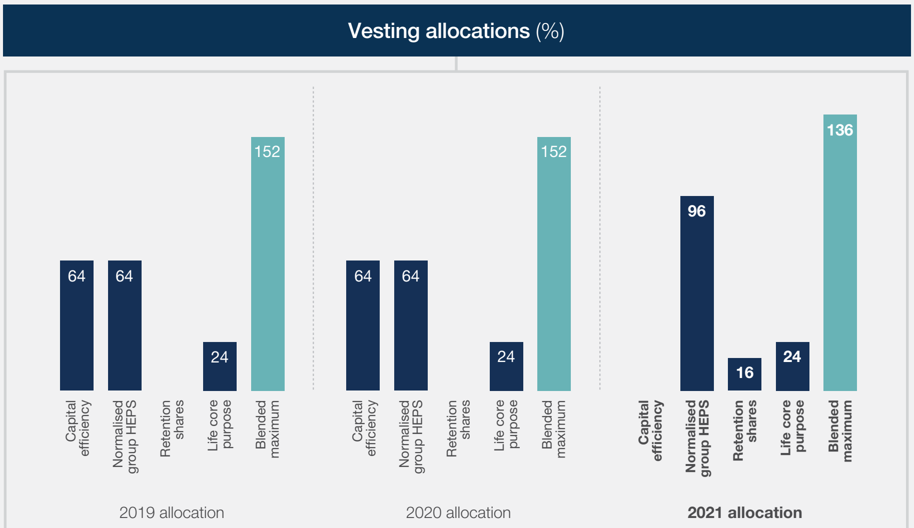
ELEMENT	Description
Policy	The long-term incentive scheme is a notional performance share scheme with a three-year performance and vesting period. The first allocation in this scheme was made on 1 January 2019 and further allocations were made in January 2020 and 2021. The purpose of the LTIP is to drive long-term performance, retain executives and senior management who are able to influence the long-term performance and sustainability of the Group, and align the interests of participants with those of shareholders.
Allocations	The notional value of the performance shares is determined by the price of Life Healthcare shares on the JSE using a 30-day VWAP preceding the date of allocation. The allocation value is influenced by expected salary increases, share price movement, tier, and individual performance. 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. The methodology to enhance allocations is applied as follows: ¬ Individual performance level prior to allocation – the Group assesses individual performance on an annual basis and applies a methodology to the allocation where: – on target performance results in 100% of targeted reward allocation; – poor performance disqualifies from allocation; and – exceptional performance results in 160% of targeted allocation – this is however rarely applied. In exceptional instances, scheme rules allow for up to two times normal allocation. This is done typically when retention of key individuals is essential to the sustainability of the Group. ¬ For the 2021 allocation, the Committee agreed that the strategic modifier allow for a downward adjustment (50%) of the targeted allocation. This essential change in methodology aides in managing the total costs of the scheme by reducing allocations of participants who cannot make the same strategic long-term contribution to the Group compared to true top performers. This methodology also supports the performance ethos of the organisation. ¬ The long-term incentive allocations were made in 2021 with specific focus on diversity and the pressure of retaining diverse talent. This also aligns with our *Women in Life* programme which aims to drive more women into leadership inside the business. ¬ In addition, a small weighting of retention shares was introduced for the Group Executive to align with direct competitor practice. These shares will vest on the vesting date subject to continued employment. **The number of Performance Shares =** $$\frac{\text{Guaranteed Package ** x Job Grade Modifier x Performance Modifier x Strategic Modifier}}{\text{Share Price}}$$ ** *For fair and equitable allocation of performance units, Guaranteed Package will be converted to South African Rand to determine appropriate number of performance shares across geographies*

Remuneration report continued

ELEMENT	Description
Instrument	Conditional shares
Performance conditions for 2022	The performance conditions applicable to the 2022 allocation appear in the table below, alongside those from the previous allocations under the LTIP.
Vesting	All notional performance and retention shares vest at the end of the third year. Retention shares are subject to continued employment and notional performance shares are subject to performance related vesting criteria being met. The proceeds after tax will be delivered as follows: ¬ South Africa: Life Healthcare shares are to be purchased on the open market and transferred to participants (the LTIP is non-dilutive) ¬ International: The cash value will be paid to participants.
Termination of employment	The conditions applicable to LTIP awards upon termination of employment are as follows: No Fault Termination: Participants shall retain a pro-rata number of retention and notional performance shares to date of termination if more than one year before vesting. Participants will retain all notional shares, which will be settled at normal vesting date if one year or less before vesting. Fault Termination: All notional performance and retention shares held by the participant shall be forfeited and cancelled.
Focus areas for future allocations	Improved communication during the vesting period to foster a drive within the workforce that would ultimately deliver a benefit to the shareholders, by identifying and addressing gaps in Group performance and ensure pay-outs to the team. ¬ South Africa – a single composite quality score is being considered for the Life core purpose outcomes. ¬ International – change from settlement in cash to delivery in Life Healthcare shares for future allocations. This is to align to SA senior management as well as with shareholder interests through share ownership. The Group is in an advanced stage of exploring this possibility.
Maximum earning potential for executives	In the case of the Group Executive, the opportunity and maximum limit on the LTIP scheme based on an on-target allocation are as follows (see explanation below**)



ELEMENT	Description
Maximum earning potential for executives continued	Once an allocation is made, the performance of the Group has a significant impact on the extent to which vesting occurs. The weighted impact of maximum outperformance in all KPAs is illustrated below.



** *To calculate the maximum percentage reward as a percentage of guaranteed remuneration, the targeted reward in terms of the LTIP is multiplied by the blended maximum reward, i.e., in respect of the GCE, for the 2021 allocation 80% multiplied by 170% amounts to 136%.*

ELEMENT	Description
Malus and clawback	Notwithstanding anything to the contrary herein contained, in the event of pending disciplinary or poor performance procedures against a participant, or the contemplation of such procedures, then vesting or settlement shall be suspended until the conclusion of such procedures, at which time the vesting and settlement will take place, or the provisions of fault/no fault termination shall apply, whichever is applicable. Where a participant has intentionally manipulated information which directly or indirectly influences the performance measurables, or misrepresented any information, then all the retention and notional performance shares held by the participant shall be immediately forfeited or cancelled for no consideration on the forfeiture date. If misconduct is identified after settlement, the participant shall, within 30 days after forfeiture date, deliver to the Company the number of shares equal to the shares delivered pursuant to the settlement or a formula driven amount.

Performance conditions per allocation:

The only financial performance target for the 2021 allocations was normalised HEPS, which will be adjusted for group structure changes. Group HEPS will be measured against South African CPI as Life Healthcare is a South African listed entity and HEPS is measured in South African Rand.

Financial measures utilised in the computations will come from the Group's audited financial statements for the measurement period applicable to each allocation, unless otherwise stated. Assurance will be obtained from Internal Audit on the results before payment is approved and made.

Agreed performance targets will need to be amended if management and the Board approve any material changes to strategy, including but not limited to new acquisitions, growth initiatives, and or sales of any businesses.

The metrics and underlying performance conditions for participants who are responsible for multiple geographies will be weighted relative to the contribution of turnover per geography. The weighting applies to performance targets as well as any underlying inflation hurdles.

Amendments of targets will be subject to Board approval and scheme participants will be notified in writing.

Remuneration report continued

The following table summarises the weighting, thresholds and performance conditions for historical and future allocations:

Performance conditions	Vesting criteria	2019 allocation	2020 allocation	**2021 allocation**
Capital efficiency	**Weighting**	**40%**	**40%**	0%
ROCE (79%) Compared to WACC Vesting date calculated as a 3-year rolling average Satisfactory returns on business-as-usual capital ("BAU") versus WACC for our core business (excluding acquisitions)	No vesting:	ROCE>WACC @ 0%	ROCE>WACC @ 0%	
	100% vesting:	ROCE>WACC @ 1%	ROCE>WACC @ 2%	
	200% vesting:	ROCE>WACC @ 2%	ROCE>WACC @ 4%	
	Grant date WACC	12.4%	11.7%	
EBITDA growth on growth initiatives (21%) Prudent capital allocation for delivery of business performance in line with business case for our key growth initiatives.	¬ SA imaging (50%) ¬ New Outpatients model (12%) ¬ Life Molecular imaging (38%)	Growth against criteria Linear vesting between criteria	Growth against criteria Linear vesting between criteria	
Earnings	**Weighting**	**40%**	**40%**	60%
Normalised Group HEPS Growth exceeding headline CPI Linear vesting between criteria The choice of measure reflects the ability of these executives to influence the capital structure of the Group.	No vesting:	CPI +1% per annum	CPI +1% per annum	**CPI<2% per annum**
	50% vesting			**CPI + 2% per annum**
	100% vesting:	CPI + 3% per annum	CPI + 3% per annum	**CPI + 4% per annum**
	200% vesting:	CPI + 5% per annum	CPI + 5% per annum	**CPI + 10% per annum**
Normalised Country EBIT	No vesting:	50% of CPI	75% of CPI	
	100% vesting:	CPI + 0%	CPI + 1% per annum	
	200% vesting:	CPI + 1% per annum	CPI + 2.5% per annum	
Retention shares	**Weighting**	**0%**	**0%**	20%
Group Executive ONLY				**No performance conditions. Vesting based on continued employment**

Performance conditions	Vesting criteria	2019 allocation	2020 allocation	**2021 allocation**
Life core purpose measures	**Weighting**	**20%**	**20%**	**20%**
Average performance for each of the 3 years.	No vesting:	80% of target	Below 90%	**Below 90%**
Vesting based on average performance over period	100% vesting:	100% of target	100% of target	**90% or higher against target**
Linear vesting between criteria	150% vesting:	120% of target	100% is earned if >90% of target achieved	**100% is earned if >90% of target achieved**
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. Country-specific measures and target are set, which are aggregated to form a Group score against which the GCE and Group CFO are measured.				
	Country: **SA** ¬ Patient Incident rate as a % of admissions	▲	▲	▲
	¬ Patient experience	▲	▲	▲
	UK ¬ Patient satisfaction	▲	▲	▲
	¬ Radiology clinical audit (Grade 1 & 2)	▲	✖	✖
	¬ Mandatory training compliance	✖	▲	▲
	Italy & Ireland ¬ Patient satisfaction	▲	▲	▲
	¬ Radiology clinical audit (Grade 1 & 2)	▲	▲	▲
	Poland ¬ Pressure ulcers	▲	✖	**Not applicable sold in March 2021**
	¬ Re-admission rates	▲	▲	
	¬ Healthcare related infections	✖	▲	
	¬ Return to theatre rate	✖	▲	
	Radiopharma/ Northern Europe ¬ Dose reliability performance	▲	▲	▲

**** 2022 allocation and associated performance measures will only be approved during Jan/Feb 2022.*

▲ Achieved ✖ Not applicable

The following allocations in terms of the scheme are currently in issue:

Allocation date	Vesting date	Measurement period	Performance conditions
1 January 2019	31 December 2021	1 Oct 18 – 30 Sept 21	Per table below
1 January 2020	31 December 2022	1 Oct 19 – 30 Sept 22	Per table below
1 January 2021	31 December 2023	1 Oct 20 – 30 Sept 23	Per table below

Remuneration report continued

Glossary of performance conditions:

The following definitions apply to the respective LTIP allocations:

Weighted average Cost of Capital (WACC)	Capital efficiency is measured based on ROCE vs WACC. WACC is a pre-tax rate and will be determined as per the SA government 10-year bond rate + 3.4% **Average WACC = (rate at beginning of financial year + rate at end of financial year)/2**
Return of Capital Employed (ROCE)	**ROCE = Group Normalised EBIT / Group Total Assets – Group cash on hand – Group Current liabilities + Group short-term interest-bearing borrowings (excluding net deferred tax liability and tax liability).** ROCE will be based on business as usual (BAU) and will exclude any acquisitions in the year of the acquisition and growth initiatives. Acquisitions will be included in subsequent years and the growth evaluated from year two to vesting date. ¬ Measures are as per Group audited financial statements. ¬ Any adjustment to these figures requires approval by the Group's Investment Committee.
Earnings before Interest and Tax (EBIT)	Normalised EBIT = Operating profit before interest and tax excluding once-off items impacting on operating profit. ¬ Operating profit is adjusted for acquisitions/disposals and only annualised growth in profits is considered. ¬ Normalised EBIT must be approved by the Committee.
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	Defined as operating profit before depreciation on property, plant and equipment and amortisation of intangible assets. It will be determined based on the initiatives contribution to the Life Healthcare consolidated results.
CAPEX spend	Will be based on the actual capital investment as well as capital spend into each growth initiative over the vesting period of the scheme. This will be obtained from the Group audited cash flow statement at the end of each financial year. Should the capex spend be more/less than the target measures, the ratio of actual spend to target spend will be computed. This ratio will be applied to the EBITDA targets to determine vesting.
Normalised Headline Earnings per Share (HEPS)	Per Group audited financial statements, adjusted for exceptional items and group structure changes as approved by the Committee.
Headline Consumer Price Inflation (CPI)	Weighted CPI as at end of financial year per official publication. The weighting of the CPI will be based on the actual normalised EBIT contribution per geography.
Life Core Purpose (LCP)	Non-financial measures that reflect the extent to which the Group achieves the clinical measures that drive long term sustainability. Country-specific measures and target are set, which are aggregated to form a Group score against which the Group Chief Executive and Group CFO are measured. The most critical LCP measure remains patient satisfaction. The clinical teams are working to standardise this measure across all countries in the course of 2022.

2.11 SCANMED EXIT INCENTIVE PLAN

In February 2020, the Committee approved a Scanmed exit incentive plan (the Plan). Under the Plan, three categories of incentive were agreed:

Equity Value Incentive	For Management, Board and senior operational leaders only. Variable payment based on a total pool of 1.5% of the exit value. Payment subject to successful completion of the exit process.
Retention Incentive	Fixed payment for selected management to support retention. Payments subject to successful completion of the exit process or being in employment as of 1 July 2021, whichever is the sooner.
Contribution Incentive	Fixed payment for selected management to recognise additional activity. Payments subject to successful completion of the due diligence process.

It was also agreed that the plan incentives would be paid in addition to standard LTIP allocations for eligible participants. Outstanding LTIP allocations were settled on exit for the Scanmed participants ensuring that there were no outstanding legacy entitlements on exit. Details are outlined in the implementation report.

2.12 CO-INVESTMENT POLICY (CIP)

	Long-term performance incentives	Co-investment policy (CIP)
VARIABLE PAY	Selected executives and senior managers who have a more strategic focus and can influence the long-term performance and sustainability of the Group, deemed critical to retain	¬ Promotes employee ownership through an invitation to invest in the Group and acquire shares by deferring a minimum percentage of a potential STI. ¬ Offers a matching incentive to compensate for the significant (and potentially onerous) terms of accepting an invitation to participate. ¬ Further promotes retention by increasing the duration of the notice period (from that which exists in the employee's initial contract of employment) and either introducing, or increasing, the restraint period. ¬ Aligns managers' interests with those of shareholders through creating "skin in the game" and through performance awards linked to strategic outcomes. Formula directed. ¬ Shares are settled via market purchase (the CIP is not dilutive to shareholders).

Remuneration report continued

ELEMENT	Description
Policy (and specific link to strategy)	As a Company operating in a concentrated healthcare market in South Africa, the Group's employees form part of a small talent pool of niche skills. In the event that the Group is unable to retain its executives, senior management and certain key employees, it is placed at significant risk due to the difficulty in replacing the skills lost. Hiring these skills from foreign jurisdictions is viewed as an unnecessarily costly exercise, when it is, perhaps, more plausible to incentivise and retain the talent the Group already has. The CIP which was introduced at the start of 2022, aimed at: ¬ obtaining an appropriate level of executive and strategic workforce lock-in, thereby ensuring that the critical skills embedded within the Life Healthcare management team are sustained, which is pivotal in driving the Group's future success through the delivery of the Group's long-term growth strategy for an extended period; ¬ providing shareholders with a defensive strategy to withstand the exodus of critical skill that can be brought about through buy-out offers from a small group of concentrated competitors and/or private equity focusing on developing markets healthcare sector exposure and growth; ¬ incentivising critical management toward improving the Group's performance and achieving its strategic goals; ¬ providing an elevated opportunity for critical management to share in the benefits of the Group's improved performance; and ¬ aligning the interests of critical management with those of shareholders and stakeholders, by promoting an employee ownership culture which is dependent on the qualifying participant voluntarily electing to participate (ie commitment contract commonly referenced as "skin in the game"). The salient features of the CIP are set out below.
Allocation	Selected employees are invited to participate in the CIP, by deferring a percentage of any potential VCP award: ¬ In exchange for deferring a significant portion of their VCP, restricted shares to the same value are awarded and settled to the employee, held in escrow, subject to a holding period (Bonus Shares); ¬ Matching shares, also restricted shares, are awarded at a ratio of 1:3 (1 Bonus Share to 3 Matching Shares) and settled to the employee, subject to a vesting period of the same duration as the holding period (Matching Shares); and ¬ Performance shares are awarded as forfeitable shares and settled to the employee. The vesting of these shares may be dependent on the achievement of performance condition(s) over a performance period of the same duration as that of the holding period (Bonus Shares) and vesting period (Matching Shares) (Performance Shares). Performance Shares are awarded as a result of a participant's election to participate in the CIP and may be allocated at up to 75% of an employees' guaranteed remuneration in the year in which the award is made. The aggregate award of Matching Shares and Performance Shares is limited to two and a half times guaranteed remuneration (ie Matching Shares + Performance Shares ≤ (guaranteed remuneration x 2.5))
Instrument	Restricted shares (Bonus Shares and Matching Shares) and forfeitable shares (Performance Shares) are purchased in the market and are therefore non-dilutive

ELEMENT	Description
Conditions	Performance under the VCP will determine the value of a participant's VCP award which in turn will be used to calculate the number of Bonus Shares. No performance conditions apply to the Matching Shares, however, participants must remain employed by a company within the Group throughout the vesting and holding periods applicable to their award. The Performance Shares will vest if, in assessing and calculating the Group's relative performance to its comparator group (ie Netcare Limited and Mediclinic International Plc) over the performance period, an average TSR of 75% or higher in comparison to the Group's comparator group is achieved. In addition, in accepting an invitation to participate in the CIP, employees agree: ¬ to extend the duration of their notice of termination of employment to a maximum of 12 months; and ¬ to introduce/extend the duration of a restraint of trade period to a maximum of 6 months. The notice period and/or restraint period may be reduced at the Committee's discretion.
Vesting and release	¬ Bonus Shares shall be released; ¬ Matching Shares shall vest; and ¬ Performance Shares shall vest (to the extent that performance conditions are satisfied); on the fourth anniversary of the award date (that is, cliff vesting takes place four years after the award was made).
Malus and clawback	Malus and clawback apply to every award under the CIP in accordance with the CIP malus and clawback policy.
Termination of employment	Upon termination of employment: ¬ In the event of resignation, dismissal, voluntary retirement or mutual separation, Bonus Shares are not forfeited, but remain subject to their holding period until the release date (unless such employee has breached their restraint of trade by seeking employment with a direct competitor, in which case the Bonus Shares are forfeited). Matching Shares and Performance Shares are forfeited; and In the event of a no fault termination: ¬ The Bonus Shares will no longer be subject to the holding period and will be released, unless the Committee determines otherwise in their discretion. ¬ for Matching Shares other than in the event of death or disability, a *pro rata* portion of the unvested Matching Shares shall vest on the date of termination of employment or the date as soon as reasonably possible thereafter pro-rated for the number of complete months served since the award date to the date of termination of employment relative to the total number of months in the employment period. Any portion of the Matching Shares which does not vest will lapse on the date of termination of employment. No consideration shall be payable to the participant for such lapsed portion. In the event of death or disability, all unvested Matching Shares shall vest on the date of termination of employment or the date as soon as reasonably possible thereafter; and ¬ for Performance Shares, a *pro rata* portion of the unvested Performance Shares shall vest on the date of termination of employment or the date as soon as reasonably possible thereafter, pro-rated to the extent to which performance condition(s), if applicable, has been achieved, and for the number of complete months served since the award date to the date of termination of employment relative to the total number of months in the employment period. The portion of the Performance Shares that will vest will be calculated in accordance with the rules of the scheme. Any portion of the Performance Shares which does not vest will lapse on the date of termination of employment. No consideration shall be payable to the participant for such lapsed portion.

Remuneration report continued

2.13 SHARE-OWNERSHIP AWARDS

Variable pay	Share-based rewards	
Employee Share Plan (ESP)	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. Not applicable to managers participating in the long-term incentive plan.	¬ Commencing in 2012, the Group has funded, via a trust, the purchase of shares on an annual basis for the benefit of employees. ¬ Permanent employees who belong to specified Group retirement funds and have one year's service at the date of grant are eligible for an allocation. ¬ 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 Group for seven years to obtain the full quota of the rights of each allocation made. ¬ Delivered annually in July from year five.

ELEMENT	Description
Allocations	The Committee agreed to a further purchase of Life Healthcare shares to the value of R20 million for the benefit of qualifying employees this year. Despite the reduced purchase, the decrease in the share price will result in the acquisition of more shares per employee and creates a greater upside potential for participants. These shares will be held in a trust until years 5, 6 and 7, where vesting will occur as follows, provided participants are still in the employ of the company: ¬ Year 5: 25% of rights to shares ¬ Year 6: 25% of rights to shares ¬ Year 7: 50% of rights to shares The shares, or the after-tax equivalent in cash, are transferred from the Trust to the employee at vesting.
Instrument	Restricted shares
Vesting	The vesting of 50% of the 2014 ESP grant and 25% of the 2015 and 2016 ESP grants occurred at the end of June 2021. Most participants (96%) opted to sell their shares.
Termination of employment	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. The scheme is fully ramped up to provide 100% vesting to each employee who has been employed since inception of the scheme.

2.14 ONCE-OFF GRATUITY PAYMENT (SOUTHERN AFRICA)

As reported in the remuneration report for 2020, the COVID-19 pandemic caused several operational challenges. To stem the outflow of key clinical skills and assist our employees during this difficult time, the Group decided to pay a once-off gratuity bonus to all permanent employees who do not participate in the long-term incentive scheme. This payment also served as recognition for the incredible efforts, bravery and commitment of employees during the COVID-19 surge. The value of the total payment made amounted to R45 million and was distributed equally to approximately 15 000 South African employees.

2.15 GROUP REWARD INTEGRATION

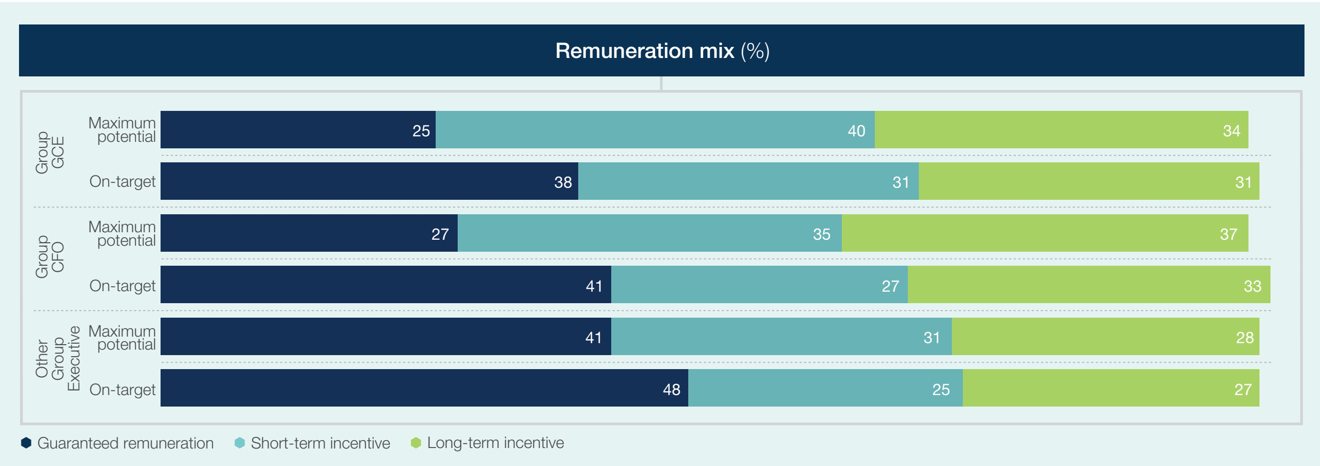
Over the past years we have continued to integrate remuneration practices across countries to ensure Group alignment and application of best practice.

Alignment of international territories with Life Healthcare in terms of job grading, benchmarking principles and short- and long-term incentives is in place.

Our integration efforts in the coming year will focus on organisational culture, global mobility and talent management, HR metrics, and reporting on retirement fund matters at a global level. The Group is exploring implementation of a group-wide HR information management system that will improve the overall employee value proposition, management of human capital and business analytics.

2.16 PAY FOR PERFORMANCE AND REMUNERATION MIX

The on-target and maximum pay mix apportionment for the Group Executive in Life Healthcare for 2022 is graphically displayed below:



As indicated above, the relationship between the respective reward elements is illustrated based on on-target and maximum potential payment in terms of incentive schemes. The maximum outperformance potential on the VCP scheme (STI) is illustrated in paragraph 2.13 above.

Details of each remuneration element are outlined above.

2.17 EXECUTIVE CONTRACTS OF EMPLOYMENT

Executive employment contracts for management have historically been subject to a three-month notice period and a subsequent six-month restraint of trade. However, given the fact that the Group operates globally, the Group's policy position has been changed to:

- A six months' notice period
- A three months' global restraint of trade
- A twelve months' undertaking to refrain from the recruitment of Life Healthcare employees.

These provisions have been applied to the employment contract of the new Group Chief Executive, the Chief Executive Officer, the Chief People Officer and the Company Secretary. This is currently being extended to the rest of the Group executive committee. No provision is made in contracts of employment that may trigger payment upon termination of employment, nor any sign-on payments or allowances for buy-outs or ex gratia payments on termination, other than what is reported in this report.

2.18 MALUS AND CLAWBACK

The company has a malus and clawback policy, in respect of remuneration earned under its short- and long-term incentive schemes (STI and LTI, respectively). The policy allows the company to reduce or recoup STI or LTI awards in specific circumstances (defined as trigger events). Trigger events include manipulation and/or misrepresentation of information in a manner which results in directly or indirectly influencing

Remuneration report continued

the performance outcomes to the benefit of themselves or others. Following a guilty finding following a disciplinary process, malus would be applied before awards have vested or been paid to an employee, whilst clawback could be applied to awards for a period of 3 years from the date of payment or vesting (in terms of the new Co-Investment Policy, clawback may operate for a longer period). Where bona fide errors have been made, the monies will be corrected or recovered against the ensuing incentive payment.

The scheme rules and award letters to eligible employees include policy provisions for both malus and clawback. Funds will be recovered after following due process and will not preclude legal action in instances where actions constitute a criminal act.

During the reporting period, no trigger events occurred or were discovered to have occurred and accordingly, neither malus nor clawback was applied to STI or LTI awards.

The company also has a CIP malus and clawback policy which only applies to participants who have been invited and elected to participate in the CIP.

2.19 NON-EXECUTIVE DIRECTORS REMUNERATION

Fees in respect of non-executive directors are reviewed on an annual basis, and a comprehensive benchmarking exercise was conducted by Deloitte and PwC against other industry sector companies (our peer group, consisting of direct and indirect competitors) and other similar-sized JSE listed companies.

Fees are paid as a combination of a retainer and a fee per meeting to ensure alignment with emerging market practice. The Group's policy is to pay non-executive director fees at or above the median market rate. If above median, this is to acknowledge key scarce skills and competencies. Non-executive directors are formally on-boarded through a letter of appointment and do not participate in any Group STI or LTI awards. In addition to the non-executive director fees being paid, reasonable travel expenses to attend meetings are reimbursed.

To align with shareholder recommendations, the Committee approved a weighted average increase of 4.1% to the non-executive director fees effective 1 January 2021, with higher increases where comparative ratios against the market benchmark were low. The base increase was 3.5%. Where current fees lag market rates, our approach will be to correct these anomalies over several years subject to obtaining the necessary shareholder approval. The fees paid to non-executive directors during the reporting period are included in the implementation report below, while the proposed fees for 2022 can be found on page 99.

2.20 NON-BINDING ADVISORY SHAREHOLDER VOTES

At the 2021 AGM held on 27 January 2021, 63.97% of shareholders voted in favour of the implementation report. We engaged with the dissenting shareholders and asked for their reasons for voting against the implementation report. We collated a number of their queries and concerns, which we have tabled below, along with our responses.

Shareholder queries raised on the 2021 implementation report

	Life Healthcare response/action plan
Poor linkage between pay and performance.	Stringent budget setting protocols are in place to ensure rigorous stretch targets in short-term incentivisation, which are agreed by the Group Executive and Board. For financial targets, the Board considers inflation, GDP movement, the impact of acquisitions and builds in a management stretch component. The achievement thereof, via a balanced scorecard of measures (both financial and non-financial) is not easily attained and hence warrant significant reward for outperformance. All employees have a link to Group company and non-financial measures. And where applicable, some employees are also measured on business unit performance. There are gatekeepers in place for both STI and LTI schemes, whereby no payment is made if thresholds are not met. For 2021, the assessment process of the Group Executive is a combination of team and individual deliverables as opposed to the previous team-rating approach to ensure enhanced accountability. This includes delivery on key financial and strategic deliverables, leadership, and stakeholder management.
The generosity of remuneration arrangements	The company ethos is to pay for performance. It aims to reward appropriately for top performance to ensure retention via wealth creation. All reward decisions are influenced by thorough market research (Remchannel and Deloitte) and incentive payments are subject to the achievement of stretch financial and other targets.
Poor use of Committee discretion during 2020 (COVID-19 related payments made during a year of overall negative shareholder and employee experience, sans compelling rationale).	During the economic and social disruption caused by the pandemic as well as the cyber-attack on the business, individual roles and responsibilities were unclear, and leadership, hard work and resilience came to the fore. Hospital management teams needed to mobilise timeously and deal with the management of all facets of the unprecedented pandemic. Personal sacrifices were made whereby Group executive contributed a portion of their guaranteed remuneration to the Life Healthcare Employee Assistance Fund and senior management voluntarily deferred their short-term incentive bonuses to the end of the year (2020) to alleviate cash constraints on the company.
Poor disclosure of performance conditions and their link to strategy/ the creation of shareholder value.	The company is committed to improved disclosure of performance measures and has made further improvements in this regard
Pay frameworks where short-term incentives are more valuable than long-term incentives do not provide adequate alignment with shareholders' long-term interests.	The targeted reward for short-term incentivisation is a smaller percentage of guaranteed package than the targeted reward for long-term incentivisation for all levels of employees. Only outperformance of stringent performance parameters allows for outperformance reward.

The Group will table this year's remuneration policy together with the implementation report for two separate non-binding advisory votes by the shareholders at the 2022 AGM, in line with best practice, King IV and the JSE Listings Requirements. If more than 25% of the ordinary shareholders present votes against either or both the remuneration policy and Implementation report, the Committee has to engage with those shareholders in order to address their concerns. The SENS announcement on the results of the AGM will include an invitation for shareholders to engage on the reasons for their dissent. The Committee will respond and provide feedback on shareholders' queries and/or concerns. Following this engagement, the Committee may amend aspects of the remuneration policy.

Remuneration report continued

Section 3

Implementation report

3.1 INTRODUCTION

This implementation report provides a summary of how the remuneration policy was applied and implemented by the Committee in recognition of the agility, strategic and operational steer, commitment and dedication of Life Healthcare employees in providing healthcare services during the prolonged, unprecedented COVID-19 pandemic. The report discloses the remuneration outcomes for executive directors, non-executive directors and prescribed officers for the 2021 financial year. The Board is satisfied with the implementation of the remuneration policy during 2021.

Fair and responsible pay

- The Committee monitored the implementation of the remuneration policy throughout the year in terms of fairness, responsibility and transparency and is of the view that the Group was in material compliance with the 2020 remuneration policy.
- A discretionary once-off dispensation to the short-term incentive scheme was approved by the Committee for targeted retention of key and critical skills for exceptional performance of employees during the COVID-19 pandemic.
- There were no circumstances which warranted the application of any malus or clawback provisions.
- The Committee is committed to ensuring the remuneration of executive management is fair and responsible in the context of overall employee remuneration.

3.2 REMUNERATION OUTCOMES

3.2.1 Guaranteed remuneration

3.2.1.1 Annual increase

To mitigate against cash constraints due to the COVID-19 pandemic, only frontline employees received an increase in January 2021. The salary increases for executives, head office employees, regional non-clinical employees and non-frontline employees were delayed until May 2021 and no payments were made retrospectively.

The outcome was as follows:

South Africa	Average % increase	Other geographies	Average % increase
Group executive**	**0.8**	Ireland	**2.7**
Non-frontline employees	**3.7**	UK	**3.1**
Front-line employees	**4.7**	Italy	**1.1**
		Northern Europe and Radio pharmacy – Germany	**2.9**
Total SA	**4.3**	Northern Europe and Radio pharmacy – UK	**4.0**

** *Only two Group Executives received an increase in May 2021.*

The salary increases for non-management employees (below middle management) were brought forward from January 2022 to September 2021 to address the loss of critical skills. An average increase of **5.3%** was granted.

3.2.1.2 Total single figure of remuneration – Executive Directors and Prescribed Officers

The tables below reflect the actual amounts paid as well as earned year-on-year for 2020 and 2021:

	Financial year	Salaries R'000	Benefits R'000	**Guaranteed package R'000**	VCP cash[2] R'000	CIP equity deferred[3] R'000	Long-term incentive[4] R'000	Other[5] R'000	**Other R'000**	**Single figure remuneration R'000**
P Wharton-Hood[1]	2020	641	37	**678**	–	–	–	–	**–**	**678**
	2021	7 800	735	**8 535**	4 460	4 660	–	–	**9 120**	**17 655**
P van der Westhuizen	2020	5 333	378	**5 711**	3 394		2 629	2 425	**8 448**	**14 159**
	2021	5 500	301	**5 801**	2 579	2 695	3 236	–	**8 510**	**14 311**
A Pyle[7]	2020	3 331	175	**3 507**	2 012		1 678	–	**3 690**	**7 196**
	2021	4 079	188	**4 267**	1 811	1 892	2 201	–	**5 903**	**10 170**
M Chapman[6]	2020	5 535	828	**6 362**	3 525		–	–	**3 525**	**9 887**
	2021	5 842	838	**6 680**	2 173	2 454	–	–	**4 627**	**11 307**

[1] *Peter Wharton-Hood commenced services as GCE on 1 September 2020. His remuneration for 2020 only reflects one month of service and no bonus as tenure was too short to measure performance.*

[2] *Short-term incentive cash amount (not deferred) relating to the performance against target for the financial year.*

[3] *Short-term incentive equity amount relating to the performance against target for the financial year and deferred to the CIP scheme as restricted bonus shares as detailed in the Remuneration Report (2021).*

[4] *LTI payment for 2020 is inclusive of outperformance incentive scheme and LTI 2018 Once-Off alternative bonus paid to Group CFO (as detailed in prior year's Implementation Report).*

[5] *Includes payments made to the Group CFO in 2020 in respect of acting allowance and bonus as detailed in prior year's Implementation report.*

[6] *M Chapman's remuneration is reflected in SA Rands applying the average exchange rate of £1 = R20.69 as of 30 September 2020 and £1 = R20.32 as of 30 September 2021.*

[7] *The guaranteed remuneration of the CEO SA was adjusted to address lag to market including direct private healthcare competitors*

3.2.2 Short-term incentivisation

The outcome of the performance scorecard for the Executive Directors in respect of 2021 was as follows:

Measure	Weighting	Threshold	Target R'000	Stretch	Actual outcome R'000	Weighted outcome
Financial stability	60%	75%				
¬ EBITA			3 232	Maintain current operational performance under COVID-19 environment	3 434	84%
¬ Cash generated from operations			4 772		5 403	
¬ Capex as a % of EBITDA			44%		38%	
Clinical measures	15%	3 out of 7			5 out of 7	18%
Personal measures (Other)	25%	3 out of 7	4 out of 7		Out of 7	
¬ Group Chief Executive					6	35%
¬ Group CFO					6	35%
¬ CEO – SA					6	35%
¬ CEO – International					5	30%

Remuneration report continued

In addition to the Company performance targets, the achievement of strategic clinical and personal objectives accounted for 40% of Group Executives' balanced scorecard as set out below.

MEASURE	Objectives	Achievement
Clinical metrics (15%)	Objectives to improve on clinical governance and quality metrics.	¬ An integrated global clinical governance structure has been implemented. ¬ A Group Chief Medical Officer as well as Chief Medical Officer SA has been appointed. ¬ Patient experience, radiology clinical audit as well at dose reliability performance targets were achieved or exceeded in all geographies, which was measured over a 3-year period to September 2021. ¬ A 5 out of 7 rating was approved.
Other (25%)		
Management of COVID-19 pandemic	Objectives pertained to the successful management of the impact of the COVID-19 pandemic.	¬ Effective employee management and application of COVID-19 protocols and guidelines. Due to the fluidity of the pandemic, policies were regularly updated and communicated to the business. These sourced both SA and international guidelines. ¬ Effective management of employee infections, isolations, and quarantines. To date, 5 624 employees had been infected, with 48 COVID-19 related employee deaths. All families received a R10 000 Company gratuity and family bereavement support. A vigorous vaccination campaign has resulted in 85%+ take-up. ¬ Effective personal protective equipment management, control, and implementation, including cost control measures. This included a direct sourcing strategy for personal protective equipment, ensuring quality, technically appropriate, legally compliant, cost effective goods were procured. ¬ Effective communication campaigns to motivate employees. Various delivery mechanisms were used to maintain contact with employees and communicate messages of support and acknowledgement. ¬ Financial management included quarterly forecasting of activity planning, labour force, personal protective equipment supplies and cash flow planning.
People	Ensure Board and executive engagement & alignment on the TDI strategy and narrative – Ensure the embedding and driving of TDI imperatives across the Group	¬ Key resourcing strategies for critical positions have been actioned. ¬ Excellent progress has been made with diversity objectives with increased representation of women and equity candidates in our senior management team. ¬ A Chief People Officer has been appointed to drive and champion our people strategy.
Stakeholder management	To enhance meaningful engagement with doctors, government stakeholders, funders, senior executives, and non-executive board members as well as with shareholders and analysts.	¬ Key working relationships were enhanced with our doctors during the pandemic, which included: – Establishment of COVID-19 Committees at each hospital. – Regular feedback sessions with doctors, including views on best operating practices for COVID-19 patients (inter-region workshops held between key doctors), mentimeter feedback sessions with key doctors on ways to improve COVID-19 patient management etc. – Introduction of hospitalist models to support doctors at hospitals with high COVID-19 patient volumes. – Regular communication to doctors on key developments on the COVID-19 front. – Appreciation gifts for doctors. – Support to doctors in terms of personal protective equipment supply.

MEASURE	Objectives	Achievement
IT delivery	Stabilise the SA technology platform	¬ Group technology function has been enhanced, which includes the appointment of a team of skilled Cyber Security personnel to mitigate against cyber-attacks. ¬ The delivery of IT systems and network modernisation are on track.
Operational delivery	Drive nursing excellence programmes, PET-CT and AMG key performance delivery	¬ There is general Board acknowledgement that the Group Chief Executive is focused on all the critical deliverables and is frank on both progress and challenges. There is an observation of strong focus on operational delivery. ¬ A nursing excellence strategy has been implemented to enhance improved quality outcomes and efficiencies. This has been coupled with an improvement in the Employee Value Proposition to employees to ensure attraction and retention of key clinical skills in the business.
Strategic delivery	Run a Group-wide strategy function with data and analytics for improved oversight of key strategic imperatives.	The data and analytics strategy has been refined and execution is underway.
Leadership, values, culture and teamwork	Progress of teamwork and reduction of silos	¬ Excellent progress has been made towards building one team, improving team culture, and solidifying top structure. The Group Chief Executive has implemented necessary reconfiguration and consolidated relations among the key executives.
Overall rating	6 out of 7 rating was approved by the Committee	

The targeted % of total cost to company for the Executive Directors and the payment made in respect of each period using the VCP formula disclosed in part 2, is set out below. Please note that no STI payment was made to the newly appointed Group Chief Executive in 2020 as one month's service was insufficient to measure his performance contribution:

	VCP = A x B x [(C + D)]						Total VCP	
	TGP R'000 (A)	STI allocation (%) (B)	Weighted financial score (C)	Weighted non-financial score (D)	Cash R'000	CIP Bonus share award quantum deferred R'000	Total VCP R'000	**Total VCP as % of total guaranteed package[1]**
P Wharton-Hood	8 321	80.0%	84%	53%	4 460	4 660	9 120	**110**
P van der Westhuizen	5 923	65.0%	84%	53%	2 579	2 695	5 274	**89**
A Pyle[3]	4 700	57.5%	84%	53%	1 811	1 892	3 702	**79**
M Chapman[2]	6 096	57.5%	72%	48%	2 173	2 454	4 627	**76**

[1] *Total STI (inclusive of deferred portion) to Co-Investment Policy (CIP).*
[2] *Exchange rate of R20.32 to the Pound for 2021.*
[3] *The guaranteed remuneration of the CEO SA was adjusted to address lag to market including direct private healthcare competitors.*

Remuneration report continued

3.2.3 Long-term incentivisation

The Long-term Incentive Plan (LTIP) details regarding the 2018 once-off long-term bonus payment and the three unvested LTIP 2019, 2020 & 2021 allocations are set out below.

3.2.3.1 Historical LTIP allocations

¬ LTIP 2018 once-off alternative

The once-off alternative cash offering was based on an additional third of the 2018, 2019 and 2020 short-term bonus outcomes which were banked, and payment was made in January 2021 to coincide with the date when the normal LTIP 2018 allocation would have vested. Please refer to 2.1.4 of the 2020 remuneration report for further details in this regard. The final payment made in January 2021 is detailed below.

	STI 2018 1/3rd earned R'000	STI 2019 1/3rd earned R'000	STI 2020 1/3rd earned R'000	**Total payment R'000**
P van der Westhuizen	916	1 188	1 131	**3 236**
A Pyle	745	786	671	**2 201**

¬ Unvested LTIP 2019 (performance period ended on 30 September 2021) and unvested LTIP 2020 and 2021 scheme allocations

The details of LTI allocations made from 2019 to 2021 are set out below:

LTI Plan	Title	Date of allocation	**Offer price R/share**	**Perfor-mance shares**	Vesting date	**Allocation value R'000**	**Value based on 30 Sept 2021 share price R'000**
2019 LTIP Allocation[1]	P van der Westhuizen	01-Jan-19	**25.86**	**220 803**	31-Dec-21	**5 710**	**5 032**
	A Pyle	01-Jan-19	**25.86**	**114 969**	31-Dec-21	**2 973**	**2 620**
	M Chapman	01-Jan-19	**25.86**	**127 191**	31-Dec-21	**3 289**	**2 899**
2020 LTIP Allocation	P van der Westhuizen	01-Jan-20	**24.46**	**434 145**	31-Dec-22	**10 620**	**9 894**
	A Pyle	01-Jan-20	**24.46**	**254 531**	31-Dec-22	**6 226**	**5 801**
	M Chapman	01-Jan-20	**24.46**	**290 448**	31-Dec-22	**7 105**	**6 619**
2021 LTIP Allocation	P Wharton-Hood	01-Jan-21	**15.98**	**531 867**	31-Dec-23	**8 500**	**12 121**
	P Van Der Westhuizen	01-Jan-21	**15.98**	**469 294**	31-Dec-23	**7 500**	**10 695**
	A Pyle	01-Jan-21	**15.98**	**344 149**	31-Dec-23	**5 500**	**7 843**
	M Chapman	01-Jan-21	**15.98**	**312 863**	31-Dec-23	**5 000**	**7 130**

[1] *The notional performance shares for the previous Group Chief Executive, Dr SB Viranna were forfeited due to his resignation, as per the rules of the LTI Scheme.*
Note: no LTIP allocations have vested during FY2021.

The LTIP 2019 allocations vest on 31 December 2021, however, the performance-period ended on 30 September 2021.

The actual delivery of shares is based on the 30-day VWAP at vesting date. This will be disclosed in the 2022 implementation report.

The outcomes against the performance conditions set, were as follows:

	Weighting	Threshold	Actual outcome	Award
Capital efficiency	**40%**			
¬ ROCE vs WACC	79%	WACC @ 1%	ROCE > WACC = -2.6%	¬ Not achieved
¬ EBITDA growth	21%	Growth against criteria		¬ Not achieved
Earnings (vs CPI)	**40%**			
¬ Normalised Group HEPS		CPI + 3% per annum	¬ -3.42%	¬ Not achieved
¬ Normalised Country EBIT		CPI + 0%	¬ SA = -7.98%	¬ Not achieved
			¬ UK = 24.73%	¬ 200%
			¬ Northern Europe = 173.72%	¬ 200%
			¬ Italy = -6.5%	¬ Not achieved
			¬ Ireland = 52.94%	¬ 200%
Life core purpose measures	**20%**	100% of target	108%	120%

Life Core Purpose Measures

Country	LCP measure	Target	Min outcome (80% achieve-ment)	Audited outcome	Achieved	% Achieve-ment	% Weighted
South Africa	Patient experience	8.4/10	6.72	8.40	✔	100.0%	77.5%
	Patient Incident Rate as a percentage of admissions	Less than 2.6%	3.12%	2.25%	✔	113.6%	
UK	Patient satisfaction survey as measured by the percentage of patients who rate our service as "satisfied" or better	90%	72.00%	96.77%	✔	107.5%	15.7%
	Radiology Clinical Audit. Grade 1 and 2 discrepancies	Less than 1%	1.20%	0.35%	✔	120.0%	
Ireland	Patient satisfaction survey responses rating the question: "How would you rate the quality of care received?"	90%	72.00%	96.66%	✔	107.4%	2.7%
	Radiology Clinical Audit. Grade 1 and 2 discrepancies	Less than 1%	1.20%	0.28%	✔	120.0%	
Radiopharma/ Northern Europe	Dose reliability performance	95%	76.00%	98.44%	✔	103.6%	3.5%
Italy	Patient survey responses rating the question: "Would you recommend our services to other people?"	90%	72.00%	97.27%	✔	108.1%	8.9%
	Radiology Clinical Audit. Grade 1 and 2 discrepancies	Less than 1%	1.20%	0.18%	✔	120.0%	
						Achieved	108%
						Reward %	120%

3.2.3.2 LTIP 2022 allocation

The LTIP 2022 allocations will be presented to the Committee in January 2022 for approval and will be detailed in the next remuneration report.

3.2.3.3 Performance/retention shares

It was agreed at Committee that the vesting date for Adam Pyle and Mark Chapman would be extended to 30 September 2021 and 31 March 2022 respectively. The performance criteria for Adam Pyle were met, i.e., continued service in the role of CEO SA and to identify and appoint equity candidates to key executive roles. The vesting was however, deferred until the end of the closed period. The assessment of performance criteria for Mark Chapman will take place at the end of March 2022.

Surname	Share allocation	**Offer price R/share**	**Perfor-mance retention shares**	Vesting date	**Allocation value R'000**	**Value based on 30 Sept 2021 share price R'000**
A Pyle	01-Apr-20	**18.16**	**82 590**	30-Sep-21	**1 500**	**1 882**
M Chapman	01-Apr-20	**18.16**	**185 787**	01-Mar-22	**3 374**	**4 234**

3.2.3.4 Scanmed Exit Incentive Plan

Payments under the Plan have been confirmed for participants based on an exit value of PLN333m.

Plan section	Participants	Total incentive pool
Equity value incentive	13	PLN 4 790 205
Retention incentive	13	PLN 214 500
Contribution incentive	13	PLN 254 500

Life Healthcare Long-term Incentive Plan

Six Scanmed executives were allocated notional performance shares under the Life Healthcare long-term incentive plan (the "LTIP"). Under the LTIP rules, on completion of the sale of Scanmed, participants would be classed as a 'good leaver' with a retained LTIP allocation structured as set out below:

- January 2019 Allocation = January 2022 vesting/100% retention.
- January 2020 Allocation = January 2023 vesting/42% retention.

As part of the exit deal, it has been agreed to settle retained LTIP allocation entitlements on completion of the exit based on the latest LTIP valuations to ensure a clean break. Each participant agreed to this proposal.

LTIP section	Participants	Total settlement value
January 2019 allocation	5	PLN 134 333
January 2020 allocation	6	PLN 138 940

Individual Entitlements

All participants have entered into formal individual agreements in respect of their entitlement with payments finalized at exit.

Remuneration report continued

3. ANY PAYMENTS MADE ON TERMINATION OF EMPLOYMENT OR OFFICE

No payments were made on termination of employment this financial year.

4. NON-EXECUTIVE DIRECTOR FEES

The tables below set out the fees paid to non-executive directors, excluding VAT, for the period from October 2020 to September 2021 as approved by the remuneration committee and the Board under the authority granted by shareholders at the Annual General Meeting (AGM) held on 27 January 2021 as well as the proposed fees which will be tabled for approval at the 2022 AGM.

4.1 The following number of meetings were held during the 2021 period:

Committee	No of meetings 2021
Main Board	4
Audit	5
Human resources and remuneration	4
Risk, compliance and IT governance	4
Investment	6
Clinical	4
Social ethics and transformation	2
Nominations and governance	5

4.2 The following fees were paid for 2021 financial year:

Non-executive director	R'000
MA Brey	460
PJ Golesworthy	1 134
CM Henry	28
CJ Hess	29
Prof ME Jacobs	695
Dr VL Litlhakanyane	1 154
AM Mothupi	737
JK Netshitenzhe	601
Dr MP Ngatane	603
M Sello	511
GC Solomon	913
RT Vice	796
Total NED fees	**7 661**

4.3 The following fees are proposed for 2022:

Committee	Meetings 2021	Meetings 2022	Entity	2021 Retainer per annum Rand	2021 Current meeting fees per annum Rand	2021 **Current annual cost Rand**	2022 Proposed retainer per annum Rand	2022 Proposed fees per annum Rand	2022 **Proposed annual cost Rand**
Directors fees	4	4	Chairperson	653 856	435 900	**1 089 756**	702 900	468 596	**1 171 496**
			Board member	181 260	120 276	**301 536**	194 856	129 296	**324 152**
Lead independent director	4	4	Board member	271 380	180 072	**451 452**	284 952	189 076	**474 028**
Audit	4	4	Chairperson	179 832	119 760	**299 592**	188 820	125 748	**314 568**
			Board member	100 860	67 240	**168 100**	105 900	70 604	**176 504**
Human resources and remuneration**	4	4	Chairperson	141 252	92 745	**233 997**	150 928	100 619	**251 547**
			Board member	70 692	48 910	**119 602**	77 143	51 429	**128 572**
Nominations and governance	4	4	Chairperson	93 768	125 088	**218 856**	137 880	91 920	**229 800**
			Board member	48 972	64 788	**113 760**	71 664	47 780	**119 444**
Risk	4	4	Chairperson	117 384	104 336	**221 720**	139 680	93 128	**232 808**
			Board member	61 200	54 400	**115 600**	72 828	48 552	**121 380**
Investment	4	4	Chairperson	148 800	99 200	**248 000**	156 240	104 160	**260 400**
			Board member	78 144	52 092	**130 236**	82 056	54 696	**136 752**
Clinical	4	4	Chairperson	124 188	82 792	**206 980**	130 392	86 932	**217 324**
			Board member	67 500	45 000	**112 500**	70 872	47 252	**118 124**
Social, ethics and transformation	3	3	Chairperson	109 932	73 284	**183 216**	115 428	76 947	**192 375**
			Board member	53 712	35 814	**89 526**	56 400	37 605	**94 005**

** *2021 fees inclusive of one additional meeting held, which will continue from 2022 onwards.*

Additional fee per ad hoc meeting:

		Rand	Rand
Main Board	Chairperson	**30 000**	31 500
	Board member	**20 000**	21 000
All committees	Chairperson	**15 000**	15 750
	Board member	**10 000**	10 500

How we manage risk

Risk management process

We face many risks and opportunities in our day-to-day operations. We carefully manage these risks and capitalise on related opportunities to ensure our business remains sustainable and profitable. During these unprecedented times with COVID-19, our employees and patients' safety is of the utmost importance.

1 – 1st line of defence

Comprises our operational employees, who are required to understand their roles and responsibilities and carry them out correctly and completely.

2 – 2nd line of defence

Consists of our oversight functions, including risk and compliance management. These functions define work practices, monitor adherence to policies, and oversees the first line of defence with regard to risk and compliance.

3 – 3rd line of defence

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.

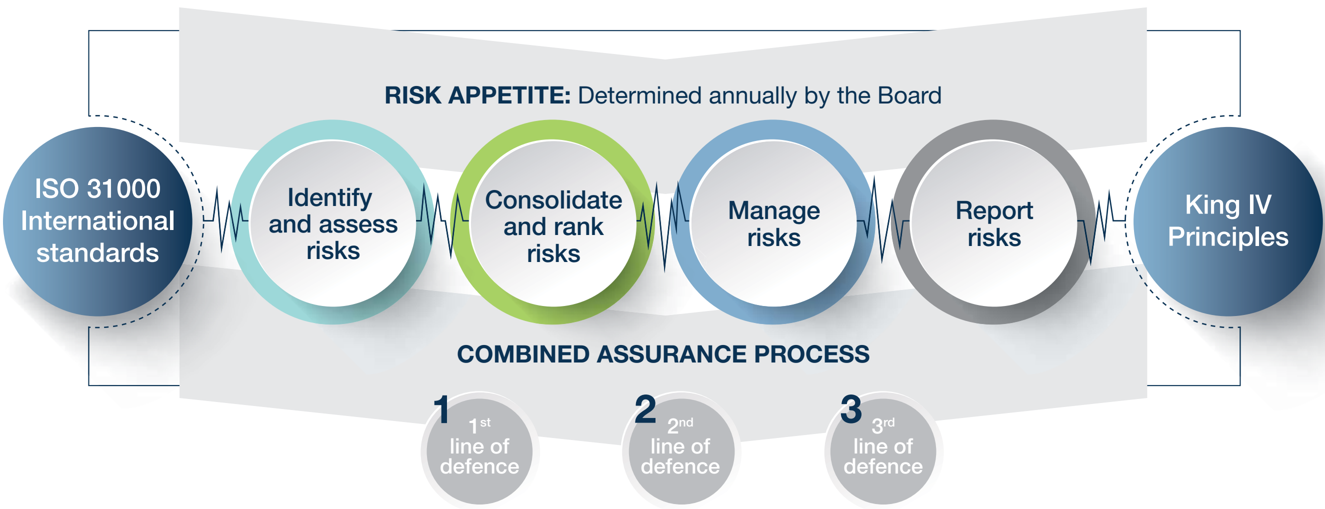
Our risk management processes are fundamental to our business and align with our core values and strategic focus areas. The Board is ultimately responsible for governing enterprise risk management and ensuring that an effective and robust enterprise risk management framework and processes are in place. The Board risk, compliance and IT governance committee (RCITGC) and the Group risk management function support and assist the Board with the Group's risk management.

Our combined assurance process has three lines of defence to ensure accountability and distinguish between risk oversight, owning and managing risks, and providing independent assurance.

The RCITComm receives periodic, independent assurance on the effectiveness of our risk management processes from internal audit. Risks and opportunities are appropriately identified, assessed, evaluated and managed as part of our best practices. This is done by implementing an enterprise risk management strategy and framework that considers King IV's principles and is based on the ISO 31000 international standards on risk management. Risks are also monitored according to their nature, potential impact and likelihood.

We embed risk management processes into our everyday operations to help us identify any events with potential to affect our ability to create value and to manage risks in line with our strategy effectively. Our line managers and employees ensure that the risk management framework and processes are implemented across the Group. The Group Risk Manager engages with key executives and senior management across the Group to identify risks relevant to both our southern Africa and international operations, which are then recorded in the Group risk register.

The Board and the RCITGC confirm they are satisfied that adequate, ongoing risk management processes are in place to provide reasonable assurance that key risks and opportunities are identified, evaluated and managed across the Group.



Top risks

Change in short-term trend

Increasing Decreasing Unchanged NEW New risk

Each risk is discussed in detail on pages 103 to 113.

THE TABLE BELOW RANKS THE GROUP'S TOP 11 RESIDUAL RISKS (2020: 9 RISKS) AS AT 30 SEPTEMBER 2021.

Two new risks were identified during the year under review, namely **risk 5** (Changing business environment and innovation risk) and **risk 8** (business resilience and continuity risk).

2021 Risk ranking	2020 Risk ranking	Risk description	Probable short-term trend	Link to strategic objective	Link to material matters	Line of defence
Risk 1	Risk 2, Risk 4	**Human capital (people) risk**	Increasing		1, 3, 5, 6, 8	1, 2
Risk 2	Risk 1	**Funder risk**	Increasing		4, 6, 7	1, 2, 3
Risk 3	Risk 3	**Cyber-crime and data breach**	Increasing		4, 9, 10	1, 2, 3
Risk 4	Risk 6	**Macroeconomic and political risk**	Unchanged		1, 2, 4, 7, 8	1, 2
Risk 5	NEW	**Changing business environment and innovation risk**	Increasing		1, 2, 4, 6, 7	1, 2, 3
Risk 6	Risk 2	**Skilled healthcare professional shortages**	Unchanged		1, 3, 5, 6, 8	1, 2, 3

How we manage risk continued

2021 Risk ranking	2020 Risk ranking	Risk description	Probable short-term trend	Link to strategic objective	Link to material matters	Line of defence
Risk 7	Risk 5	Complexity of regulatory environment and compliance risk	↔		1, 4, 8, 9, 10	1, 2, 3
Risk 8	NEW	Business resilience and continuity risk	↓		2, 3, 6, 7	1, 2, 3
Risk 9	Risk 7	Clinical and patient safety risk	↓		1, 6, 7	1, 2, 3
Risk 10	Risk 8	IT systems, infrastructure and project implementation	↓		1, 2, 4, 6	1, 2, 3
Risk 11	Risk 9	Reputational risk	↔		6, 9	1, 2, 3

Change in severity year-on-year:

Increased · Decreased · Unchanged · NEW New risk

Levels of control:

LOW | LOW/MED | MEDIUM | MED/HIGH

Risk 1 Human capital (People) risk

Board oversight: REMCO & CGC

Risk description

People are our most important asset and are key to our ongoing success. There is a global shortage of clinical employees, especially nurses and radiographers. These shortages affect the Group's growth prospects, our ability to deliver quality care and services and, ultimately, our operations' sustainability.

The Group's strategic ambition places an additional demand on an already overstretched work force. Failure to attract and to retain sufficient skilled resources with the appropriate skillsets for these key roles could hamper performance and ultimately achievement of objectives.

The South African healthcare sector has experienced a general shortage of nurses, across all categories of nursing with increasing shortages in specialist registered nursing personnel. Internationally, Alliance Medical continues to be faced with a shortage of radiographers (particularly in Ireland) and aggressive competition for clinical resources from the NHS and private competitors in the UK.

Over the past year, the shortages were further impacted by COVID-19. Some contributing factors included:

- Increased infection rates in healthcare professionals, nursing personnel, radiographers and frontline employees causing illness or death or requiring employees to go into quarantine or isolation.
- Increased demand for clinical skills from other public and private sector providers.
- Increased demand for additional nursing personnel in South Africa to treat the influx of COVID-19 positive patients at facilities.

Healthcare professionals, nurses and frontline employees have had to face high volumes of severely ill COVID-19 patients and an unprecedented number of patient deaths from COVID-19 related illnesses and have therefore been subjected to tremendous physical, mental and emotional pressure.

As a responsible employer, we are required to provide a safe work environment for all our employees. At the same time, we need to provide care to our patients and fulfil all essential service provider responsibilities.

How we manage the risk

- Operating the Life College of Learning – a higher education institution offering one of the top three private nursing qualifications in South Africa.
- Developing and retaining scarce skills through continuing professional education (CPE), for example through our pharmacists' internship and pharmacists' assistant programmes.
- Ongoing review of senior management resources and succession plans in place for key positions.
- Enhanced employee value propositions, including employee share schemes, remuneration benchmarking and other benefits to attract and retain employees.
- Management and leadership development programmes in place.
- Clear career path for employees and continuous training and development programmes.
- Agency arrangements in place to provide agency employees if needed.
- Redeployment strategy in place for the utilisation of nursing employees from other units and regions in the event of shortages in South Africa.
- International nursing recruitment programme.
- Employee wellness programmes in place for all employees, including trauma debriefing and psychological support.
- Programmes promoting diversity and inclusion in place.
- Several infection prevention protocols remain in place and regular training provided to safeguard and protect employees from exposure to COVID-19.
- Designated COVID-19 compliance officers in place to oversee adherence to the standards of hygiene and health protocols related to COVID-19 at the workplace.
- Phased-in mandatory vaccination for a safer work environment.

Change: Increased

(2020: 2 + 4)

Level of control: MEDIUM

Key stakeholders impacted

1 2 5 7

Opportunities

- Through targeted succession planning, we ensure business continuity and that we can attract talented leaders.
- Enhancing the skills base will improve business performance.
- Engagement with the South African Nursing Council to increase student numbers.
- Enhancing employee wellness programmes to address mental health issues for healthcare workers.

Outlook

We expect to see the risk increase in the short to medium term as competition for nursing resources from both private sector competitors and the public sector continues. The supply of nurses is likely to remain constrained as the number of nurses qualifying from training facilities will not be sufficient to replace the number of nurses retiring and emigrating.

How we manage risk continued

Change in short-term trend:

Increasing | Decreasing | Unchanged | NEW New risk

Risk 2 Funder risk

Change: Decreasing

(2020: 1)

Board oversight: RCITGC

Level of control: MEDIUM

Risk description

Life Healthcare is under continuous revenue pressure from healthcare funders looking to manage the overall cost of healthcare. In response to escalations in healthcare costs and the utilisation of healthcare services, funders have instituted a range of initiatives to manage down their costs.

In South Africa, funder managed care initiatives aim to reduce hospital admission rates. They have introduced more affordable plans but with less cover and increased restricted provider networks. Our admission rates could be impacted by our ability to secure preferred network agreements with healthcare funders.

Alliance Medical is exposed to a mix of public and private funders across the different territories in which it operates. Public revenue comprises c.90% of total revenue in the UK, c.60% in Italy and c.45% in Ireland.

How we manage the risk

- Delivering excellent quality and cost-effective care.
- Implementing an appropriate pricing strategy focusing on efficiencies and input costs.
- Focusing on safeguarding good relationships with healthcare funders and engaging with them on their issues and concerns.
- Providing a differentiated service offering.
- Focusing interventions with doctors to increase clinical outcome data and efficiency.
- Developing value-based clinical products in South Africa.
- Placing case managers at facilities in South Africa to manage claims submitted to funders.
- Managing long-term contracts with our international businesses and their national healthcare funds.

Key stakeholders impacted

1 2 3 5 6 7 8

Opportunities

- Through increased engagement, targeted interventions and a differentiated service offering, we can position ourselves as the local and international service provider of choice.
- Developing clinical products that improve patient outcomes and drive market share growth.
- New business offerings such as community diagnostic centres in the UK.

Outlook

Poor economic conditions brought on by COVID-19 will continue to place pressure on consumers and impact the affordability of healthcare. Healthcare funders will face increasing pressure to contain member contributions and provide innovative and cost-effective benefits to retain members. We expect the risk to continue to increase in the short to medium term.

Change in short-term trend:

Increasing Decreasing Unchanged

Risk 3 Cyber-crime and data breach

Board oversight: RCITGC

Risk description

Cyber-security risk continues to remain a key risk to our business globally and the threats are evolving, unpredictable and increasing in frequency. Criminal elements continued to exploit the rapid and widespread adoption of work-from-home tools due to COVID-19 to launch wide scale cyber-attacks. Healthcare data is valuable and cyber-criminal elements have relentlessly targeted healthcare organisations across the globe to the detriment of patient care.

Extra vigilance and cyber-crime awareness are required around data security profiles and the accessibility of data. The balance between securing data behind a firewall and making it readily accessible to employees and business partners must shift to support new ways of working while keeping existing business processes and operations moving.

How we manage the risk

- Appointed a Chief Information Security Officer (CISO).
- Dedicated IT security team in place.
- Continued mature information security management system (ISMS) implementation, internationally certified by the British Standards Institution (BSI) (ISO 27001:2003).
- Performed regular risk assessments, including annual internal and external security assessments.
- Implemented an information management strategy to improve security and manage residual risks, along with further measures to protect the Group's intellectual property from hacking and other illegal cyber-activities.
- Ongoing logical and physical IT security controls implementation, including advanced email protection, firewalls, end-point protection, cyber-security enhancements and personal information protection.
- Implemented proactive tools to detect and respond to cyber-threats.
- Regularly providing information security and cyber-awareness training for employees.
- Monitoring security events through our 24/7 security operations centre (SOC).
- Ensuring adherence with the requirements of the General Data Protection Regulation (GDPR).

Change:

(2020: 3)

Level of control:

Key stakeholders impacted

Opportunities

- Investing in information security controls to enhance our existing security measures and safeguard our data to provide reassurance to our stakeholders.

Outlook

While significant investment has been made in strengthening our security posture, threat actors are quick to find new and sophisticated ways to target businesses and globally the number of security breaches is rising. We expect the risk to increase in the short to medium term as the threat of cyber-attacks increases. Our maturing cyber security practices will assist in minimising the impact on the business.

How we manage risk continued

Change in short-term trend:

Increasing Decreasing Unchanged

Risk 4 Macroeconomic and political risk

Board oversight: RCITGC

Change: Increasing

(2020: 6)

Level of control: LOW

Risk description

We operate in the global healthcare market, and our operations are spread across different countries. The risk exists that country-specific factors, such as economic and political factors, or government policies, could adversely affect the Group.

While optimism is increasing in some countries with the vaccine roll-out programmes well underway, economies worldwide continue to be impacted by recurrences of COVID-19 waves. In South Africa higher unemployment and decreasing household income may impact on patients' ability to afford private healthcare cover. Deteriorating social conditions may result in further civil unrest.

How we manage the risk

- Diversified business model offering both inpatient and outpatient services across multiple territories.
- Annual strategy process in place with regular reviews of strategy and tracking against progress.
- Active monitoring of country-specific factors in the countries where we operate.
- Ongoing engagements with regulators and governments for long-term partnership solutions.
- Continued focus on business optimisation programmes.
- Focused on developing value-based clinical products.

Key stakeholders impacted

1 3 5 6 7

Opportunities

- Building relationships based on trust by actively working with local governments, thereby positively impacting the healthcare markets in the countries where we operate.
- Providing patient centric care and improving access to care.
- Integrating in-person and virtual healthcare solutions.

Outlook

We expect the risk to remain unchanged in the short term but it will stabilise over time due to the global economic recovery and the reducing likelihood of strict lockdowns (and their devastating economic impacts) as countries learn to live with COVID-19.

Change in short-term trend:

Increasing | Decreasing | Unchanged

Risk 5 Changing business environment and innovation risk

Change: NEW

(2020: n/a)

Oversight by the Board

Level of control: MEDIUM

Risk description

COVID-19 has influenced how consumers view and consume healthcare. This has resulted in an altered case-mix of non-COVID medical admissions and reduced surgical admissions. Recovery to pre-COVID case-mix is unlikely.

Changing consumer behaviour has significantly ramped up the need for greater healthcare digitisation as consumers look for seamless, easily accessible and integrated physical and virtual care.

This changing landscape requires us to deliver patient care that is patient-centric.

An increasing competitor landscape and the growing vertical of health technology requires us to strategise accordingly to remain relevant and ensure sustainable growth.

How we manage the risk

- Annual strategy process in place with regular reviews of strategy and tracking against progress.
- Board approval of the strategy and performance oversight.
- Regular executive review of strategy and management of performance against strategy.
- Skilled and experienced executive and management team.
- Strategic project governance and management.
- Investment and acquisition governance and management.
- Business environment scanning.
- Product development governance in place with product development initiatives in progress.

Key stakeholders impacted

1 2 5 7 8

Opportunities

- Proactively managing strategic and business risks enables confident business decisions, minimises financial loss and promotes competitive differentiation.
- Improved healthcare professionals' engagement allows us to deliver patient-centred, quality care to patients.

Outlook

The global healthcare marketplace and the delivery of healthcare is marked by unprecedented transformation catalysed by COVID-19. Digital transformation and innovative care offerings have become a priority and will continue to be so in the medium term. This risk is likely to increase as new competitors and market entrants race to meet the changing demand.

How we manage risk continued

Change in short-term trend:

Increasing Decreasing Unchanged

Risk 6 Skilled healthcare professional shortages

Board oversight: CGC, RCITGC

Change: Decreasing

(2020: 2)

Level of control: LOW/MED

Risk description

There is a general shortage of doctors in the South African market, and a shortage of radiologists in certain regions where Alliance Medical operates. These shortages affect the Group's growth prospects, our ability to deliver quality care and services and, ultimately, our operations' sustainability.

The general shortage of healthcare professionals was exacerbated by COVID-19 during the year.

How we manage the risk

- A transparent recruitment and retention strategy exists that includes:
  - providing bursaries and sponsorship programmes to medical specialists in South Africa, and facilitating continuous professional development training for them;
  - ongoing engagement with healthcare professionals;
  - doctor partnership model and support policy, with regional clinical managers appointed to enhance doctor relationships and implement quality improvement initiatives in South Africa; and
  - ensuring infrastructure and equipment at facilities are improved.
- Investment in various reward, development, recruitment and cultural initiatives to alleviate Alliance Medical's skills shortages.
- Alliance Medical International recruitment programme.
- Constituted a dedicated workstream and hospital-based committees to address the impact of COVID-19, focusing on doctor availability and recruitment.
- Instituted tele-reporting in our international business, sourcing additional reporting capacity from other third-party houses.

Key stakeholders impacted

1 2 5 7 8

Opportunities

- Assisting to alleviate critical skills shortages through our interventions positions Life Healthcare as a business supporting our associated healthcare professionals.

Outlook

We do not expect to see any material movements in this risk in the short to medium term.

Change in short-term trend:

Increasing Decreasing Unchanged

Risk 7 Complexity of regulatory environment and compliance risk

Board oversight: RCITGC

Risk description

The Group is required to comply with all applicable laws and regulations of the countries where we operate. In addition to these general compliance requirements, the global healthcare industry is subject to a growing number of new and amended regulations.

In South Africa, regulators are increasingly focusing on healthcare reform aimed at making healthcare more accessible and affordable.

The Council for Medical Schemes (CMS) has issued a circular declaring certain practices related to the selection of Designated Service Providers (DSPs) and the imposition of excessive co-payments as undesirable business practices. The impact of this is uncertain at this stage.

The National Health Insurance (NHI) Bill, the Medical Schemes Amendment Bill and the Office of Healthcare Standards: Norms and Standards introduced by the Department of Health (DOH) continue to require our attention.

We continue to monitor and action any revisions to regulations pertaining to the management of COVID-19. The Protection of Personal Information Act, 4 of 2013 (POPIA) came into effect on 1 July 2021 and the Group has taken the necessary steps to ensure compliance with the requirements of the act.

Internationally, we remain committed to adhering to the GDPR, which applies to the European Union (EU) and the European Economic Area (EEA).

How we manage the risk

- Proactively monitoring and, where possible, providing input for any new proposed legislation.
- Ensuring compliance through our quality standards.
- COVID-19 compliance officers in place in our southern Africa business, and the COVID-19 compliance forum remains active.
- Consulted with legal, and health and safety experts to ensure compliance with Disaster Management Act requirements.
- Privacy policy and standard operating procedures in place to guide our business.
- Compliance Risk Management Plans (CRMPs) in place for all material legislation.
- Instituted a bi-annual compliance attestation process across the Group.
- Compliance Champions operating model in place.
- Regular and ongoing training on GDPR and POPIA requirements.
- Processes are in place to ensure adherence to POPIA and GDPR requirements.

Change:

(2020: 5)

Level of control:

Key stakeholders impacted

Opportunities

- Assisting the industry in developing appropriate solutions through continued engagement with regulators and relevant bodies.
- Enhancing and protecting our reputation through ongoing compliance with laws and regulations.
- Transparent engagement processes could potentially enhance our relationships with a variety of stakeholders, including regulatory bodies.

Outlook

We believe that the Group is well-placed to address changing legislative and regulatory requirements and to ensure compliance with requirements. We do not expect the risk to increase materially in the short term.

How we manage risk continued

Change in short-term trend:

Increasing | Decreasing | Unchanged

Risk 8 Business resilience and continuity risk

Board oversight: RCITGC

(2020: n/a)

Risk description

Infrastructure and equipment are key pillars supporting the delivery of high-quality healthcare and an excellent patient experience.

Effective processes for the regular maintenance and replacement of plant and equipment are necessary in ensuring delivery of safe, effective care, a safe work environment and continuity of services.

COVID-19 and the recent social unrest in South Africa have highlighted the risk of supply chain disruptions. Ensuring continuity of supply of critical stock, consumables and equipment is necessary to deliver quality patient care.

We are also impacted by a lack of reliable electricity supply in the southern Africa business and certain geographies are also impacted by water shortages, driven by climate change.

In our International business, regular and effective maintenance of cyclotrons is critical and skilled resources are required to operate these.

How we manage the risk

- Regular maintenance and upkeep of equipment.
- Regular maintenance and servicing on equipment is carried out in line with OEM specifications.
- On-site facility and engineering teams.
- Fire detection and fire-fighting equipment on-site.
- Emergency and disaster planning in place.
- Internal fire assessments, compliance assessments and risk assessments are carried out at all facilities.
- External assessments of fire equipment, buildings and general equipment.
- Emergency back-up generators at facilities for electricity.
- Back-up borehole water supply at certain facilities.
- Insurance is in place for the replacement of plant and equipment.
- Contingency and business continuity plans.

Level of control:

MED/HIGH

Key stakeholders impacted

1 2 5 7 8

Opportunities

- Managing operational risk results in better, effective and sustainable operations.
- Enhanced patient experience and quality care.
- Reduction in losses from damage and business disruption.

Outlook

Business resilience and continuity is highly susceptible to changing global and national political and market conditions. This coupled with impacts of climate change could affect our business. However, we see the risk decreasing in the short-to-medium term as we complete investments in our information technology infrastructure and the maintenance and renewal of our facilities and equipment.

Change in short-term trend:

Increasing | Decreasing | Unchanged

Clinical and patient safety risk

Risk 9

Board oversight: CGC, RCITGC

Risk description

The quality of healthcare services provided by the Group and healthcare professionals and our patients' safety is of utmost importance to us. Failure to consistently deliver safe, high-quality care to our patients is a risk.

COVID-19 has resulted in excessive demand during infection peaks which together with employee shortages and capacity constraints could negatively impact on the quality of care at facilities.

We are exposed to the risk of clinical employees and medical professionals not following appropriate treatment protocols or professional guidelines resulting in inadequate patient care.

With the highly contagious nature of COVID-19 there is the potential risk of a large-scale outbreak at one or multiple of our facilities. No outbreaks at our facilities were evident over the financial year.

How we manage the risk

- Implemented a quality management system (QMS) to ensure we provide quality healthcare, and established quality control procedures.
- Acquired QMS certification, and we are ISO 9001 and ISO 13485 accredited through BSI.
- Monitoring clinical performance indicators.
- Quarterly national quality review meetings are held.
- Regular internal quality assessments are carried out at each hospital by the quality systems support specialist (QSSS).
- Medical malpractice and professional indemnity insurance in place.
- Ongoing training of employees on quality procedures.
- Established a dedicated doctor work stream, and constituted doctor COVID-19 committees and ethics sub-committees at hospitals to ensure correct clinical protocols are followed and ensure an adequate doctor supply.
- Addressed COVID-19 related resource shortages by leveraging agency employees to meet increased demand or to stand in for infected employees, redeploying existing employees from other wards and postponing or cancelling leave.
- Increased capacity through the sourcing of additional ventilators and other equipment required for treatment.
- Conducted independent verification reviews at facilities to review COVID-19 treatment readiness plans and ensure alignment with Group protocols.
- Instituted the standard practice of temporary capacity diverts (TCDs) at facilities to ensure the best possible treatment options for patients based on their acuity level.
- Implemented various measures and guidelines to curb the spread of COVID-19 at our facilities, including infection prevention protocols, screening protocols, and guidelines for using personal protective equipment.

Change:

(2020: 7)

Level of control:

Key stakeholders impacted

Opportunities

- Enhancing the patient experience and protecting our reputation through an ongoing focus on quality and safety.
- Improving patient care and safety according to industry best practice through continuous, robust engagements with health authorities and specialists.
- Delivering clinical excellence through a smaller, more efficient, better trained and educated nurse workforce.
- Developing clinical products that improve patient outcomes and deliver patient centric care.

Outlook

We expect the risk will decrease as COVID-19 admissions decrease and as our healthcare professionals and nurses become increasingly adept at managing the treatment of COVID-19 patients.

How we manage risk continued

Change in short-term trend:

Increasing | Decreasing | Unchanged

Risk 10 IT systems, infrastructure and project implementation

Board oversight: RCITGC

Risk description

Information and information exchange are crucial to the delivery of quality care at all levels of the healthcare delivery system – the patient, clinicians and other healthcare service providers, funders and regulators. There is a drive towards electronic health records and digitisation as healthcare becomes more patient centric. Therefore, our IT infrastructure and systems must be 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 like a data breach.

We are exposed to implementation risk regarding information management projects underway to improve existing infrastructure and ensure better Group-wide integration.

How we manage the risk

- Regular assessments of our IT infrastructure are conducted, and action plans to effect enhancements and address shortcomings are implemented.
- Ensure all software and/or hardware are upgraded/replaced before their end of life (EOL) term.
- Annually perform disaster recovery tests, with action plans documented and implemented to address any identified shortcomings.
- Following rigorous project management methodology, with strong business sponsor leadership and oversight.
- A formal systems development lifecycle (SDLC) process in place and a total cost of ownership (TCO) costing model is applied to each project.
- Project risk registers in place, with a response plan in place for identified risks.

Change: Decreasing

(2020: 8)

Level of control: MEDIUM

Key stakeholders impacted

1, 3, 5, 6, 7

Opportunities

- Offer better and more efficient services to our patients by investing in our IT infrastructure, thereby lowering the cost of care while maintaining quality.
- Appropriate and effective IT infrastructure and systems in place to support growth initiatives and performance expectations, allowing us the opportunity to be more competitive.

Outlook

We expect the risk to decrease as the business' ability to execute improves and as progress is made with our information technology strategic imperatives.

Change in short-term trend:

Increasing Decreasing Unchanged

Risk 11 Reputational risk

Board oversight: SET, CGC, RCITGC

Risk description

The Group's reputation and relationships with key stakeholders could be affected by adverse events that occur while employees or other healthcare professionals perform clinical procedures or other related activities. Furthermore, events outside of our control can adversely affect our brand.

How we manage the risk

- Proactive complaints management system in place.
- Implementing quality management processes across the business, with ISO 9001 certification held.
- Dedicated media strategy in place for dealing with complaints raised through the media and other media-related issues.

Change:

(2020: 9)

Level of control:

MED/HIGH

Key stakeholders impacted

2 3 4 5

Opportunities

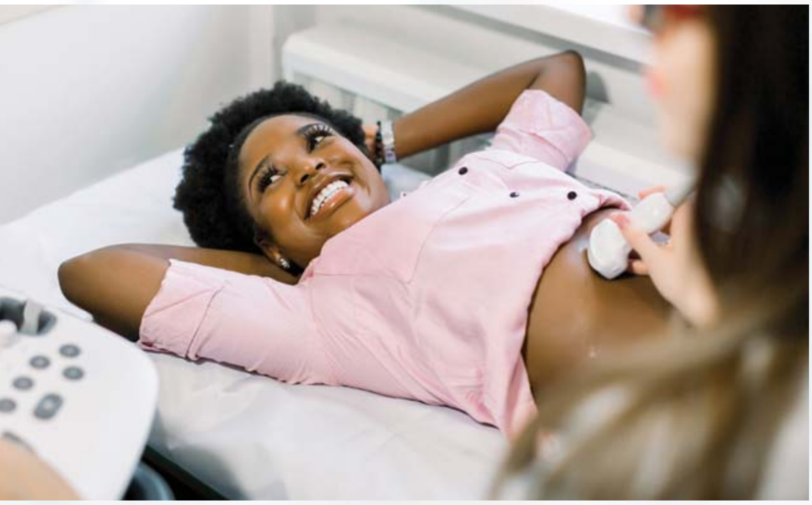
- Enhancing and protecting our reputation through an ongoing focus on quality and a clear communication strategy.

Outlook

We do not expect to see any material movements in this risk in the short to medium term.








In this section

How we performed

Group Chief Executive's review

This financial year was particularly unpredictable, as we navigated our way through second and third COVID-19 waves, as well as experiencing widespread civil unrest in KwaZulu-Natal and Gauteng during July 2021.

Peter Wharton-Hood
Group Chief Executive (GCE)

Over the financial period, the commitment, spirit, and dedication of all our employees, doctors, healthcare professionals and stakeholders in our business has been unwavering. For this I want to express my utmost and sincere gratitude.

These factors impacted our operational performance and our employees' wellbeing. Proudly, Life Healthcare's collective response to these socio-economic challenges and the Company's strong performance under tough conditions, has demonstrated our commitment to delivering on our purpose of ***Making life better.***

The Group's financial results confirm the strength of our diversified strategy and the resilience of our international healthcare business.

In response to the clear national vaccination imperative the Group embarked on an unprecedented nation-wide vaccination drive and commissioned 22 Life Healthcare facilities and 320 of our own employees in administering the vaccinations across the country.

For our International operations, rapid vaccination roll-out and continued fiscal support from national governments across Europe and the UK led to a rapid recovery in demand for our healthcare services, particularly as restrictive lockdowns ended. We swiftly mobilised employees and facilities in response to public sector contracts for COVID-19-related services, thereby enhancing our relationships with public sector partners in the UK, Ireland and Italy.

Over the financial period, the commitment, spirit, and dedication of all our employees, doctors, healthcare professionals and stakeholders in our business has been unwavering. For this I want to express my utmost and sincere gratitude.

Given these tough conditions, our financial results are pleasing as we applied learnings and further adapted to more efficient ways of working within the constraints of a COVID-19 environment. Profitability improved, with revenues growing by 12.7% to R26.9 billion (2020: R23.9 billion) and normalised EBITDA growing by 21.6% to R5.1 billion (2020: R4.2 billion). We strengthened our balance sheet by focusing on cost efficiency and capital discipline. Given the good cash generation and the strength of our balance sheet we have now resumed dividend distributions. These financial results are elaborated on in the Group Chief Financial Officer's review on page 122 and the operational reviews on pages 128 and 138.

MAKING LIFE BETTER

Our purpose of ***Making life better*** has been amplified as our frontline workers fight against COVID-19 and continue to make a difference in our patients' lives. Ongoing lockdowns and travel restrictions, given the resurgent waves across the globe following novel viral mutations, continues to disrupt our normal way of life and business operations. The global COVID-19 socio-economic impact has been

We create an inclusive, and diverse working space

People are our most important asset

Profitability improved, with

REVENUES GROWING

by 12.7%

to R26.9 billion

R23.9 billion in 2020

AND NORMALISED

EBITDA growth

of **21.6%**

to R5.1 billion

R4.2 billion in 2020

devastating as people come to terms with the new normal way of life.

We have witnessed devastating loss of life in our own Group, with 48 employees and 7 doctors who have passed away from COVID-19 to date. Every life lost is a life too many and every effort to curb further loss must be taken. As our Chairman already alluded to, the current evidence is clear: vaccinating against COVID-19 has extremely limited the possibility of adverse side effects, it significantly reduces the chance of infection by a factor of five and further reduces the chance of severe illness and death from COVID-19 by a factor of twenty. It is for this reason that we have now taken the first step to making vaccination mandatory before entering our Head Office from 1 December 2021.

The Board and the executive team spent considerable time deliberating on the best way forward and considered multiple viewpoints, with regards to a mandatory vaccine mandate for the Group as a whole. We have an obligation to provide safe workspaces for all our employees, doctors and healthcare professionals and the overall safety and wellbeing of our people has been at the heart of these discussions. It is our moral duty to be responsible and responsive in our fight against this virus.

Our local hospitals and our International operations, however, present complex situations where employees, supporting doctors, patients, suppliers and families of patients share a common space, with unpredictable workflows. Our approach will recognise these complexities and this part of the journey remains a focus going forward. It is our intention to implement mandatory vaccination protocols across all our facilities during the first half of 2022.

DEVELOPING AND RETAINING TALENT

People are our most important asset. They differentiate our business and are a core enabler for everything we do. We aim to create an inclusive and diverse working space where every person feels safe to express themselves in a supportive environment. The Group made significant progress with transformation, diversity and inclusion (see page 60) from an employee attraction and gender perspective. We continue to invest, develop and retain a pipeline of talent that will be able to serve our future needs and embrace cultural diversity.

An organisational re-structure of executive roles and responsibilities was completed. The restructure aimed to better align the operating model with our strategy. A Chief People Officer role was created (see page 156), we appointed a Group Chief Medical Officer (see page 150) as well as a new Group Company Secretary (see page 59). The South African Executive was re-structured into Existing Operations, Business Disruption, New Business, and Support functions. Internationally, within LMI, a Chief Commercial Officer was appointed in the United States (US) to oversee and drive rapid global expansion of NeuraCeq® sales. Further to this, we also established a diverse Group Operating Committee (GOC), consisting of leadership across the southern Africa and International teams.

Following these changes, we are confident that the right people are in the right roles to deliver our strategy.

EXECUTING OUR STRATEGY

Our vision is to be an international healthcare provider, delivering measurable clinical quality through a diversified offering and people-centred approach. This continues to be the driving force in everything we do. Technology, data analytics and diversified and motivated employees are the enablers that underpin the execution of our strategy. The Group's strategic pillars of quality, growth, efficiency and sustainability remain core in achieving our Group strategy, which is to:

¬ Continue delivering clinical excellence and a leading patient experience.

Group Chief Executive's review continued

Quality patient care remains a core priority for us and we are proud of our quality metrics achieved.

Our Group quality indicators continue to reflect our passion for providing patient centred care despite the intense and prolonged pressure due to the COVID-19 pandemic.

- Return the southern African acute hospital business to its pre-COVID-19 levels of activities, improving operating margins and operational leverage.
- Grow our complementary businesses (including mental health, rehabilitation, renal dialysis and oncology), our Life Employee Health Solutions (EHS) business and Life Esidimeni.
- Grow our integrated molecular imaging business in Europe and the UK, while continuing to focus on providing the highest levels of patient care and technical excellence.
- Deliver on our key growth initiatives, including the expansion of NeuraCeq® manufacturing and sales capabilities and progressing with our South African imaging acquisition strategy.
- Deliver responsible environmental, social and governance practices.

During the year under review, we experienced growth across all our business segments, with a particularly strong performance from our international segment. Our strategic progress is highlighted in our segmental reviews (see page 128 and 138).

Our strategy enabled us to be resilient and sufficiently adaptable to the various challenges we faced throughout the year. As we look forward to 2022 and beyond, we will continue to review and refine our strategy with our Board. While we have provided details on our short, medium and long-term strategic objectives (see page 25) we remain nimble in our strategic execution.

Quality patient care remains a core priority for us and we are proud of our quality metrics achieved (see page 150). Our Group quality indicators continue to reflect our passion for providing patient-centred care despite the intense and prolonged pressure due to the COVID-19 pandemic. The commitment and unwavering care of our frontline employees for their patients is incredible. The commencing of our vaccination sites across the country has been a wonderful success story despite the enormous logistical effort required and the additional strain this had placed on our employees and other resources. The enthusiasm shown by our teams to support their local communities and our country with vaccines is heart-warming.

DELIVERING VALUE AGAINST OUR STRATEGY

International

We completed the disposal of Scanmed in Poland on 26 March 2021. Our international business segment now comprises Alliance Medical Group (AMG). AMG is the largest independent provider of diagnostic imaging services in Europe and the UK. AMG continued to focus on providing the highest levels of patient care and excellence in service delivery. This is a key differentiating factor, as AMG continues to sustain long-term relationships with our stakeholders across Europe and the UK.

AMG delivered a robust performance from all its major operations, underpinned by diagnostic imaging volumes returning to pre-COVID-19 levels. These operational results led AMG to deliver 21.0% revenue growth year-on-year (in British pounds), while improving our margins through operational efficiencies. Much of this robust performance was due to increased demand for imaging services following the easing of COVID-19 restrictions in the UK. We also benefited from COVID-19-related service contracts we delivered for public healthcare providers in the UK, Ireland and Italy. Many of these contracts arose following the deployment of employees and equipment, often at short notice, as the pandemic stretched public healthcare facilities. While some of these COVID-19-related contracts have already ended, or decreased as COVID-19 waves subsided, we have been able to consistently assist our stakeholders quickly, as we strive to be a partner of choice for the public sector in Europe and the UK. Our ability to deploy assets rapidly, in a time of need, demonstrates both our capability and commitment to this goal.

Southern Africa

Our southern African operations, particularly the acute hospital segment, were impacted by the second and third COVID-19 waves, each of which was more severe and longer than prior waves. We had over 215 000 COVID-19 PPDs in the six-month period to 30 September 2021 versus c.150 000 in H1-2021 and c.130 000 in H2-2020.

Notwithstanding this, the acute hospital business continued to deliver progressive improvements in each six-month period since 31 March 2020. We have become more adept at managing the transition between COVID-19 waves and the related changes in case mix, when surgical and non-COVID-19 medical cases are displaced as COVID-19 cases surge and then wane. Consequently, we have seen PPDs improving gradually during the year, which has driven our occupancies upwards. We feel confident that we are now able to operate our acute hospital business with COVID-19 as the new normal.

Our complementary services have also seen a pleasing improvement over each consecutive six-month period since 31 March 2020. Life EHS saw a decline in lives covered through its contracted services, but was able to deliver strong revenue growth as the business rapidly expanded its service offering to cater for COVID-19-related demand. Life Esidimeni, as a long-term care provider for the public sector, remained resilient throughout the year.

For the year under review, the southern African business delivered 10.3% annual revenue growth, and normalised EBITDA margins continued improving to 17.1% for the full year, compared with

For the year under review, the **SOUTHERN AFRICAN BUSINESS DELIVERED**

10.3%

ANNUAL REVENUE GROWTH, and normalised EBITDA margins continued improving to

17.1%

for the full year, compared with

16.6% at H1-2021 and 16.8% reported at 2020

the 16.6% we reported at H1-2021 and the 16.8% reported at 2020. The results are analysed in more detail within the southern African segment review (page 138).

GROWING OUR BUSINESS

Life Molecular Imaging (LMI) is an important international growth initiative. Following the approval of Biogen's Alzheimer's disease modifying drug (DMD) Aduhelm®, in June 2021, we invested in a commercial team to drive NeuraCeq® sales. This opportunity could lead to a significant revenue uplift for LMI in future years (further discussed on page 136). We are also preparing ourselves for the introduction of Community Diagnostic Centres in the UK through a competitive tendering process. These one-stop diagnostic facilities within a community setting (as opposed to a hospital setting), are a compelling and convenient diagnostic model and we are confident that our capabilities and service delivery record will enable us to capitalise on some of these contracts.

Within the southern African business good progress has been made on our growth within the renal dialysis and oncology businesses. We acquired the North-West Dialysis Centre and continue to build our non-acute businesses in the southern Africa space.

Our South African imaging growth initiative is to own and operate imaging equipment within our hospital facilities and further develop imaging capabilities to be able to partner with government. This model is not different to how we operate our surgical and medical services, where the hospitals own the infrastructure and equipment, employ the staff, while the specialist doctors provide their clinical services. This is in line with the how radiology operates in many countries world-wide.

We strongly believe that we can improve accessibility and reduce cost of care by managing imaging services as part of our overall care pathway. On 10 September 2021 we received approval from the Health Professions Council of South Africa (HPCSA) to directly employ radiographers. This is a significant step forward and will enhance our ability to offer an integrated and cost-efficient imaging service in South African diagnostic units.

This will allow us to leverage the extensive diagnostic imaging experience within AMG to bring that experience to South Africa, and partner with radiologists to make radiology more accessible to the wider South African public. AMG operates in more than 20 European countries, employs 850 qualified radiographers and nuclear medicine technologists, together with a third-party network of more than 500 registered radiologists. Through this team AMG delivers 1.7 million complex diagnostic imaging and integrated molecular imaging procedures annually through 146 diagnostic imaging centres and 77 mobiles.

In November 2021, we announced that we have entered into a joint venture with AXIM to build and operate cyclotrons within South Africa. We will be building two cyclotrons in Gauteng initially. These will serve the molecular imaging market in South Africa, a market which we think has exciting growth potential over the next five to 10 years.

OUTLOOK

COVID-19 is likely to be with us for some time to come, perhaps even becoming a common virus, like the annual influenza viruses to which we have adopted. New mutations may produce COVID-19 variants, such as the recently identified Omicron variant, which may drive additional waves. We anticipate a fourth COVID-19 wave to emerge within South Africa towards the end of the 2021 calendar year. The timing and severity of this wave may be influenced by Omicron and may disrupt our operations again. However, we remain well positioned to deal with future waves and apply the lessons we have already learnt.

We will continue to focus on growing the business, improving efficiency and enhancing the quality of our patient care. Exciting growth opportunities across multiple geographies are being explored, and our respective management teams are motivated and incentivised to deliver on these.

We will continue to invest in modernising our IT infrastructure so that we can harness the power of data analytics to improve the patient journey, increase our efficiency and to enable better real-time decision making across our facilities.

We aim to introduce a comprehensive sustainability strategy during 2022. This strategy will position the Group to realise our commitment to reducing our environmental impact, while enhancing the sustainability of our business.

APPRECIATION AND CONDOLENCES

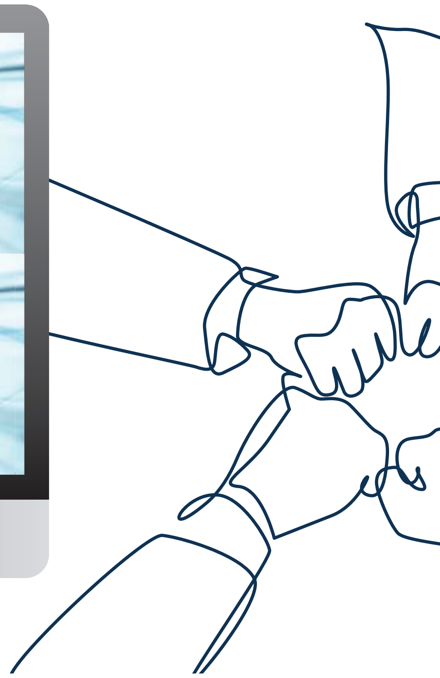
Thank you to all our employees, the senior management team and our Board for their continued effort and commitment in driving our business forward, particularly as we adapt to the new normal working environment.

My deepest condolences to those who have lost loved ones over the course of this pandemic.

To our employees, healthcare specialists, support services and doctors, thank you for your loyalty and dedication over the past year.

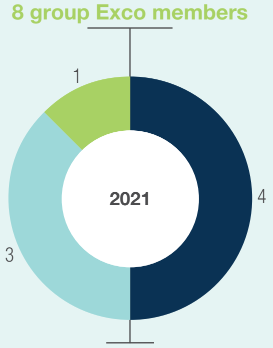
Peter Wharton-Hood
Group Chief Executive

Group executive leadership team

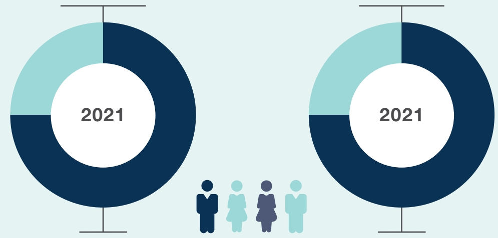


Peter Wharton-Hood	Pieter van der Westhuizen	Adam Pyle	Mark Chapman
Group Chief Executive (GCE)	Group Chief Financial Officer (CFO)	CEO – southern Africa	CEO – International
Qualifications CA(SA)	**Qualifications** CA(SA)	**Qualifications** BCom, LLB	**Qualifications** BSc (Hons) Applied Statistics and Econometrics
Age 56	**Age** 50	**Age** 55	**Age** 49

Group Exco – Age



Group Exco – Diversity



Dr Mark Ferreira

Group Chief Medical Officer (International Medical Director)

Qualifications
MBBCh, MFamMed, MHealthEcon

Age 60

Brett Mill

Chief Data and Risk Officer

Qualifications
BEconSC, FFA, FASSA (Economics and actuarial science)

Age 47

Avanthi Parboosing

Chief People Officer

Qualifications
BA (Law and Political Science), BA (Hons) and Masters (Political Science and International Relations)

Age 46

Joshila Ranchhod

Company Secretary

Qualifications
BA (LLB)

Age 46

Group Chief Financial Officer's review

Life Healthcare's 2021 financial year has incorporated a full 12 months of COVID-19-related effects, including two severe COVID-19 waves which severely disrupted trading for the Group.

Pieter van der Westhuizen
Group Chief Financial Officer (CFO)

GROUP REVENUE increased by 12.7% to **DISTRIBUTION OF R26.9 BILLION**

Normalised **EBITDA** increased by 21.6% to **R5.1 BILLION**

Our primary focus throughout the pandemic has been to ensure that we continue to deliver a safe environment providing quality care for our patients while also protecting the health, safety and job security of our employees. Early on in the pandemic we curtailed a number of projects across the business so as to preserve cash and maintain liquidity.

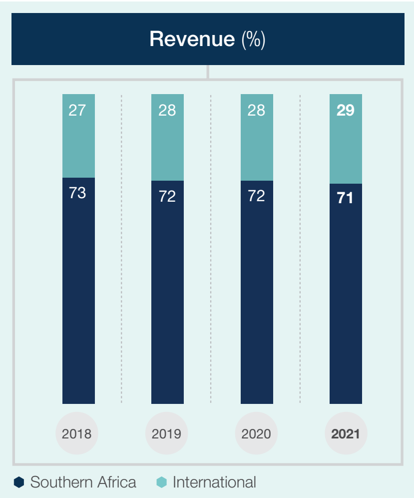
This included not making distributions to shareholders during our 2020 financial year or after our interim results for the six months to 31 March 2021.

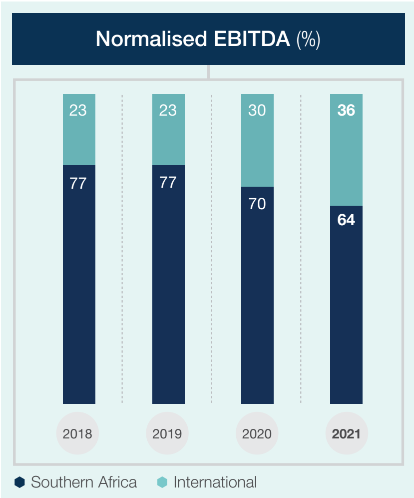
As the business adjusted to the new operating conditions within a COVID-19 environment, we applied lessons learned early on in the pandemic, and have seen a pleasing improvement in trading performance, profitability and cash generation. This has enabled us to resume a number of capital projects which will drive revenue growth in years to come, and we are pleased to announce that the Board has approved a final distribution of 25 cents per share.

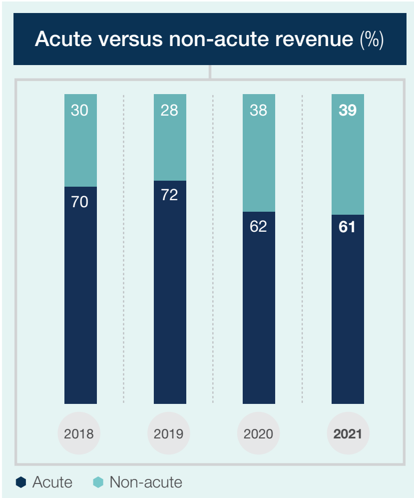
Group revenue from continuing operations, for the year ended 30 September 2021, increased by 12.7% to R26.9 billion (2020: R23.9 billion). Group normalised EBITDA increased by 21.6% to R5.1 billion (2020: R4.2 billion) resulting in our normalised EBITDA margin expanding to 18.8% (2020: 17.4%). Normalised EBITDA grew as a result of an excellent performance from AMG and improved trading conditions and better cost management within our southern African operations.

We concluded the disposal of Scanmed S.A. (Scanmed) in Poland on 26 March 2021, realising R681 million in net proceeds. Scanmed has been presented as a discontinued operation in the current and prior period results. As a result, the prior period results have been re-presented.

What follows is a summary of our financial results for the 2021 year under review. Our full audited financial results can be found within in the 2021 Annual Financial Statements which are located on our website (www.lifehealthcare.co.za/investor-relations/results-and-reports). We also show a seven-year summary of key financial results and metrics on page 162 of this report.







SUMMARISED FINANCIALS

Indicator	2021 R'm	2020 R'm	% change
Revenue from continuing operations	**26 885**	23 851	12.7
Normalised EBITDA[1] from continuing operations	**5 051**	4 155	21.6
Operating profit from continuing operations	**2 980**	2 121	40.5
Net finance cost	**(622)**	(793)	(21.6)
Share of associate's net profit after tax	**25**	14	78.6
Tax expense	**(642)**	(556)	15.5
Profit from continuing operations	**1 767**	837	>100
Profit/(loss) from discontinued operation	**87**	(799)	n/a
Profit for the year	**1 854**	38	n/a
Profit attributable to ordinary equity holders	**1 754**	(93)	n/a

[1] *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.*

Group Chief Financial Officer's review continued

We continue to make progress with our **strategic goal** of growing revenue and profit from non-acute services.

Indicator	2021 R'm	2020 R'm	Year-on-year trend
Growth			
Net debt to normalised EBITDA (ratio)	**1.82**	2.96	↓
Interest cover (ratio)	**11.0**	5.8	↑
HEPS (cps)	**111.1**	48.7	↑
Dividend (cps)	**25**	–	↑
Cash generated from operations	**5 687**	4 562	↑
Efficiency			
Normalised EBITDA margin (%)	**18.8**	17.4	↑
Cash generated from operations as percentage of EBITDA	**112.6**	109.8	↑

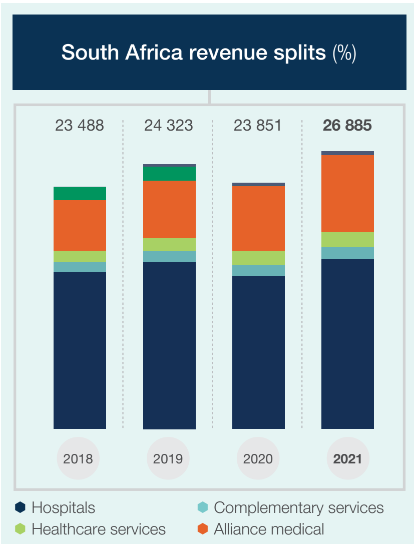
REVENUE AND NORMALISED EBITDA

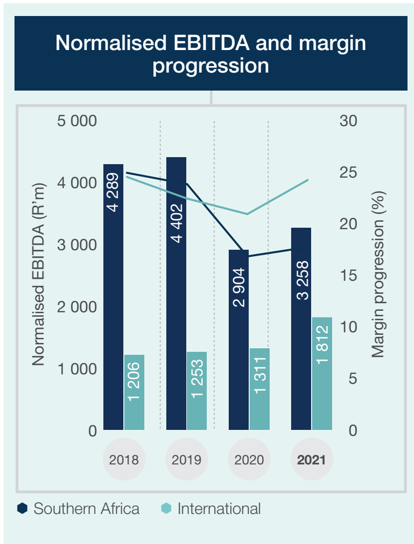
Our international segment (see page 128) saw revenue from continuing operations increasing by 18.9% to R7.5 billion (2020: R6.3 billion). Normalised EBITDA from continuing operations grew by 38.2% to R1.8 billion (2020: R1.3 billion) and the normalised EBITDA margin expanded to 24.2% (2020: 20.9%).

Our southern African operations (see page 138) delivered an increase in revenue of 10.3% to R19.0 billion (2020: R17.2 billion). Normalised EBITDA grew by 12.2% to R3.3 billion (2020: R2.9 billion) and the normalised EBITDA margin expanded to 17.1% (2020: 16.8%).

Our growth initiatives saw a 21.3% increase in revenue to R388 million (2020: R320 million) and a normalised EBITDA loss of R19 million largely met the objective of breaking even at normalised EBITDA level.

More on our growth initiatives see page 136 and 148.





EARNINGS PER SHARE (EPS)

EPS increased by more than 100% to 120.6 cps (2020: a loss of 6.4 cps). This is due to the weak H2-2020 performance after the onset of the COVID-19 pandemic and restrictive lockdowns, as well as the impairment of R793 million in the 2020 year relating to Scanmed, which reduced EPS by 54.5 cps.

NORMALISED EPS (NEPS), which excludes non-trading related items,

increased by 84.7% to

112.7 cps

61.0 cps in 2020

and **NEPS** from **CONTINUING OPERATIONS**

increased by 88.3% to

109.8 cps

58.3 cps in 2020

The 2021 results benefited from an improved operating performance as well as the profit from Scanmed (which increased EPS +6 cps).

EPS from continuing operations (excluding Scanmed) increased by more than 100% to 114.6 cps (2020: 48.5 cps).

HEPS from continuing operations increased by more than 100% to 111.1 cps (2020: 48.7 cps).

Normalised EPS (NEPS), which excludes non-trading related items, increased by 84.8% to 112.7 cps (2020: 61.0 cps) and NEPS from continuing operations increased by 88.3% to 109.8 cps (2020: 58.3 cps).

Group Chief Financial Officer's review continued

RECONCILIATION OF HEADLINE EARNINGS (HEPS) AND NORMALISED EARNINGS (NEPS)[1]

	2021 R'm	2020 R'm	% change	2021 cps	2020 cps	% change
Weighted average number of shares at the end of the year (millions)	**1 454**	1 455	(0.1)			
Profit/(loss) attributable to ordinary equity holders	**1 754**	(93)	n/a	**120.6**	(6.4)	n/a
(Profit)/loss from discontinued operation attributable to ordinary equity holders	**(87)**	799		**(6.0)**	54.9	
Profit from continuing operations attributable to ordinary equity holders	**1 667**	706	136.1	**114.6**	48.5	136.3
Adjustments (net of tax and non-controlling interest):						
Impairment of assets and investments	**14**	5		**0.9**	0.3	
Profit on remeasuring previously held interest in associate to fair value	**(28)**	–		**(1.9)**	–	
Loss on disposal of property, plant and equipment	**10**	3		**0.7**	0.2	
Headline earnings from continuing operations	**1 663**	714	132.9	**114.3**	49.0	133.3
Retirement benefit asset and post-employment medical aid income	**(24)**	(23)		**(1.7)**	(1.6)	
Gain on derecognition of lease asset and liability	**–**	(50)		**–**	(3.4)	
Transaction costs relating to acquisitions and disposals	**3**	8		**0.2**	0.6	
Unwinding of contingent consideration	**62**	66		**4.3**	4.5	
Fair value loss on equity investment	**12**	–		**0.8**	–	
Deferred tax raised on unrecognised exchange gain on inter-company loan	**–**	133		**–**	9.2	
Deferred tax raised previously not recognised and effective tax rate change	**(118)**	–		**(8.1)**	–	
Normalised earnings from continuing operations	**1 598**	848	88.4	**109.8**	58.3	88.3
Normalised earnings from discontinued operation[2]	**42**	40	5.0	**2.9**	2.7	7.4
Normalised earnings from continuing and discontinued operations	**1 640**	888	84.7	**112.7**	61.0	84.8

[1] *Non-IFRS measure.*

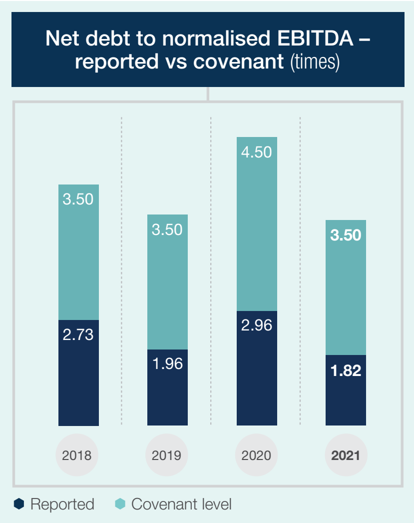
[2] *Calculated as follows (refer note 27):*

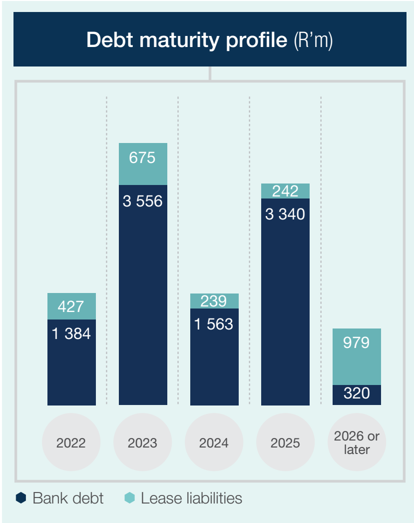
	2021 R'm	2020 R'm
Profit/(loss) after tax from discontinued operation	**33**	*(799)*
Fair value adjustments to contingent consideration	**9**	*37*
Transaction costs	**–**	*9*
Impairment of investment	**–**	*793*
	42	*40*

FINANCIAL POSITION AND LIQUIDITY

The Group is in a strong financial position with net debt of R10.4 billion (2020: R14.1 billion) leading to a net debt to normalised EBITDA ratio as at 30 September 2021 of 1.82 times (2020: 2.96 times). The net debt figures are calculated in terms of lender agreements.

The Group negotiated amended bank covenants for the periods ended 30 September 2020 (net debt to normalised EBITDA of 4.0 times) and 31 March 2021 (net debt to normalised EBITDA of 4.5 times) due to the uncertainty of the pandemic.





The Group agreed not to pay dividends without lender approval as part of the covenant amendment terms. From 31 March 2021 the Group reverted to its original bank covenant for net debt to normalised EBITDA of 3.50 times.

During 2021 the Group refinanced R2.5 billion of South African term debt, extending maturities that were due during the year and resulting in a lower effective interest rate on this debt. The Group's undrawn bank facilities as at 30 September 2021 amounted to R6.6 billion (2020: R6.3 billion).

Cash flow and capital expenditure

The Group had strong working capital management despite the challenging environment in which the Group operated. The cash generated from operations amounted to R5.7 billion and represented 113% of normalised EBITDA (2020: 110%).

During the financial year under review, the Group invested approximately R1.9 billion (2020: R2.0 billion), mainly comprising maintenance capital expenditure of R1.5 billion (2020: R1.2 billion) and growth capital expenditure of R357 million (2020: R759 million).

For 2022 we expect expenditure of R1.8 billion on maintenance and R1.1 billion on growth projects.

The increase in maintenance expenditure is driven by some catch-up of the reduced expenditure during 2020 and 2021, as well as increased investment into our IT infrastructure. The significant investment in growth projects will fund the building of a Community Diagnostic Centre in the UK, continued investment in LMI and growth projects within our complementary services business in SA.

DISTRIBUTION

During the year under review. The Board approved a revised distribution policy.

With this distribution policy in mind, the Board **HAS APPROVED A**

final dividend of

25 cps

Zero cps in 2020

The Group's dividend policy is to pay a dividend after taking into account the underlying earnings, cash generation and available funding of the Group, while retaining sufficient capital to fund ongoing operations and growth projects while maintaining gearing within acceptable levels.

With this policy in mind, the Board has approved a final dividend of 25 cps (2020: zero cps).

Pieter van der Westhuizen
Group Chief Financial Officer

International business review

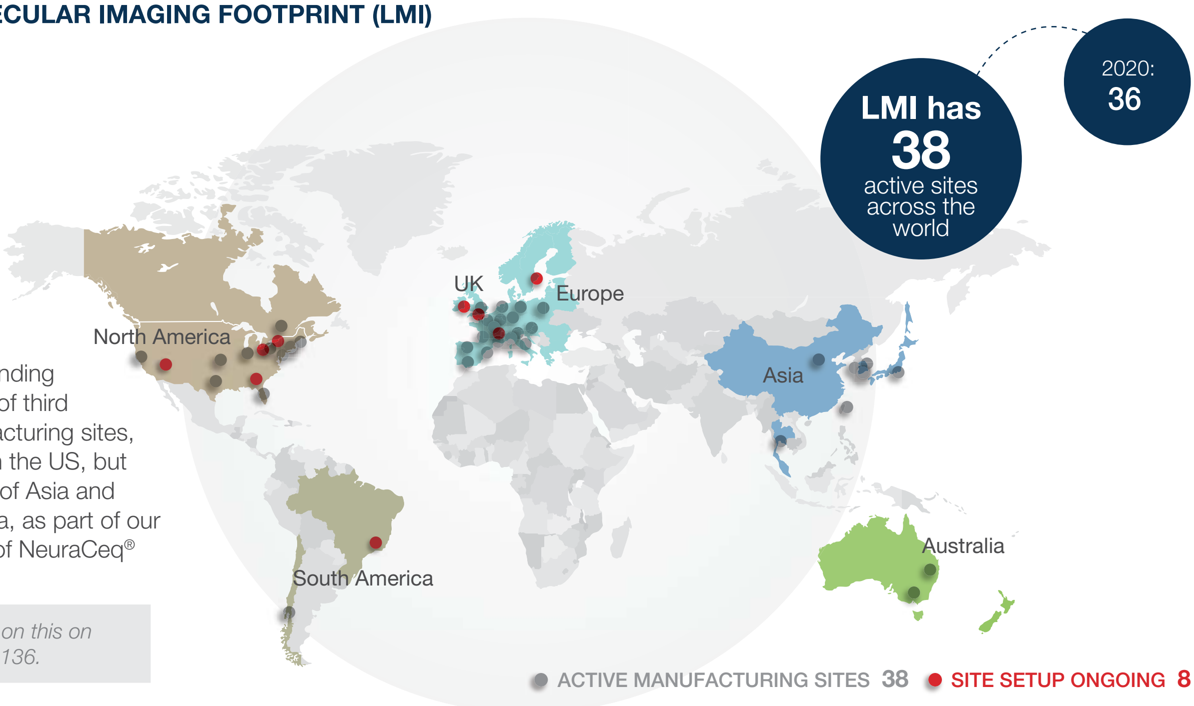
Our footprint and capabilities

Our international segment is predominantly made up of Alliance Medical Group (AMG), Europe's leading independent provider of imaging services including MRI, CT and PET-CT scanning capabilities. Life Radiopharma, an AMG subsidiary, manufactures and distributes radioisotopes for our PET-CT scanning facilities, and also sells these products to third parties. Life Molecular Imaging (LMI), a research and development company, is dedicated to developing and globally commercialising innovative molecular imaging agents for use in PET-CT diagnostics.

ALLIANCE MEDICAL GROUP FOOTPRINT

	Sites		Scanners		Cyclotron sites
United Kingdom (UK)	DI static	36	MRI	69	5
	PET-CT contract	38	CT	29	
	Mobiles	57	PET-CT	39	
Italy	Owned clinics	34	MRI	43	1
	Static sites	7	CT	20	
			PET-CT	4	
Ireland	Operating sites	32	MRI	28	
			CT	6	
			PET-CT	1	
Other (Northern Europe and US)	Operating sites (Spain)	4	MRI	10	5
	Mobiles and relocatable sites (N Europe)	29	CT	10	
			PET-CT	9	

LIFE MOLECULAR IMAGING FOOTPRINT (LMI)

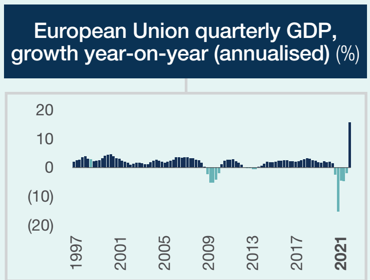
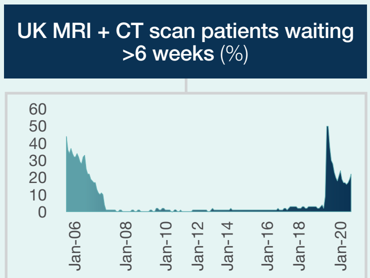
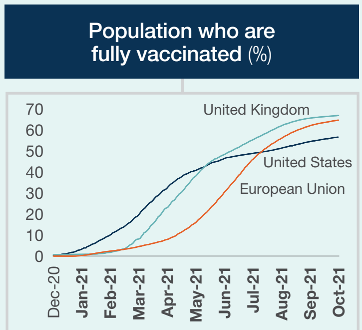


We are expanding the network of third party manufacturing sites, particularly in the US, but also in parts of Asia and Latin America, as part of our ramping up of NeuraCeq® production.

More on this on page 136.

When **AMG is looked at in conjunction with LMI,** these combined international operations provide a unique vertically integrated business.

International business review continued

OUR OPERATING ENVIRONMENT	Looking forward to 2022	
Our international operations, including LMI, are the fastest growing part of the Group, and have proven to be the most resilient during the COVID-19 pandemic. We expect to see continued expansion of this segment's overall % contribution of Group revenue, as part of our strategy to grow our non-acute and international operations.	¬ Continued strong growth anticipated as COVID-19 restrictions are eased and pent-up demand is released	**29.2%** of **GROUP REVENUE** 27.7% in 2020
Europe and the UK were severely impacted by the COVID-19 pandemic, particularly early in 2020. Extensive government fiscal support for local economies, and job protection programmes, helped to cushion the financial impact of lockdowns.	¬ Quick decision making allowed us to adapt quickly to changing environment and to secure COVID-19-related public sector contracts ¬ We aim to be a partner of choice with future public sector contracting	
UK government job protection programmes led to limited loss of jobs compared with the US and South Africa	¬ As furlough schemes come to an end there is a risk that unemployment statistics will rise	
COVID-19 lockdowns disrupted diagnostic scanning activities within the UK, which led to a significant increase in the number of patients waiting longer than 6 weeks for their diagnostic scan. The NHS England target for this metric is for less than 1% of patients to wait >6 weeks.	¬ There is still a significant backlog of patients waiting for MRI + CT scans, which should provide ongoing demand for AMG services	
Rapid vaccination roll-outs have also allowed faster reopening of European economies. While vaccines have been shown to reduce severe infections, hospitalisations and death from COVID-19, waning immunity >6 months after being vaccinated pose risks to governments wanting to open up their economies.	¬ Vaccine hesitancy and waning immunity >6 months after vaccinations increase risk of further waves	

How we performed in 2021

ALLIANCE MEDICAL GROUP

AMG performed strongly during 2021, due to both COVID-19-related contracts carried out for public sector health services and increasing demand for our services as COVID-19-related lockdowns across all our territories were relaxed.

Revenue grew by 21.0% to £368 million (2020: £304 million) and normalised EBITDA grew by 40.7% to £89.2 million (2020: £63.4 million) resulting in the normalised EBITDA margin expanding to 24.2% (2020: 20.9%). This performance was driven by pleasing contributions from all sub-segments, as we detail below.

AMG's capex spend in 2021 totalled £35 million, of which £12 million was invested in growth opportunities, including mobile CT capacity and additional imaging sites in Ireland.

AMG's maintenance capex spend in the 2022 financial year is expected to be around £33 million, of which a significant proportion of this is within the UK and includes spend within our PET-CT contracts where we are expanding scanning capacity on existing sites. Growth capex of £26 million has been allocated to spend on Community Diagnostics Centres (CDC) in the UK, new sites in Ireland as well as further increasing sites providing PET-CT imaging.

AMG is **well positioned** to bid for

SUBSTANTIAL SERVICE CONTRACTS TO BUILD

up to 60 new

COMMUNITY DIAGNOSTIC CENTRES (CDCs) FOR THE NHS in England.

The NHS's CDC strategy will fundamentally change how MR and CT services are delivered in England, moving services from acute hospitals to new community centres. The strategy is being followed by the NHS as a result of recommendations in the NHS-commissioned "Sir Mike Richard's review", which can be found at: https://www.england.nhs.uk/publication/diagnostics-recovery-and-renewal-report-of-the-independent-review-of-diagnostic-services-for-nhs-england

AMG is at the forefront of this initiative having already entered into an agreement to build a CDC for an NHS Foundation Trust (the Trust) in the North East of England to deliver MRI, CT and PET-CT services. The key features of this approximately c.£9 million investment are as follows:

- The centre will house two MRI, two CT scanners and one PET-CT scanner on day one, with space for additional scanners in due course
- AMG has agreed a long-term contract which the Trust has an option to extend
- The building work commences in late 2021, with completion due in early 2023

This is an exciting model for future diagnostic capacity in the UK, and one which AMG is preparing to play a meaningful role in delivering.

International business review continued

United Kingdom (UK)

In our UK operations Diagnostic Imaging (DI) volumes have returned to pre-COVID-19 levels. This was partly attributable to the COVID-19-related CT contracts entered into with the NHS as well as increased demand following the easing of COVID-19 restrictions in the UK. The COVID-19-related CT contracts initially ended on 31 March 2021 but were then extended for a further 6 months until 30 September 2021, albeit at reduced revenue per day compared with the initial contracts in the H1-2021 period. These contracts have now come to an end. For the 2021 period, UK DI volume growth was 16.2% year-on-year. H2-2021 volumes were 44.4% higher than H2-2020 and 4.3% higher than H1-2021.

PET-CT volumes have continued to grow strongly in H2-2021 and were 33.5% higher than H2-2020 volumes and 8.5% above H1-2021. For the 2021 period PET-CT volume growth was 18.8% year-on-year.

These strong operational results saw revenue from the UK operations for 2021 increase 21.7% year-on-year to £193 million in (2020: £158 million).

Looking ahead

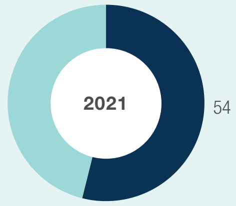
With the expiry of the COVID-19-related contracts, we expect some headwinds to revenue and EBITDA growth in 2022, unless local NHS trusts decide to contract out some of this work to private providers.

We are also preparing ourselves for the introduction of Community Diagnostic Centres in the UK via a competitive tendering process. We believe that these one-stop diagnostic facilities within a community setting (as opposed to a hospital setting), are a compelling and convenient diagnostic model, and are confident that our capabilities and service delivery record will enable us to win some of these contracts.

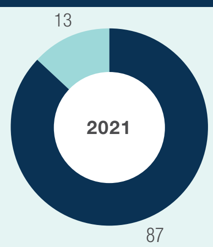
52%

of **AMG REVENUE**

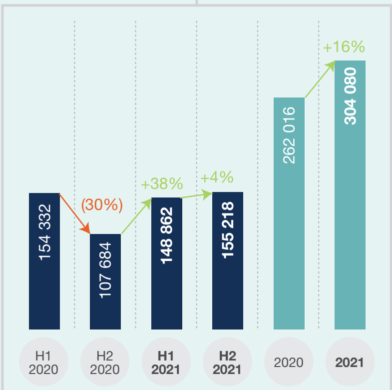
UK revenue split (%)



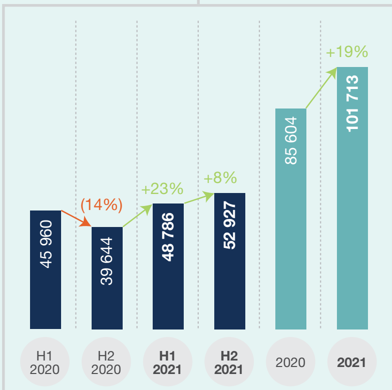
UK payor mix (%)



UK diagnostic imaging volumes



UK molecular imaging volumes



Italy

Our Italian diagnostic business is quite different from our other European businesses in that it is clinic-based and covers a wider array of services including routine laboratory work and x-rays in addition to the diagnostic imaging and PET-CT scanning volumes.

For the 2021 period Italian DI volumes were higher than pre-COVID levels with growth 9.1% higher year-on-year. H2-2021 volumes were 10.1% higher than the H2-2020 period but down 7.3% on H1-2021 volumes. This decline relative to H1-2021 represents typical pre-COVID seasonality related to the timing of the public healthcare (ASL) budget cycle. Some of the Italian volume uplift has been related to COVID-19-related services like blood testing and other COVID-19 screening.

2021 revenue from the Italian business was up 18.4% year-on-year to £104 million (FY2020: £88 million).

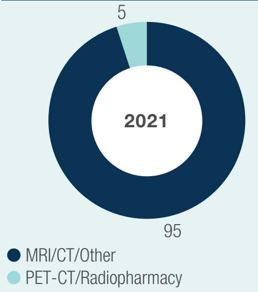
Looking ahead

ASL budgets have remained largely flat for many years and we do not foresee this changing. Growth is therefore likely to remain linked to volume and/or acquisitive growth.

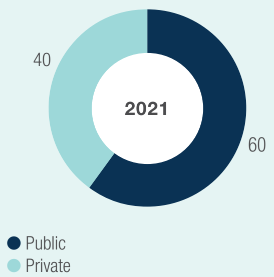
28%

of **AMG REVENUE**

Italy revenue split (%)



Italy payor mix (%)

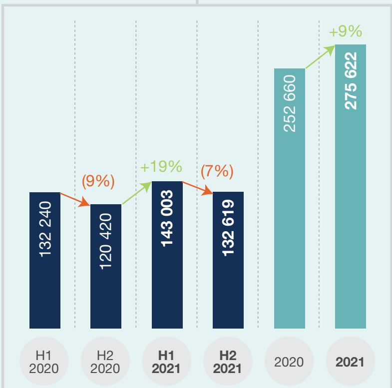


2021 REVENUE FROM THE ITALIAN BUSINESS was up

18.4% year-on-year to £104 million

£88 million in 2020

Italy total imaging volumes



International business review continued

Ireland

The Irish business continued to benefit from a general rebound in activity and increased public sector contracting. For the 2021 period Irish volumes exceeded pre-COVID levels and growth was 34.2% higher year-on-year. H2-2021 volumes were 51.7% higher than the H2-2020 period and 16.3% higher than the H1-2021 period.

The business has seen good growth from private sector demand. This is largely out-of-pocket expenditure on scanning.

The strong rebound in scanning volumes 2021 saw revenue from the Irish business grow by 38.6% year-on-year to £38 million (2020: £27 million).

Looking ahead

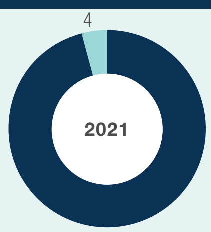
Continued growth in Ireland is likely in the absence of further COVID-19 waves.

If public sector contracts become more prevalent, it is likely that we will see some reduced demand from private paying patients.

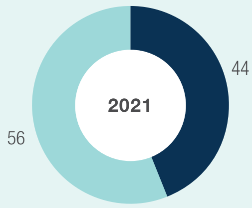
10%

of **AMG REVENUE**

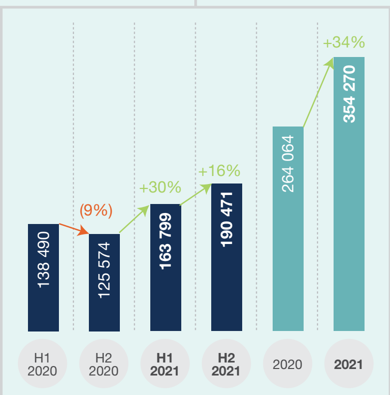
Ireland revenue split (%)



Ireland payor mix (%)



Ireland diagnostic imaging volumes



The **STRONG REBOUND IN SCANNING IN 2021 SAW REVENUE FROM THE IRISH BUSINESS** grow by

38.6%
year-on-year
to £38 million

£27 million in 2020

Other (Northern Europe and US)

This sub-division includes facilities in Spain, Germany, Netherlands, Austria, Switzerland, Poland, Estonia, Finland, Norway and the United States. Revenue is generated from both diagnostic imaging services and from AMG's radiopharmacy business (Life Radiopharma) which manufactures and distributes radioisotopes for our PET-CT scanning facilities, and also sells these products to third parties.

During the year our diagnostic imaging contract in Spain came to an end after 17 years. The ongoing volumes and revenue relate to our Northern European services and radiopharmacy revenue.

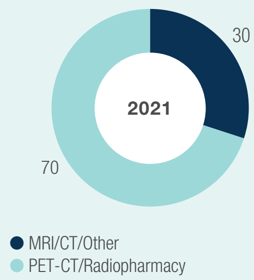
Radiopharmacy revenue is derived from manufacturing isotopes in our cyclotrons and selling them to our own PET-CT scanning facilities and to third parties. The revenue and volumes disclosed here exclude isotope manufacturing from LMI. Radiopharmacy doses produced grew by 15% to 204 472 doses in 2021 (2020: 177 945) including volumes derived from the cyclotron we purchased in Italy during the year.

Revenue for 2021 grew by 9.1% to £33 million (2020: £30 million).

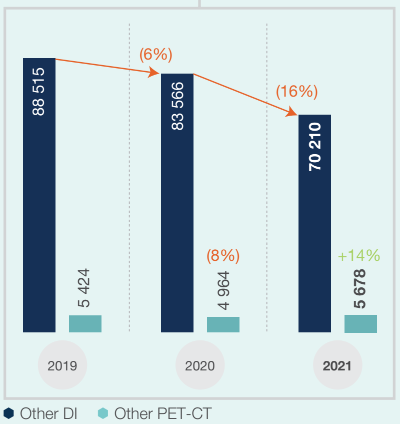
9%

of **AMG REVENUE**

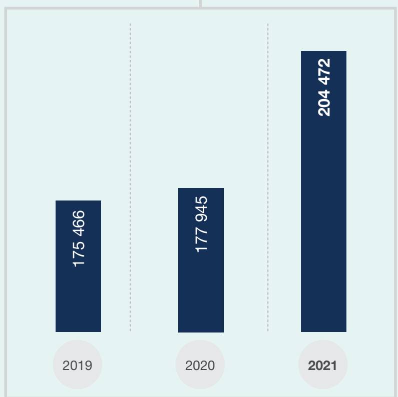
Other revenue split (%)



Other – imaging volumes



Other – total radiopharmacy doses



International business review continued

How we performed in 2021, continued

LIFE MOLECULAR IMAGING

LMI has developed a pipeline of novel imaging agents that address major unmet clinical needs in neurological, oncological and cardiovascular diseases.

The key development during the year was the FDA approval of Biogen's Aduhelm®, a key milestone event for LMI's only approved radioisotope, NeuraCeq®. We highlight some key points on NeuraCeq® separately below. This event triggered the commencement of our *Invest for Success* programme (see commentary below).

During 2021 LMI saw continued demand for NeuraCeq® for use as part of ongoing clinical trials for potential Alzheimer's drugs.

NeuraCeq® florbetaben 18F is **one of 3 approved** beta-amyloid radiotracers and could become a $300 million **REVENUE OPPORTUNITY** for LMI

NeuraCeq® is currently LMI's flagship product. It is a radiotracer, which when used as part of a PET-CT scan, enables the identification of amyloid proteins, which are central to the diagnosis of Alzheimer's diseases (AD).

AD makes up a significant proportion of dementia cases and the prevalence of dementia is expected to grow from 50 million people to 152 million by 2050*.

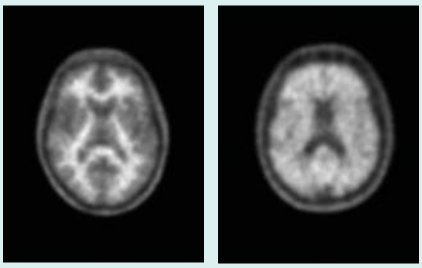
NeuraCeq® was granted US Federal Drug Administration (FDA) approval as a beta-amyloid radiotracer in 2014 and it has been used extensively in various pharmaceutical companies' research efforts to develop Alzheimer's disease modifying drugs.

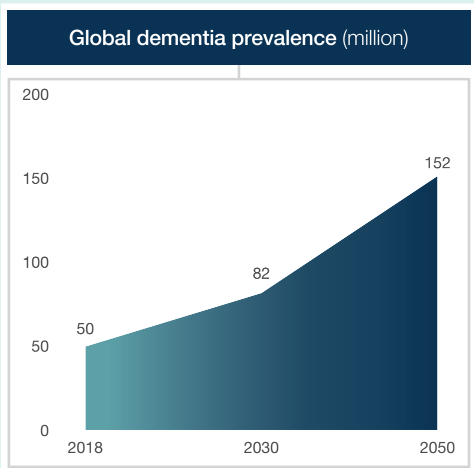
With the recent FDA approval of Biogen's Aduhelm® (an Alzheimer's DMD agent which reduces beta-amyloid deposits in the brain), we believe Aduhelm® will become widely used in the US and Europe, and PET-CT scans using NeuraCeq® will soon be reimbursed as a key diagnostic approach.

In anticipation of these approvals, we are rapidly expanding our NeuraCeq® production capability (both inhouse and via third party manufacturing agreements).

* *According to forecasts by The Economist*

Below: Amyloid plaques highlighted (on the right) by amyloid tracer





This demand increased following the Biogen approval, although we have seen very little ramp-up in clinical demand for NeuraCeq® related to PET-CT scanning for patients about to start Aduhelm® treatment. This is likely to remain the case until reimbursement of Aduhelm® within the US is finalised, along with the pathways patients, will need to take prior to commencing treatment with Aduhelm®.

LMI saw revenue grow to £19 million, up 25.4% versus 2020 revenue of £15 million. This growth was largely on the back of NeuraCeq® sales.

LMI's pipeline includes a number of additional products which may assist in scanning for other neuro-degenerative conditions such as Parkinson's disease and Progressive supranuclear palsy (PSP), as well as two cardiovascular products. LMI's full product pipeline is shown below.

PRODUCTS IN DEVELOPMENT

	Product	Biomarker	Targeted disease	Development stage	Earliest possible approval date	Market opportunity*
Neuro-degenerative Next-generation radio tracers for Alzheimer's, PSP, Parkinson's and other pathologies, with long shelf-lives and high yield	NeuraCeq® florbetaben F18 injection	Amyloid deposits	Alzheimer's	Marketed		>€300 million
	18F-PI-2620	Tau deposits	Alzheimer's and PSP	Phase 2	2027	TBD
	18F-DED	MAO-B	Neuro-inflammation	Phase 1	2030	Early, TBD
	18F-aSyn	Alpha-synuclein	Parkinson's	Pre-clinical	2030	Early, TBD
Cardiovascular Biomarkers for detecting cardiac and vascular pathologies	Florbetaben	Amyloid deposits	Cardiac amyloidosis	Phase 3 prep	2025	>€10 million
	18F-GP1		Thrombo-embolism (Stroke)	Phase 2	2028	>€100 million

* *Management estimates of potential revenue opportunity for each market, dependent on successful clinical trial completion and product launch*
TBD = still to be determined

Key: Pre-clinical / Clinical trial – Drug trial stage; 2025 – Earliest possible approval date; >€100 million – Revenue opportunity*

Looking ahead

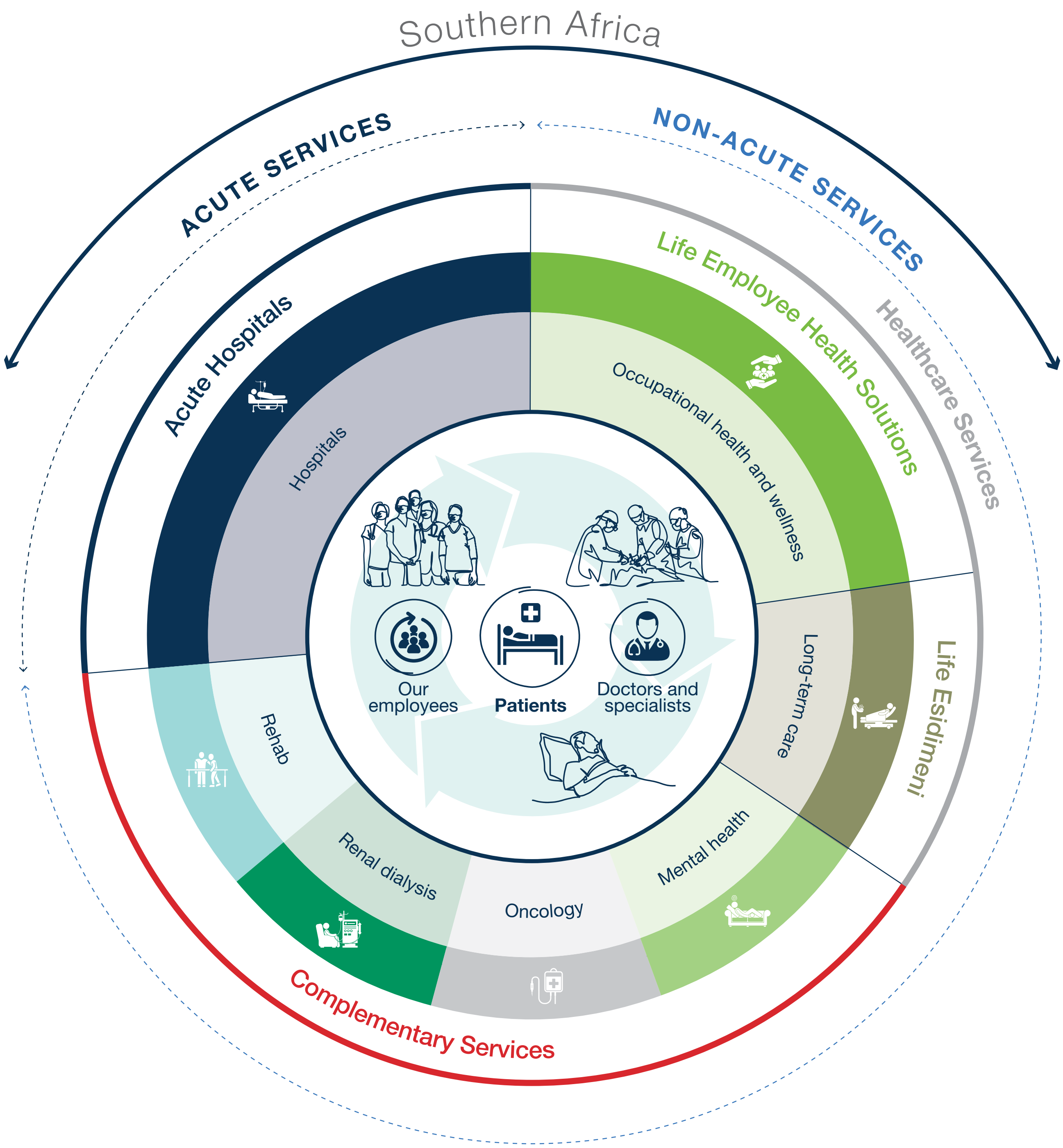
We anticipate US reimbursement for Aduhelm® will be forthcoming during early 2022, with news from European and UK regulators expected later on in 2022. These events will likely lead to rapid uptake of amyloid diagnostic testing, including PET-CT scanning, in these regions. As part of our *Invest for Success* programme we have begun to ramp-up our capability to meet this demand by expanding our third-party manufacturing agreements (see the chart on page 128 above) and by hiring a commercial operating officer in the US during 2021 to build out our US sales force.

During 2021 our *Invest for Success* programme saw us committing to invest £7 million on headcount (opex) and £2 million on manufacturing equipment, intellectual property and technology transfers (capex), of which £1 million was spent during 2021.

Southern African business review

Our footprint and capabilities

We have a diversified healthcare offering across the care spectrum including acute hospital care, acute physical rehabilitation, mental health, renal dialysis, oncology long term and occupational health and wellness care services. With 14 972 (2020: 15 060) of our own employees and approximately 3 000 supporting healthcare professionals and specialists, we are able to deliver quality, compassionate and effective care.



Acute hospitals

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

Our hospital facilities are world-class, technologically advanced and multi-functional.

Factors impacting this material matter

- Specialised medical disciplines
- Community hospitals
- Same-day surgical centres
- Niche facilities
- Intensive care units (ICUs)
- High-care units
- Operating theatres
- Emergency units
- Maternity units
- Cardiac units
- Paediatric units
- Surgical units

Facilities	**49**	49 in 2020
PPDs (A)	**1 706 205**	1 703 015 in 2020
Theatres	**304**	304 in 2020
Cathlabs	**14**	14 in 2020
Registered beds	**8 256**	8 240 in 2020
Length of stay	**4.07 days**	3.74 days in 2020
Theatre minutes	**17.2 million**	17.9 million in 2020
Occupancy	**58.1%**	57.0% in 2020
Cathlab cases	**13 257**	13 478 in 2020

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

Our rehab facilities cater for patients with disabling or traumatic brain injuries, offering acute physical and cognitive rehabilitation. Our focus on patient care helps to restore quality of life for our patients and their families.

Services offered

- Traumatic brain injuries or spinal trauma
- Severe orthopaedic injuries
- Complex multiple trauma injuries
- Stroke or nerve-related illnesses
- Amputation or joint replacement
- Rehabilitation to restore health and mobility after a joint replacement

Facilities	**7**	7 in 2020
Admissions	**2 758**	2 506 in 2020
Occupancy	**71.6%**	74.1% in 2020
Beds	**319**	319 in 2020
PPDs (A)	**79 503**	82 493 in 2020

Southern African business review continued

Mental health

Our multi-disciplinary mental healthcare service offerings are designed for transitory care in a therapeutic and tranquil environment. Our facilities house voluntary, assisted and involuntary mental healthcare users. We also operate theatres with anaesthetic capability for electroconvulsive therapy.

Services offered:

- General psychiatry
- Substance dependence
- Compulsion anxiety
- Work-related stress
- Bereavement and adjustment disorders
- Diet-related mental illness programmes (eg eating disorders)
- Neuro-geriatric wellness

Facilities	Admissions	Occupancy	Beds	PPDs (A)
9	**11 764**	**59.3%**	**602**	**130 216**
9 in 2020	11 484 in 2020	58.4% in 2020	592 in 2020	128 652 in 2020

Renal dialysis

Our renal facilities are for patients with renal failure who need outpatient-based chronic dialysis, inpatient-based acute renal dialysis or home-based peritoneal dialysis.

Services offered:

- Heamodialysis
- Home-based peritoneal dialysis

Facilities	Stations	Treatments
29	**440**	**176 083**
29 in 2020	375 in 2020	167 322 in 2020

Oncology

Our oncology centres offer a holistic care model with 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.

Services offered:

- Patient counselling and support
- Surgery
- Chemotherapy
- Radiotherapy (comprising brachytherapy and stereotactic radiotherapy)
- Linear accelerators and treatment planning software

Facilities	Treatments
5	**27 872**
5 in 2020	25 607 in 2020

Healthcare services

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

Life Esidimeni

We offer specialised care for the most vulnerable in our society. We partner with South Africa's provincial health and social development departments to provide comprehensive, long-term services. These services are offered on contract, which are awarded through the National Treasury tender processes.

Services offered:

- Long-term chronic mental healthcare
- Frail care rehabilitation
- Step-down care
- Primary healthcare
- Substance abuse recovery programmes
- Correctional services care

Facilities	Admissions	Beds
10	**1 052 685**	**3 163**
10 in 2020	1 034 042 in 2020	3 135 in 2020

Life Employee Health Solutions (Life EHS)

We offer an integrated health risk management service providing wellness programmes, occupational and primary healthcare to corporate and institutional clients. We provide contracted on-site occupational and primary healthcare services to large employer groups in various industries and various government departments and specialise in implementing and delivering comprehensive health strategies for employees.

We furthermore provide outcomes-based employee wellness programmes (EWPs), helping companies and institutions in the public and private sector to encourage and support healthy and balanced living for their employees. The goal is to improve their well-being and promote maximum productivity through health.

Services offered:

- Occupational health services
- Outcomes-based EWPs
- Primary healthcare
- Direct doctor-to-patient virtual consultations for corporate clients
- COVID-19 employees risk tracker for employers
- COVID-19 symptom checker

Occupational health clinics	Total enrolled employees	Employee wellness clinics
281	**477 751**	**78**
281 in 2020	606 058 in 2020	82 in 2020

Southern African business review continued

OUR OPERATING ENVIRONMENT

Our southern African operations, with facilities in South Africa (SA) and Botswana, remain the largest contributor to the Group.

Looking forward to 2022

- We expect to see its overall % contribution declining in coming years, as part of our strategy to grow our international operations.

70.8%

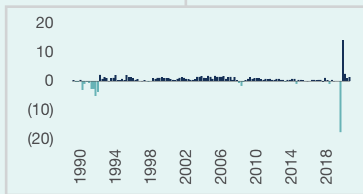
of **GROUP REVENUE**

72.3% in 2020

The region has been severely impacted by the COVID-19 pandemic over the past 18 months. Reduced economic activity, as evidenced by the largest SA GDP contraction on record, was driven by restrictive lockdowns; reduced tourism; disruptions to local and global trade; trends in illness, absenteeism, work-from-home, and others; weak policy responses and poor support for the local economy, etc.

- Nimble decision making to adapt quickly to changing environment
- Flexible working arrangements where possible

South Africa quarterly GDP, growth year-on-year (annualised) (%)



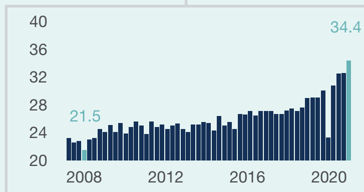
Source: Bloomberg

While GPD figures may have rebounded during 2021, there may well be a long-lasting impact on the labour market with increased unemployment from disrupted business activities and education along with diminished business and consumer confidence.

Shortages of skilled employees were already a concern prior to COVID-19, and a competitive market for labour had led to high wage inflation and employee turnover. These factors have continued during 2021.

- Continue to offer fair remuneration for work
- Moved 2022 salary increases forward to September 2021 to mitigate turnover
- Long-term incentives for all employee categories
- Financial assistance for professional registration fees and training

South Africa quarterly unemployment rate (%)



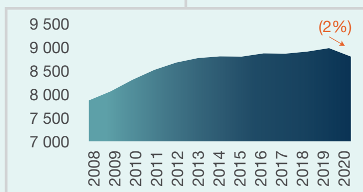
Source: Bloomberg

While demand for some of our services has diminished over the last 18 months, due to the COVID-19 pandemic, the number of lives covered by private medical insurance has thus far remained resilient, falling 2% during 2020 after being largely flat for many years. Given that the bulk of our revenue for this segment is derived from these insured lives, this bodes well for the sustainability of the healthcare sector and our business going forward. That said, the outlook for 2022 continues to be uncertain. Much depends on the future trajectory of the pandemic – if future COVID-19 waves are similar to the ones we experienced in 2021, then overall activity levels may remain below those seen prior to the pandemic. This is our base case expectation.

Conversely, if future COVID-19 waves diminish in severity and as associated with fewer lockdowns, it is possible that we experience a strong rebound in demand for our services.

- Nimble decision making to adapt quickly to changing environment
- Continue to explore innovative care packages with funders
- We will continue to expand our complementary services and explore new markets like radiology

Number of South African medical insurance beneficiaries



Source: Council for Medical Schemes

OUR OPERATING ENVIRONMENT

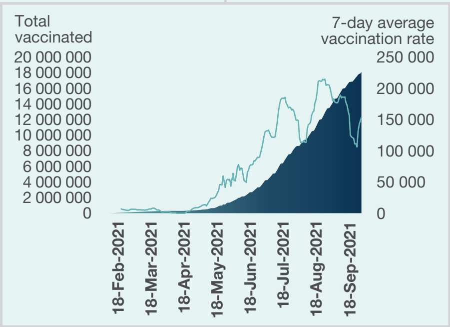
Looking forward to 2022

COVID-19 vaccinations present an opportunity to break the cycle of COVID-19-related waves, hospitalisations, deaths and lockdowns. While in South Africa the roll-out of vaccines started slowly, this has picked up considerably during the last few months. While only c.40% of the adult population has received their first vaccine, c.60% of >65yr-olds are now fully vaccinated. We are hopeful that this will reduce severe illness and deaths in this more vulnerable category of South Africans (as evidenced by studies in the UK and Israel), in the likelihood of fourth and even fifth COVID-19 waves.

Over 80% of our frontline employees are fully vaccinated, which will enhance our ability to provide high quality care 24/7 with fewer employee members becoming ill, or needing isolation, whilst also reducing the need for agency employees.

- Making vaccines available to our employees and the public at 22 of our facilities
- Encouraging employees to vaccinate themselves and their families
- Mandatory vaccination process begins in SA in December 2021 at head office and will be rolled out to our clinical facilities during 2022

SA vaccines



Source: www.sacoronavirus.co.za

Southern African business review continued

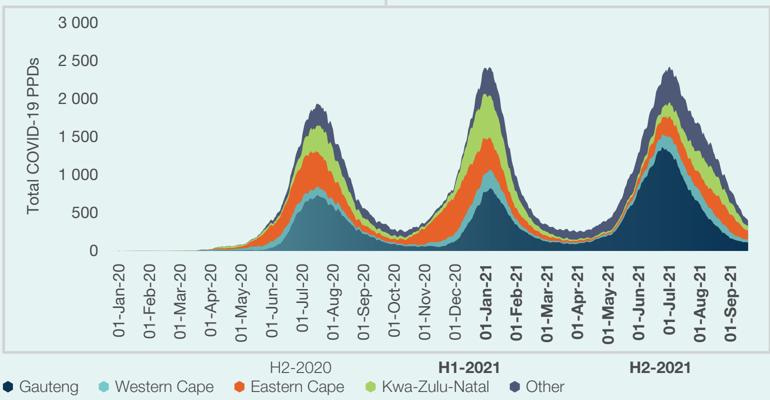
Managing through COVID-19 waves

During the 2021 financial year we have had to navigate two COVID-19 waves, with the most recent third wave being the most severe in terms of duration, admissions and deaths. The different waves have impacted our geographic regions at different times depending on when COVID-19 waves emerged, as we show below.

In each successive wave we have needed to reduce elective surgical activities in our facilities once our ICU and High Care beds fill up with COVID-19 patients, to ensure beds were available for COVID-19 patients while also maintaining capacity for urgent non-COVID-19 surgical or medical admissions.

Over the last 18 months our employees have learned from prior waves and have become better at managing the different demands which emerge during and between COVID-19 waves. At the same time, less restrictive lockdowns have allowed people to move more freely, and as our understanding of COVID-19 has grown, patients (and their referring medical specialists) have been less reluctant to be admitted into our facilities. This has led to faster recoveries in non-COVID-19 admissions between waves, which has driven our average occupancies higher over each six-month period leading up to September 2021.

Life Healthcare COVID-19 PPDs by major province



34 500
COVID-19
ADMISSIONS IN LIFE HOSPITALS

11 000 in 2020

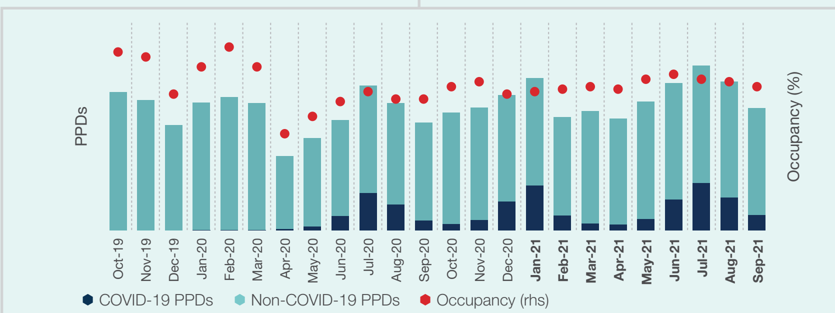
R625 million
spent on
COVID-19
personal protective equipment

since the start of the pandemic

2 900
employee infections
during 2021

2 700 in 2020

Acute hospital PPDs and occupancies



How we performed in 2021

The southern African segment delivered revenue in 2021 of R19.0 billion up 10.3% versus 2020, driven by top-line growth in each sub-segment.

2021 normalised EBITDA for the segment was up 12.2% year-on-year to R3.3 billion (2020: R2.9 billion) with the normalised EBITDA margin improving to 17.1% (2020: 16.8%.)

10.3%
Southern African **REVENUE GROWTH**

+0.2%
PPD GROWTH for **ACUTE HOSPITALS** and **COMPLEMENTARY SERVICES**

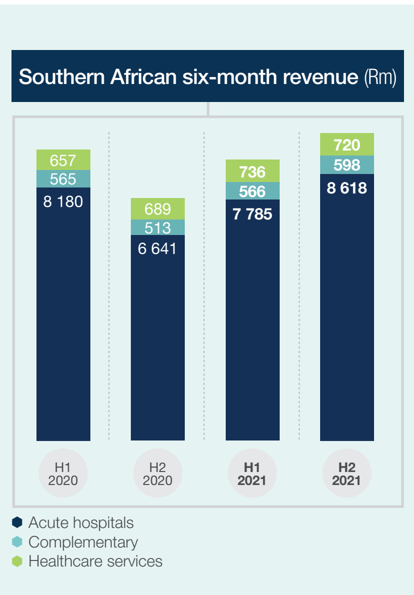
17.1%
NORMALISED EBITDA MARGIN

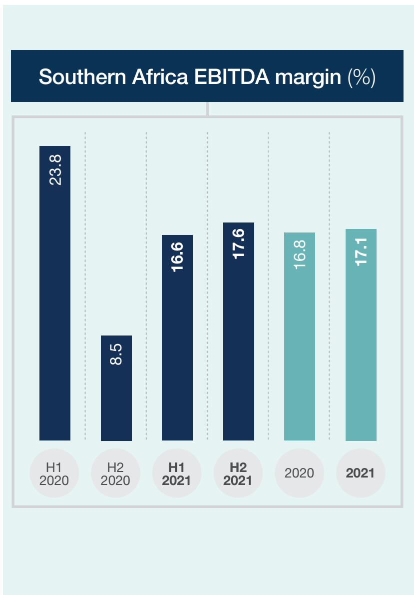
16.8% in 2020

The current period has been impacted by COVID-19 for a full 12-month period, including two severe COVID-19 waves, whereas our 2020 year was only affected in the second half of our financial year, the six months from 1 April to 30 September 2020 (H2-2020). However, the initial lockdowns severely restricted movements of people within SA and the cancellation of elective surgical work, had a marked impact on our H2-2020 period. The impact of COVID-19 and lockdowns has not been as severe since then as lockdowns were less restrictive and the business benefitted from lessons learned over the last 12 months.

This makes comparing the results of 2021 with those of 2020 challenging, so we have also included details showing our sequential six-month periods in 2020 and 2021 as this demonstrates the improvements we have seen in the business.

Revenue for the **acute hospital** and **complementary services** division was up 10.5% to R17.6 billion (2020: R15.9 billion) driven by growth in both acute hospitals and complementary services. While revenue is now similar to 2019 levels, the lower occupancy levels seen across the acute hospital and complementary services division, along with additional COVID-19 related costs, have led to normalised EBITDA margins remaining below those seen in 2019. However, the less restrictive lockdowns in the last 12 months, along with applying learnings from three COVID-19 waves, have led to occupancies and margins improving sequentially over each six-month period since 31 March 2020.

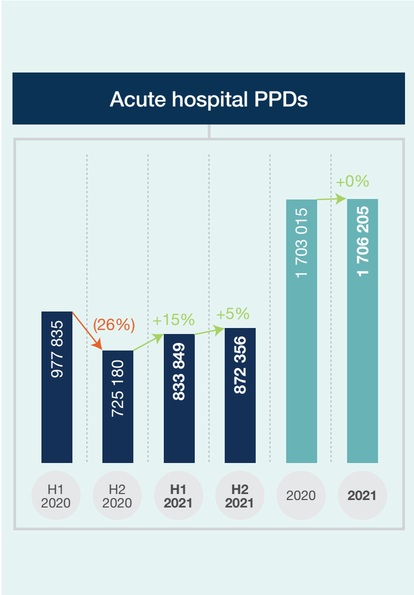


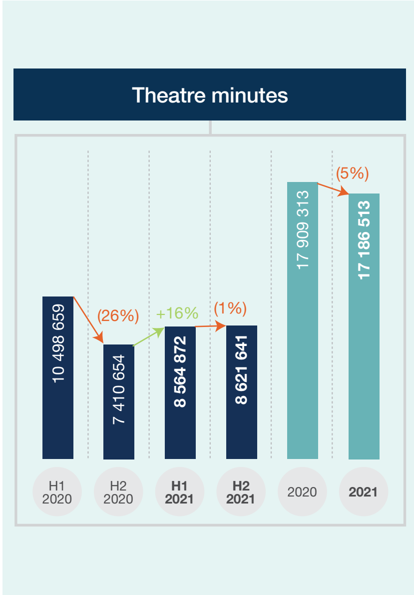


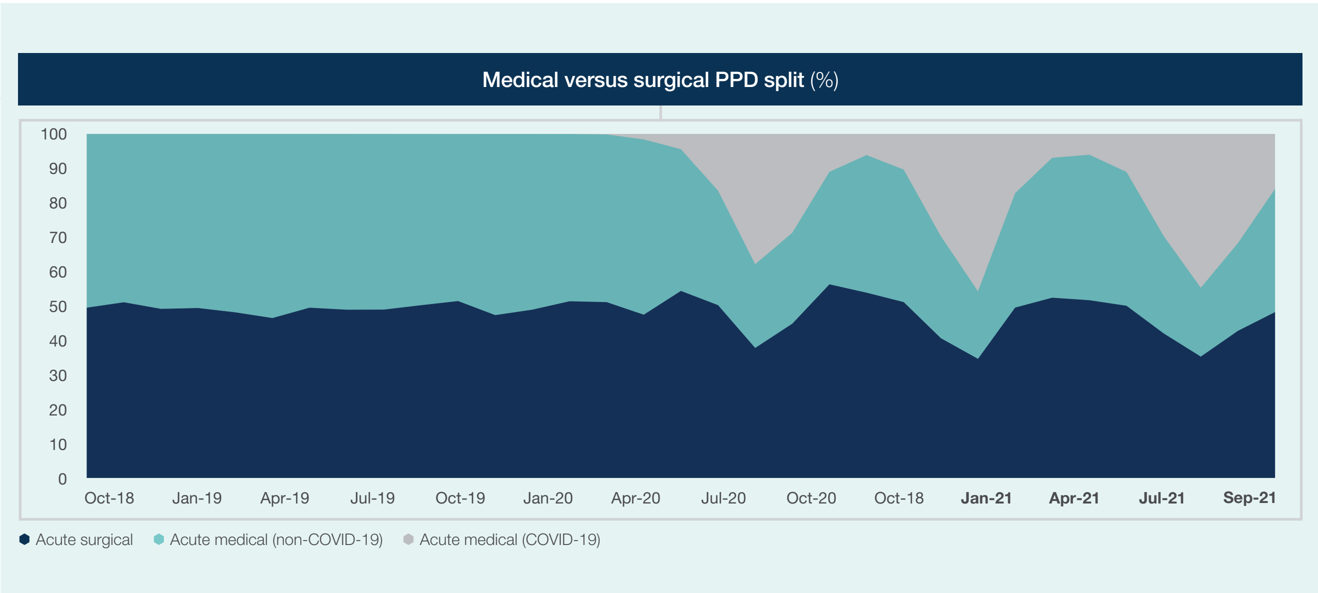
Southern African business review continued

Acute hospital revenue for 2021 was up 10.7% to R16.4 billion (2020: R14.8 billion). This performance was driven by PPD growth which was up +0.2% year on year and 9.8% revenue per PPD growth made up of 4.0% tariff growth and 5.8% mix change. The mix effect on revenue per PPD was due to the underlying change in case mix.

This underlying change in case mix in our hospitals continues to be skewed by COVID-19-related cases. The COVID-19 environment has resulted in a sharp reduction in non-COVID-19 medical cases and a reduction in surgical cases, particularly during COVID-19 waves as evidenced by the reduction in theatre utilisation. Overall PPDs still remain c.15% below the pre-COVID-19 levels.







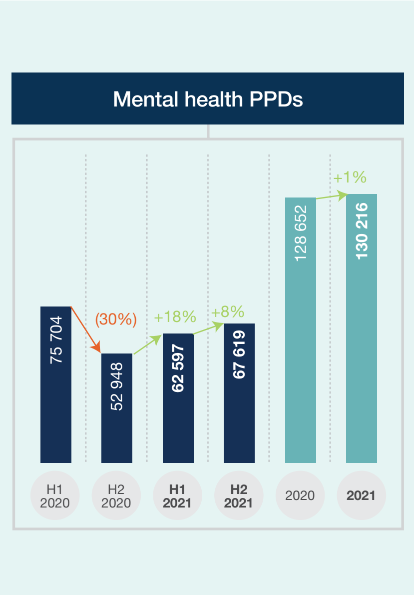
Complementary services revenue for 2021 was up 8.0% to R1.2 billion (2020: R1.1 billion). Complementary services PPDs for 2021 were down 0.7% versus 2020, driven by a decline of 16.0% year-on-year in H1-2021 and a recovery of 19.7% year-on-year in H2-2021 given the depressed H2-2020 base. The contribution from the four sub-sections is detailed below.

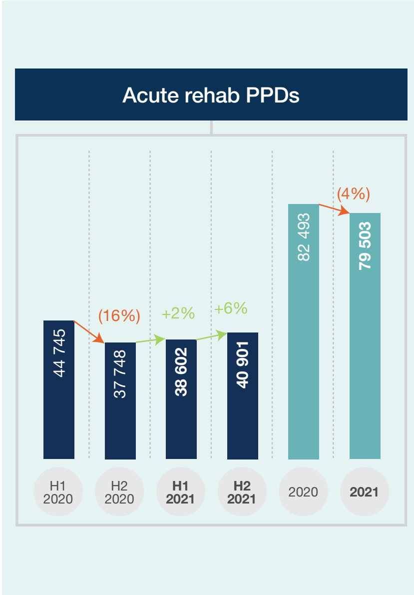
Mental health as a business was significantly impacted by COVID-19 and admissions declined significantly during H2-2020 and H1-2021, but recovered during H2-2021. Despite the two COVID-19 waves in 2021 mental health PPDs for 2021 were up 1.2% versus 2020.

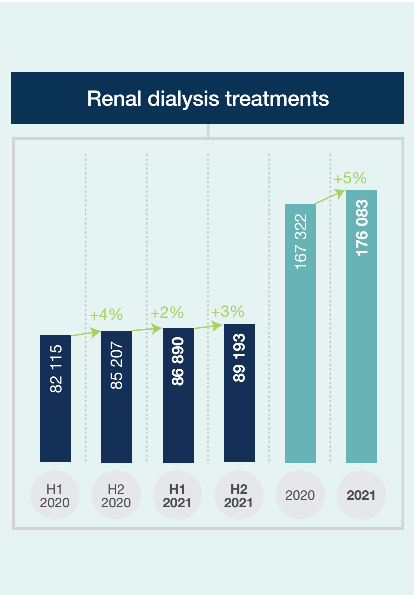
Acute rehabilitation activity is typically correlated with acute hospital activity, albeit with a small-time lag. Given the reduced elective surgical work, as well as reduced trauma and emergency work during the year, acute rehabilitation PPDs for 2021 declined by 3.6% versus 2020, following a 13.7% decline year-on-year in H1-2021 and a partial recovery of 8.4% growth year-on-year in H2-2021. Despite this, occupancies remained above 70%.

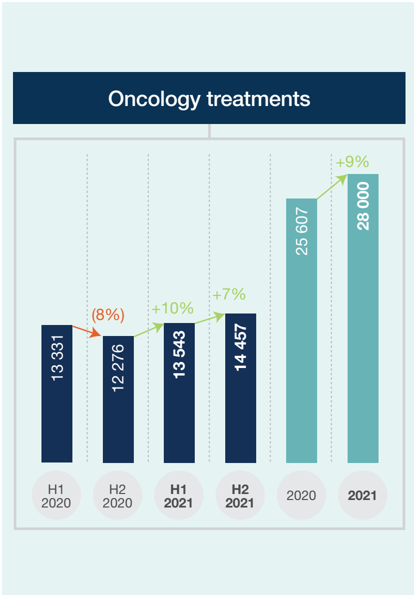
Renal treatments have held up well during the pandemic and were up 5.2% for 2021 versus 2020, with consistent growth shown in each half-year period. We added 65 dialysis stations during the year.

Oncology treatments initially declined early on in the pandemic, but we have seen growth since then with treatments in 2021 growing 9.3% versus 2020.



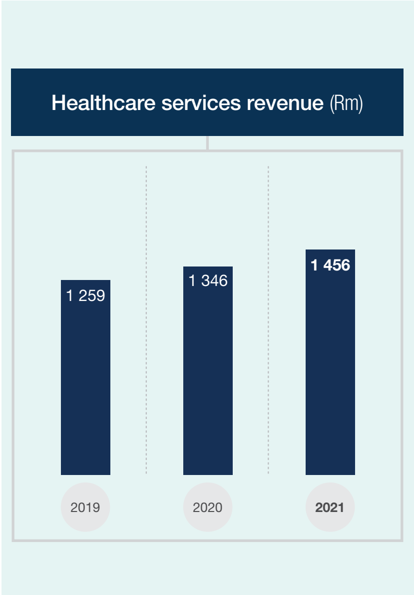


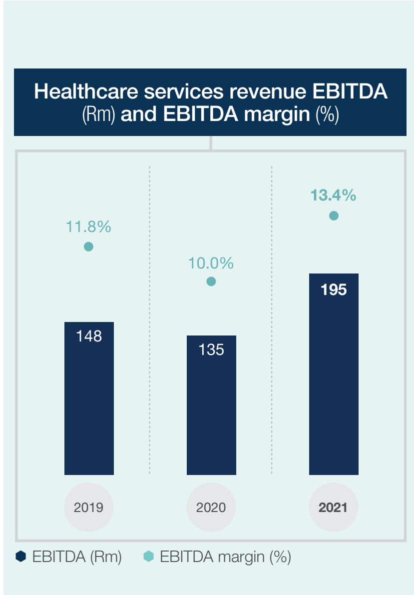




Southern African business review continued

Healthcare services revenue for 2021 was up 8.2% to R1.5 billion (2020: R1.3 billion) and EBITDA grew 44.4% to R195 million (2020: R135 million) with a margin improvement to 13.4% (2020: 10.0%). This performance was largely driven by growth in revenue and EBITDA per life covered through Life EHS. Life Esidimeni produced a consistent performance in terms of both revenue growth and EBITDA margins.





Looking forward

Our key priority is to get our existing operations back to pre-COVID-19 activity and profitability levels. This is likely to remain a significant challenge in 2022 given the low vaccination rate in South Africa and the concomitant high probability of further COVID-19 waves. We will continue to focus on delivering excellent patient care while also introducing further efficiencies into our business.

We have a number of growth opportunities that we will pursue during 2022

Oncology

Following licensing approval at Vincent Pallotti hospital during 2021 we have successfully recruited specialists to the unit. During 2022 we will be expanding the facility to meet our aim of developing an oncology centre for excellence.

Renal

We will continue to expand the number of renal stations we operate, while also developing a value-based care package for renal dialysis.

SA Imaging

We have made good progress in acquiring imaging businesses and have entered into co-operation and partnering discussions with practices regarding imaging services.
The HPCSA approved the employment of radiographers, which is a significant step forward and will enhance our ability to offer an integrated and cost-efficient imaging service in South Africa.

SA radio-pharmacy joint venture

In November 2021 we announced that we have entered into a joint venture with AXIM to build and operate cyclotrons within South Africa. We will be building two cyclotrons in Gauteng initially. These will serve the molecular imaging market in southern Africa, a market which we think has exciting growth potential over the next five to ten years.

2021 priorities/KPIs

- ¬ Stabilise the business in a post-COVID-19 environment
- ¬ When appropriate, execute on specific acute hospital growth initiatives
- ¬ Continue driving the expansion of the complementary services division based on the relaxation of our cash preservation strategy, as well as our overall capital allocation strategy
- ¬ Ongoing drive to recruit doctors
- ¬ Replace cathlabs at selected hospitals and complete the new cathlab at Life The Glynnwood
- ¬ Complete upgrade to Life Wilgeheuwel Hospital
- ¬ Leverage our Life EHS assets and digital innovation to deliver on our value-based care proposition, including the development of new care products
- ¬ Delivering continuous improvement in nursing excellence
- ¬ Further strengthening of our IT environment

Looking forward to 2022 priorities/KPIs

- ¬ Stabilise the business in a post-COVID-19 environment
- ¬ When appropriate, execute on specific acute hospital growth initiatives
- ¬ Continue driving the expansion of the complementary services division based on the relaxation of our cash preservation strategy, as well as our overall capital allocation strategy
- ¬ Ongoing drive to recruit doctors
- ¬ Leverage our Life EHS assets and digital innovation to deliver on our value-based care proposition, including the development of new care products
- ¬ Deliver continuous improvement in nursing excellence
- ¬ Further strengthening of our IT environment
- ¬ Delivery of value-based care products
- ¬ Initial implementation of the SA imaging business

During 2021 the southern African operations spent R1.0 billion on maintenance capex and R18 million on growth capex.

We have budgeted for R1 billion of maintenance capex in 2022 and R300 million for the growth opportunities highlighted above (excluding any SA imaging acquisitions).

Group quality review

GROUP CHIEF MEDICAL OFFICER'S REVIEW OF THE QUALITY METRICS ACROSS THE GROUP

Quality is one of Life Healthcare's key strategic pillars and continually improving the safety and quality of care is core to the way we work. Striving to consistently improve patient outcomes, enhance the patient experience and work closely with our doctors has been, and remains at the epicentre of our business, as evidenced by our Group quality and patient safety outcomes.

The quality improvement journey is the progressive, incremental improvement of clinical processes, safety, and patient care. Sometimes this improvement is breakthrough in nature, but more often it is a gradual process resulting from the constant questions: "How are we doing?" and "What can we do better?"

It is an iterative process, where improvements are made, the effect of the improvements are measured, and the process, supported by systems and training, is repeated until the desired outcome is achieved.

An important part of continuous learning is transparency and accountability. In 2018 we became the first private hospital group in South Africa to publish our hospital quality scores on our website, on a per- hospital basis.

The ongoing COVID-19 pandemic highlighted the need for all our employees and senior leaders to work together, with decision making and problem solving happening as close to the issues being experienced as possible. Despite the COVID-19 challenges, quality care and clinical excellence remained a constant focus. After adjusting for some of the direct effects of COVID-19, virtually all our patient safety and quality metrics show year-on-year improvement across our Life Healthcare and Alliance Medical operations.

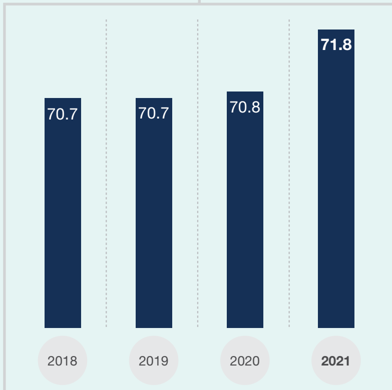
The commitment of our frontline employees to their patients and colleagues across the group has not diminished with multiple daily reports of brave individual team members going well beyond the call of duty to care for patients and their families or support colleagues. The opening and operation of our vaccination sites across South Africa has been a wonderful success story despite the enormous logistical effort required and the additional strain this had placed on our employees and other resources. The enthusiasm shown by our teams to support their local communities and our country with vaccines has been truly heart-warming.

SATISFIED PATIENTS

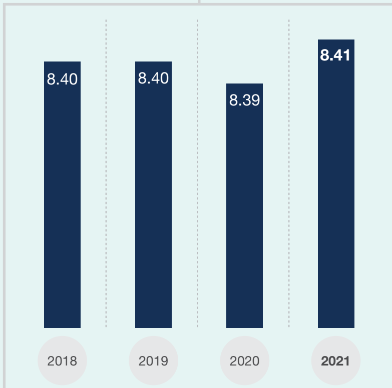
Our commitment to improving patient experience is entrenched in our core values. Better patient experiences, which involves seeing patients as unique individuals, are not only critical to the success of our business but increase the likelihood that they and their families or other caregivers will become more engaged in their own health outcomes. Multiple studies have connected higher levels of clinical outcomes to a focus on patient experience.

Multi-national market research firm Kantar Millward Brown administers our patient experience measure (PXM) process in South Africa, providing us with comprehensive feedback on all aspects of the patient journey – from admission to discharge. Our PXM is based on the internationally recognised Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) methodology, which we have tailored to our specific needs. Our international operations use tools to measure patient satisfaction, as advised by their respective National Health Services.

Life Healthcare inpatients: definitely recommend (%)



Life Healthcare inpatients: patient experience score (%)



SAFE HOSPITALS

Safe for patients:

At Life Healthcare we focus on the reporting and mitigation of all adverse events. Regarding patient safety adverse events specifically, we focus on four key risk areas which are internationally used as benchmarks of patient safety:

¬ **Patient falling (safety) adverse events per 1 000 PPDs** Ⓐ

This measure includes all slips and falls related to nursing, patient, equipment, and therapy-related environment. Falling events do not have to result in injury to be included as an event.

¬ **Patient medication adverse events per 1 000 PPDs**

Includes pharmacy dispensing, nursing administration and issuing events, and other medication events, such as adverse drug reactions.

¬ **Patients acquiring pressure ulcers per 1 000 PPDs**

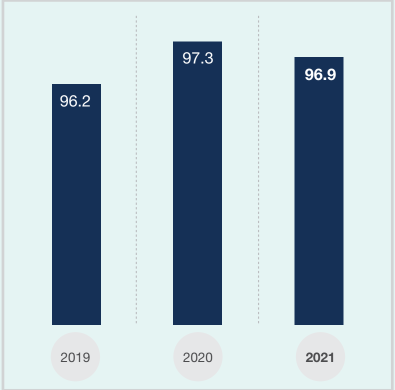
Pressure ulcers developed in Life Healthcare facilities during patients' hospital stay. A pressure ulcer is caused by the breakdown of skin tissue (not present on hospital admission) due to insufficient pressure relief.

¬ **Healthcare-associated infection rates (HAIs) per 1 000 PPDs** Ⓐ

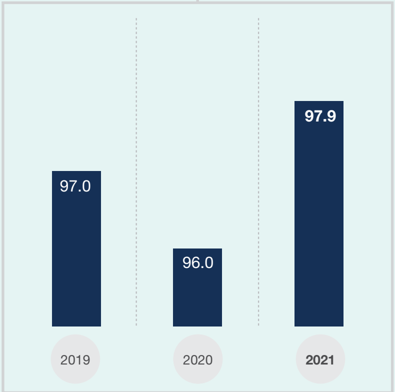
Combines all the HAIs determined according to the CDC guidelines – VAPs, SSIs, CLABSIs, CAUTIs and other infections associated with the hospital stay. Rate per 1 000 PPDs.

– Specific HAIs we report as per CDC guidelines
  - Ventilator-associated pneumonia (VAP) per 1 000 ventilator days.
  - Surgical site infections (SSI) per 1 000 theatre cases.
  - Central line-associated bloodstream infections (CLABSI) per 1 000 central line days.
  - Catheter-associated urinary tract infections (CAUTI) per catheter days.

AMG: UK – Satisfied and very satisfied (%)



AMG: Ireland – Overall satisfaction scores (%)



Patient safety measures*	2018	2019	2020	2021
Medication errors	1.09	0.92	0.70	**0.66**
Patient falling (safety) adverse events Ⓐ	0.68	0.71	0.68	**0.63**
Pressure ulcers	0.12	0.10	0.08	**0.08**

* *The international medical literature has shown that COVID-19 infection is an independent risk factor for increased occurrence of pressure ulcers, and healthcare-associated infections. The rates reported in the tables above for the periods 2020 and 2021 for Pressure Ulcers; HAIs; VAP; CLABSI and CAUTI exclude patients known to have had COVID-19 infection. This COVID adjustment was done to present directly comparable data with our pre-COVID outcomes.*

Group quality review continued

Infection prevention and control measures*				
HAI (per 1 000 ppds) (A)	0.41	0.41	0.32	**0.32**
VAP (per 1 000 ventilator days)	1.09	0.91	0.65	**0.48**
CLABSI (per 1 000 central line days)	0.99	0.84	0.60	**0.46**
CAUTI (per 1 000 catheter days)	0.31	0.34	0.16	**0.17**

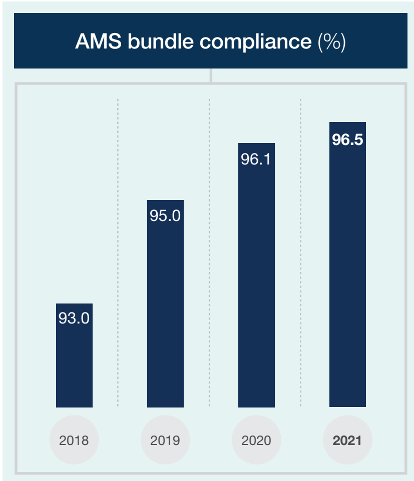
* *The international medical literature has shown that COVID-19 infection is an independent risk factor for increased occurrence of pressure ulcers, and Healthcare-associated Infections. The rates reported in the tables above for the periods 2020 and 2021 for Pressure Ulcers; HAIs; VAP; CLABSI and CAUTI exclude patients known to have had COVID-19 infection. This COVID adjustment was done to present directly comparable data with our pre-COVID outcomes.*

ANTIMICROBIAL STEWARDSHIP (AMS) PROGRAMME

The rapid increase in antimicrobial resistance globally has been highlighted by the WHO as a crisis that must be managed with the utmost urgency, and that an all-out effort is needed to optimise the use of antimicrobial medicine in human health.

We can optimise infection treatment and reduce adverse events and antimicrobial resistance by improving rational antimicrobial use and decreasing inappropriate antimicrobial use. This ultimately enables our healthcare professionals to enhance quality patient care and safety and preserve the usefulness of antimicrobials. Several of our clinical pharmacists have assumed important national leadership roles in the fight against antimicrobial resistance.

We remain committed to aligning our multi-functional AMS programme with internationally acknowledged best practice, tracking compliance with well-recognised key stewardship principles. We continue to develop interventions to address any non-compliance, however we are pleased to report that our AMS programme has demonstrated significantly improved bundle compliance.



Safe place to work:

The health and safety of our employees, both permanent and temporary, is an essential focus area at Life Healthcare and we take our responsibility to provide, as far as possible, an environment that is safe and without risk to the health of our employees very seriously.

Our employees play an integral role in creating and developing a safety culture at our facilities and contribute to a safe environment. We have trained health and safety representatives and have establish health and safety committees at all facilities. Representatives perform monthly inspections where hazards are reported and addressed.

We drive preventative action through the risk assessment and alert reporting processes. All adverse events are reported, investigated, analysed and monitored to identify trends and to ensure the health and safety of our employees, patients, the public, equipment and property.

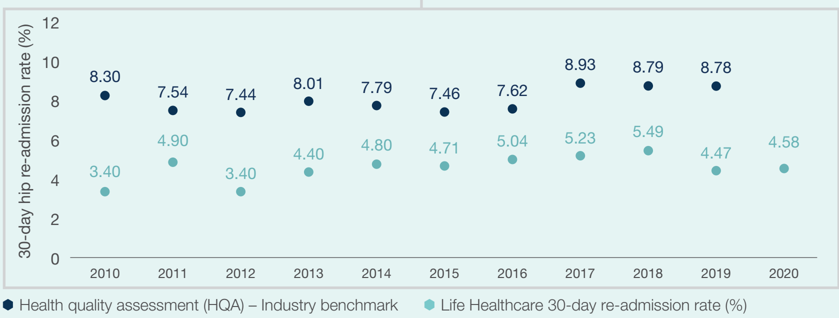
¬ Employee adverse events rate

While we measure and report a wide range of employee adverse events – we pay specific attention to sharp injuries, trips and falls and mobility injuries including strains and sprains.

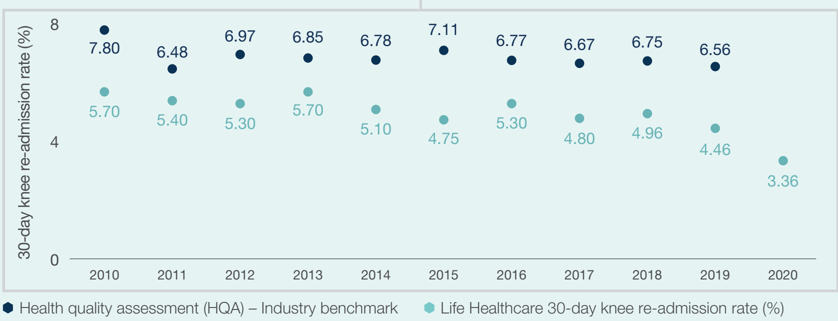
Life Healthcare employee safety measures (per 200 000 labour hours)	2018	2019	2020	2021
Employee adverse event rate excluding COVID-19 cases	4.11	4.26	4.10	**3.59**
Sharp injuries	1.07	0.96	0.98	**0.95**
Falling	0.82	0.93	1.03	**0.82**
Mobility	0.62	0.71	0.56	**0.56**

Employee adverse event rate (per 1 000 scans)	2019	2020	2021
AMG: UK	0.23	0.21	**0.21**
AMG: Ireland	0.14	0.1	**0.11**
AMG: Italy		0.02	**0.02**

Life Healthcare 30-day hip re-admission rate 2010 – 2020



Life Healthcare 30-day knee re-admission rate 2010 – 2020



HIGHLY RANKED ORTHOPAEDIC SERVICES

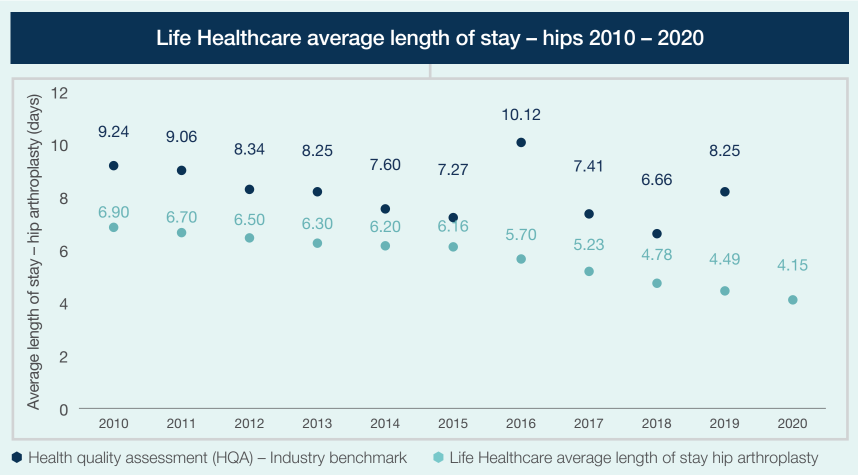
Our *Major Joints for Life* programme continues to demonstrate improved quality care for hip or knee arthroplasty surgery patients.

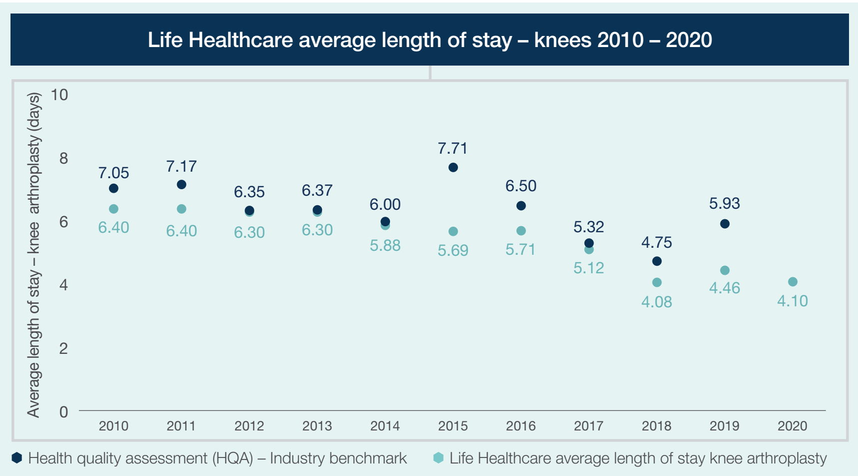
Major Joints for Life is a multi-disciplinary approach to hip or knee arthroplasty surgery, providing patients with an improved clinical treatment solution. Effective execution of the clinical pathway mitigates the possibility of the patient developing intra-operative complications and expedites both post-operative recovery and rehabilitation.

This programme measures quality from the patients' perspective for hip and knee replacement surgeries, using the Hip Osteoarthritis Outcomes Score (HOOS) and Knee Osteoarthritis Outcomes Score (KOOS). Patient-reported outcomes data is used to determine patients' perception of the success of an operation in terms of its impact on their self-reported symptoms and functional status.

Important outcome measures include 30-day readmission rates and average length of hospital inpatient stay. In all these metrics our *Major Joints for Life* programme outcomes exceed the published Health Quality Assessment (HQA) industry benchmarks.

Group quality review continued





EXCELLENCE IN CANCER CARE

Life Oncology's mission is to deliver best in class personalised patient care that will improve patient experience and optimise the overall health outcomes for cancer patients by employing evidenced based innovative treatment and treatment protocols, cancer care pathways, best in class facilities, equipment and human resources.

Building on our mission Life Oncology is establishing a leading oncology unit at Life Vincent Pallotti Hospital. Using an interdisciplinary team approach to cancer treatment, the facility will offer an integrated end-to-end cancer care service including preventative screening, diagnostics, surgical oncology, medical oncology, radiation oncology, inpatient oncology care, precision/targeted therapy, clinical trials, research, a survivorship programme, as well as palliative care.

THE FUTURE OF RENAL CARE IN SOUTH AFRICA

The Life renal dialysis business has invested significantly to ensure we have a national footprint and participate as a preferred designated provider to all medical schemes. We continue to invest in our clinical leadership team ensuring that each dialysis facility is nephrologist led. This includes having established a national clinical review panel that meets quarterly to review and ratify the quality improvement projects and standards at our facilities nationally. The close working relationships with all our stakeholders has allowed us to move swiftly during the COVID-19 adversity to respond to better manage our clinical risk. Life renal dialysis engages with the South African Renal Society and Dialysis Association of South Africa regularly to support the industries improvement projects and quality initiatives.

Our dialysis units are purpose built to cater for the complexity of patients presenting at acute hospitals meeting all requirements for infection management and clinical isolation. We have over the years been able to ensure the seamless operational model is de-emphasised and the caring clinical environment promoting a peaceful and rejuvenating session is promoted.

In 2021 we invested significantly in system development to enhance our capturing of clinical metrics guiding focused clinical care programmes at facility level. We are redesigning our IT architecture to support an integrated clinical pathway capability to enhance the complex patient care model where early responsiveness reduces mortality and morbidity, admission to hospital and direct hospital costs.

SCREENING AND EARLY DIAGNOSIS

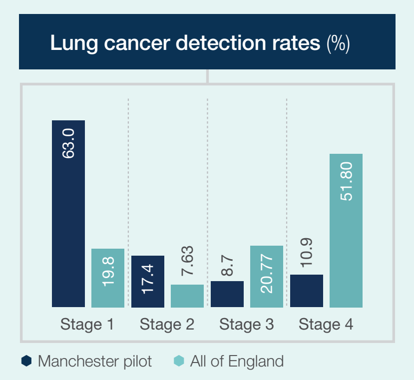
Following the successful community-based lung cancer low-dose CT screening pilot in Manchester, where Alliance Medical teamed up with the local NHS, Manchester City Council and MacMillan Cancer Support, lung cancer screening programmes are now being rolled out across England.

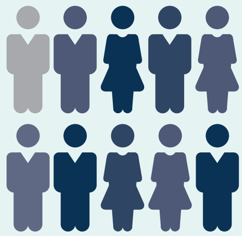
The results of this pilot, published in the peer-reviewed medical journal *Thorax*, demonstrated that circa 80% of lung cancers detected were in the early stage, and that 90% of patients in whom lung cancer was detected were offered curative treatment.

These screening programmes have continued, despite the COVID pandemic and in this last year Alliance Medical has commenced two more. The first in Doncaster and Bassetlaw and the second in Lancashire and South Cumbria.

Alliance Medical manages the end-to-end pathway in these programmes. The pathway starts by identifying patients at risk and inviting them for a telephonic Lung Health Check administered by a specialist respiratory nurse. High risk patients are then invited for a low dose CT at a convenient, accessible, and local venue where we will have sited our CT mobile medical unit and our support vehicle. The studies are reported by fully vetted, trained, and experienced specialist chest radiologists who also participate in the local lung multi-disciplinary team meetings where individual cases are reviewed and discussed. As is standard practice in Alliance Medical, we also ensure continued independent audit of reports.

Alliance Medical is pleased to have been awarded the contract for the first lung cancer screening programme in Germany. The programme screened the first patient on the 22nd July 2021.





90%

PATIENTS OFFERED CURATIVE TREATMENT

Our people

Our ability to provide excellent and high-quality healthcare would not be possible without every one of our employees – who are the essence of our business. We continue investing in them, ensuring that we create sustainable partnerships which, in turn, translate to quality care for our patients. We cohesively strive towards a common goal – to create the best patient experience and most positive patient outcomes. And who leads us on that front? Our people.

Our people, we firmly believe, are the foundation of our success and our sustainability. To achieve our vision of being a people-centred organisation, we continuously focus on creating an empowered and inclusive workforce and environment. When our people are valued, they organically contribute to exceptional business performance and operational outcomes.

OVERVIEW

Life Healthcare directly employs 17 274 people (2020: 17 220) across its southern African and International operations. However, in addition to this we rely on South African agency nursing employees, consulting doctors and specialists, temporary personnel and within our international business many self-employed clinical and non-clinical employees, as we show below:

Group workforce	2021	2020	2019
Southern Africa[1]	**14 972**	15 060	15 385
International[1, 2]	**2 302**	2 160	2 040
Total employees	**17 274**	17 220	17 425
Chg yoy, %	**0.3**	(1.2)	
Southern Africa – temporary personnel	**1 081**	862	991
International – self-employed personnel	**1 180**	841	969
Total workforce	**19 535**	18 923	19 385
Chg yoy, %	**3.2**	(2.4)	

[1] *Permanent employees*
[2] *Including LMI employees*

RECRUITMENT AND RETENTION

The COVID-19 pandemic has presented us with a number of significant challenges over the year, particularly as the majority of our employees are front-line healthcare workers.

We have needed to manage reduced staffing availability through COVID-19-related illness and isolation. Across the Group c.2 900 employees (2020: c.2 700) have had a confirmed diagnosis of COVID-19 in 2021, while we have sadly lost 48 nurses and 7 doctors from COVID-19 since the beginning of the pandemic. We extend our sincere condolences to the families and loved ones of our employees.

We have needed to utilise more agency and temporary employees to manage the reduced availability of employees during the various COVID-19 waves.

As an international healthcare provider, we compete for a global pool of talent with other healthcare providers (public and private). This was already a small and well sought-after pool of talent, prior to COVID-19. With increased pressure on healthcare systems around the world, along with sick or isolating employees, demand for healthcare workers has increased worldwide. As a consequence, we have seen significant employee turnover during the year, particularly within clinical employees.

Overall employee turnover by geographic segment	2021	2020	2019
Southern Africa	**11.9%**	10.8%	10.5%
International	**14.8%**	11.8%	n/a

Our people continued

These high turnover numbers present a significant sustainability problem for the Group. In order to both attract and retain talent within our organisation, we have embarked on a number of interventions including the following initiatives within South Africa, which have yielded a positive impact on our workforce:

Initiative	Notes
¬ We brought forward southern African salary increases for clinical employees and all junior and middle management categories. These increases, which usually take place in January, were brought forward to September 2021.	New initiative in 2021 Once-off
¬ We have offered to pay for employees' annual professional registration fees	New initiative in 2021 Ongoing
¬ We have made an application to the FSCA to introduce a flexible retirement fund contribution arrangement with employees (while the proportion paid by the Group will remain the same)	New initiative in 2021 Ongoing
¬ Employee Share Plan – Life Healthcare shares to the value of R20 million have been purchased for permanent employees with at least one year's service as at 1 July 2021	Ongoing initiative (see Remuneration report on page 66)

REMUNERATION PHILOSOPHY

Life Healthcare's remuneration philosophy is to make certain that employees are rewarded **fairly** and appropriately for their contribution **to value creation** for the Group. Our remuneration philosophy informs our reward framework and guides policy. In a continually evolving context, we continually review our remuneration policies to ensure our approach remains relevant, fair and responsible.

Our 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 diversity in our workforce to align with the communities we serve;
- promote an ethical culture and responsible corporate citizenship; and
- provide a balanced remuneration mix within the Group's financial constraints

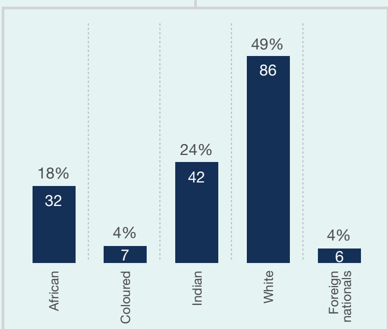
In addition to the retention initiatives mentioned above, our Employee Value Proposition needs to encompass all relevant touchpoints for employees and as such is not purely focused on reward.

TRANSFORMATION, DIVERSITY AND INCLUSION

Diversity and inclusion will be a key driver of our transformation journey and will remain, we believe, integral to maintaining a workforce that reflects our commitment to equal employment opportunities regardless of race, gender, age, disability, political belief or activity, religion, or sexual preference, and reflects the demographics of the countries in which we operate. As a Group, we will continue to support transformational strategies, with racial and gender parity remaining a key focus. With a diverse, inclusive and motivated workforce we can continue ***Making life better***, together.

We have made significant progress in terms of transformation, diversity and inclusion across the Group.

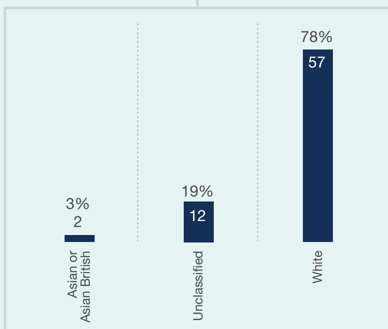
South African leadership profile (total headcount = 175)



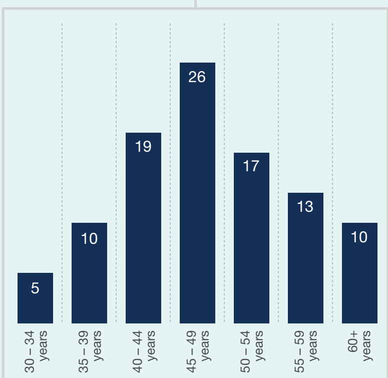
Profile of our top management teams:

In South Africa the Group is required to produce an Employment Equity Plan, which is revised in three-year increments. Our most recent Employment Equity Plan finished in March 2021, and as such our revised plan now extends to March 2024. We met 3 out of 4 March 2021 targets as we did not achieve our Middle Management ACI target of 48%. We show our progress against these targets, and the revised 2024 targets below.

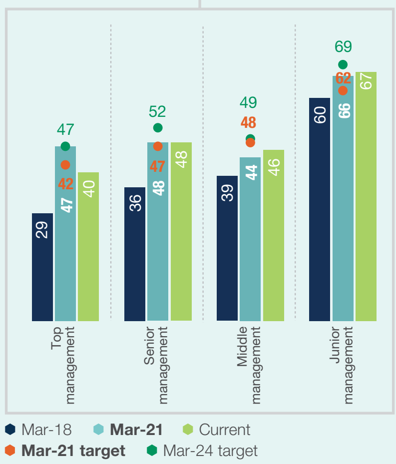
International leadership profile (total headcount = 77)



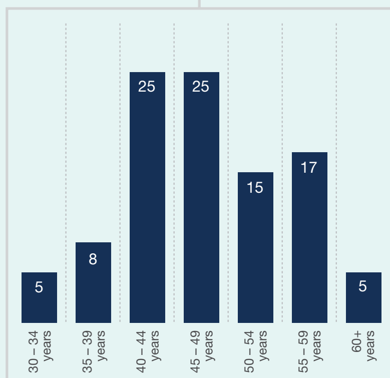
South African leadership age profile (%) – (total headcount = 175)



South African Employment Equity Plan (%)



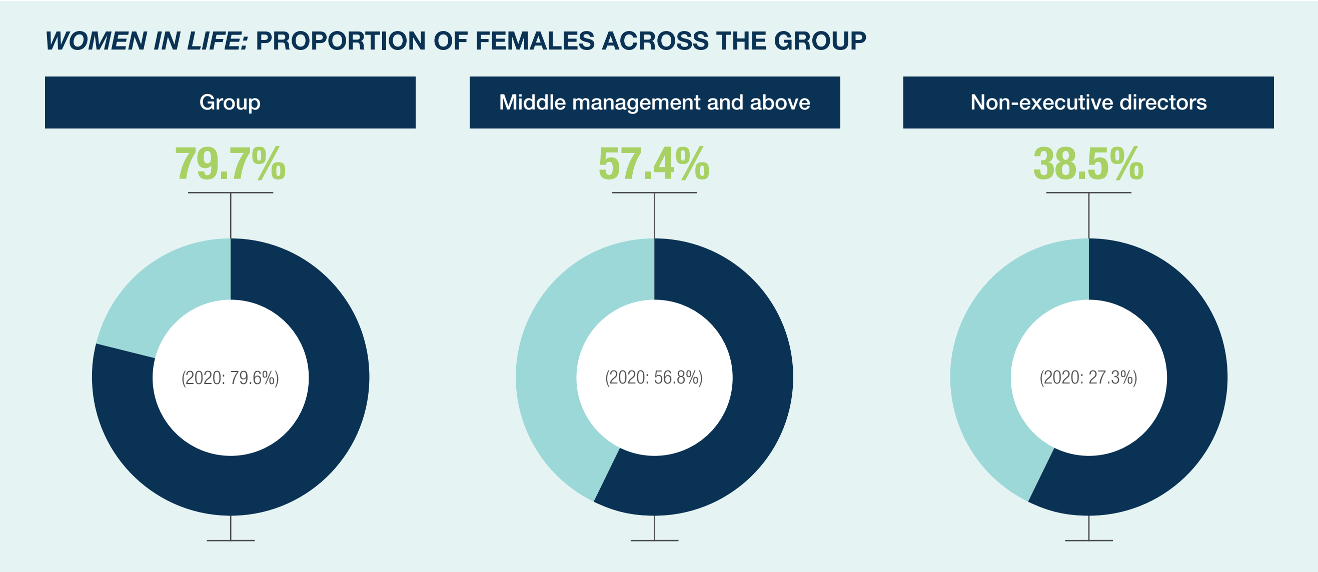
International leadership age profile (%) – (total headcount = 77)



Our people continued

WOMEN IN LIFE

Gender diversity and inclusion is imperative to deliver on our vision of being a diversified, people-centred organisation and through our *Women in Life* programme, we continue to celebrate and empower the senior women leadership in Life Healthcare. This is an exciting journey for us and gaining momentum. This programme provides us with an additional platform to accelerate our diversity journey, and through precise *Women in Life* initiatives, we continue to focus on harnessing the power of a diversified workforce for ***Making life better***.



TRAINING

Life Healthcare provides opportunities for employee training across all categories of employees, whether through our seven owned nursing colleges, or through external learning centres.

HOSPITAL MANAGER
Trainee Programme

Total number of trainees:

4

DIRECT INTERVENTION AIMED AT ORGANIC CULTIVATION OF SKILLED HOSPITAL MANAGERS.

Program duration

12 months

NURSE MANAGER
Trainee Programme

Total number of trainees:

3

DIRECT INTERVENTION AIMED AT ORGANIC CULTIVATION OF SKILLED NURSE MANAGERS, to address Middle Management shortfall.

Program duration

12 months

MANAGEMENT TRAINEE
Development Programme

Total number of trainees:

2

A **PROGRAMME DESIGNED TO ATTRACT YOUNG, HIGH POTENTIAL GRADUATES** with the aim of succession building for Middle Management shortfall.

Program duration

12 months


Our people are our most critical resource
OUR PEOPLE
Life Fourways Hospital
TRAUMA & EMERGENCY UNIT

Seven-year performance review

GROUP STATEMENT OF COMPREHENSIVE INCOME

	CAGR since 2014 %	**2021 R'm**	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm	2015 R'm	2014 R'm
Revenue	10.9	**26 885**	23 851	25 672	23 488	20 797	16 404	14 647	13 046
Normalised EBITDA[1]	4.9	**5 051**	4 155	5 727	5 535	5 001	4 314	4 048	3 611
Operating profit	(0.8)	**2 980**	2 121	3 944	3 848	3 620	3 660	3 496	3 150
Net finance cost	16.4	**(622)**	(793)	(998)	(962)	(1 229)	(502)	(404)	(215)
Share of associate net profit after tax	(6.2)	**25**	14	18	(105)	(15)	8	14	39
Profit before tax	(6.9)	**2 409**	1 393	3 706	2 837	1 934	2 864	3 112	3 973
Profit for the year from continuing operations		**1 767**	837	2 871	1 914	1 119	1 970	2 228	3 098
Profit from discontinued operation		**87**	(799)	–	–	–	–	–	–
Profit for the year	(7.1)	**1 854**	38	2 871	1 914	1 119	1 970	2 228	3 098
Ordinary equity holders of the parent	(6.3)	**1 754**	(93)	2 569	1 575	814	1 616	1 866	2 774
Non-controlling interest	(15.5)	**100**	131	302	339	305	354	362	324
Normalised EBITDA[1]	4.9	**5 051**	4 155	5 727	5 535	5 001	4 314	4 048	3 611
Operating profit	(0.8)	**2 980**	2 121	3 944	3 848	3 620	3 660	3 496	3 150
Depreciation on property, plant and equipment		**1 571**	1 476	1 236	1 133	971	530	445	355
Amortisation on intangible assets		**533**	590	586	537	439	147	127	122
Severance payments		**–**	–	–	51	–	–	–	–
Retirement benefit asset and post-employment medical aid income		**(33)**	(32)	(39)	(34)	(29)	(23)	(20)	(16)

[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

	2021 R'm	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm	2015 R'm
ASSETS							
Non-current assets							
Property, plant and equipment	**14 695**	15 361	12 929	12 243	11 131	7 752	7 101
Intangible assets	**16 383**	18 238	16 969	17 084	16 281	3 196	2 964
Investment in associates and joint ventures	**62**	65	53	35	2 976	2 548	2 311
Employee benefit assets	**418**	379	448	401	399	433	394
Other non-current assets	**1 809**	1 285	1 189	795	672	466	382
Total non-current assets	**33 367**	35 328	31 588	30 558	31 459	14 395	13 152
Current assets							
Cash and cash equivalents	**2 672**	2 279	1 544	1 494	1 176	604	812
Trade and other receivables	**4 041**	4 046	3 923	3 761	3 602	2 133	1 640
Inventories	**653**	873	379	360	357	318	271
Other current assets	**48**	179	132	128	45	47	48
Asset classified as held for sale	**–**	–	–	2 841	–	–	–
Total current assets	**7 414**	7 377	5 978	8 584	5 180	3 102	2 771
Total assets	**40 781**	42 705	37 566	39 142	36 639	17 497	15 923
EQUITY AND LIABILITIES							
Capital and reserves	**18 066**	17 058	16 188	14 916	14 380	5 486	5 168
Non-controlling interest	**1 105**	1 220	1 303	1 286	1 171	1 312	1 280
Total shareholders' equity	**19 171**	18 278	17 491	16 202	15 551	6 798	6 448
Non-current liabilities							
Interest-bearing borrowings	**10 914**	12 034	9 399	12 870	7 786	5 469	5 263
Derivative financial instruments	**–**	–	–	6	749	–	–
Deferred tax liabilities	**1 730**	1 450	1 371	1 226	1 203	547	520
Other non-current liabilities	**1 079**	1 051	862	662	253	95	69
Total non-current liabilities	**13 723**	14 535	11 632	14 764	9 991	6 111	5 852
Current liabilities							
Bank overdraft	**325**	2 181	867	488	450	1 030	557
Trade and other payables	**5 443**	5 327	4 799	4 409	4 113	2 217	2 125
Interest-bearing borrowings	**1 811**	2 180	2 596	3 086	6 301	1 312	924
Other current liabilities	**308**	204	181	193	233	29	17
Total current liabilities	**7 887**	9 892	8 443	8 176	11 097	4 588	3 623
Total equity and liabilities	**40 781**	42 705	37 566	39 142	36 639	17 497	15 923

Seven-year performance review continued

GROUP STATEMENT OF CASH FLOWS

	2021 R'm	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm	2015 R'm
Cash operating profit	**5 306**	4 532	5 886	5 707	5 302	4 556	4 213
Changes in working capital	**381**	30	41	(204)	(639)	(520)	(356)
Cash generated from operations	**5 687**	4 562	5 927	5 503	4 663	4 036	3 857
Transaction costs paid	**(35)**	(17)	(147)	(38)	(210)	(12)	(15)
Interest received	**169**	93	60	40	162	12	12
Tax paid	**(714)**	(597)	(1 185)	(1 065)	(891)	(981)	(903)
Net cash from operating activities	**5 107**	4 041	4 655	4 440	3 724	3 055	2 951
Net cash utilised in investing activities – investments to expand	**(2 071)**	(2 007)	(2 329)	(3 375)	(11 957)	(2 025)	(3 198)
Net cash generated from investing activities – disposals	**573**	–	4 395	61	73	15	–
Net cash (utilised in)/generated from investing activities – other	**63**	13	(295)	(50)	(1)	14	–
Net cash (utilised in)/generated from financing activities	**(1 255)**	(2 778)	(6 765)	(826)	9 298	(1 677)	222
Net increase/(decrease) in cash and cash equivalents	**2 417**	(731)	(339)	250	1 137	(618)	(25)
Cash and cash equivalents – beginning of the year	**98**	677	1 006	726	(426)	255	267
Effect of foreign exchange rate movements	**(168)**	152	10	30	15	(63)	13
Cash and cash equivalents – end of the year	**2 347**	98	677	1 006	726	(426)	255

BUSINESS PERFORMANCE AND METRICS

	2021 R'm	2020 R'm	2019 R'm	2018 R'm	2017 R'm	2016 R'm	2015 R'm
Number of registered beds[1]	**9 177**	9 151	9 136	9 055	8 983	8 768	8 647
Paid patient days[2]	**1 915 924**	1 914 159	2 269 756	2 251 600	2 226 337	2 265 653	2 177 833
Occupancy (%)[2, 3]	**58.6**	58.0	69.7	69.7	70.0	72.5	71.9
Length of stay[2]	**4.42**	4.08	3.76	3.72	3.71	3.68	3.63
Number of scans	**1 768 031**	1 557 635	1 710 542	1 361 531	1 324 507		
Number of machines							
MRI	**150**	150	155	133			
CT	**65**	63	51	41			
PET-CT	**53**	52	48	41			
Cyclotron locations	**11**	11	9	9			
Financial ratios							
Normalised EBITDA margin (%)	**18.8**	17.4	22.3	23.6	24.0	26.3	27.6
Tax rate excluding secondary tax on companies (%)	**23.0**	97.3	22.5	32.5	42.1	31.2	28.4
Effective tax rate (%)	**26.7**	93.5	22.5	32.5	42.1	31.2	28.3
Debtors' days	**48**	54	49	51	55	41	36
Quick ratio (:1)	**1.22**	0.96	1.02	1.13	1.08	0.95	1.03
Current ratio (:1)	**0.98**	0.84	0.90	1.06	1.01	0.85	0.93
Gearing (%)	**40.5**	47.3	42.4	50.4	48.3	53.5	51.1
Total debt (R'm)	**12 725**	14 214	11 995	15 956	14 087	6 781	6 187
Net debt (R'm)	**10 378**	14 116	11 318	14 950	13 361	7 207	5 932
Net debt: normalised EBITDA	**1.82**	2.96	1.96	2.73	2.55	1.67	1.49
Interest cover	**11.0**	5.8	5.6	6.4	4.2	8.2	9.7
Return on Net Assets (RONA) (%)	**13.1**	0.3	23.3	16.4	10.4	25.9	32.3

1 *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 Joseph's, Life Piet Retief 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. Life acquired the majority shareholding in Middelburg Hospital in August 2011. Life Beacon Bay Hospital and Life Orthopaedic Hospital opened in November 2009. Life also acquired Life Bay View Hospital in Mossel Bay in June 2010.*

2 *Metrics for South African operations.*

3 *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.*

Seven-year performance review continued

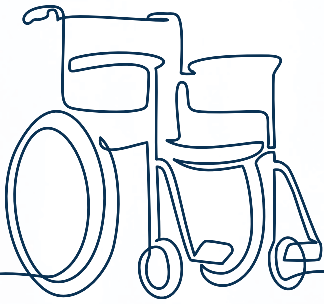
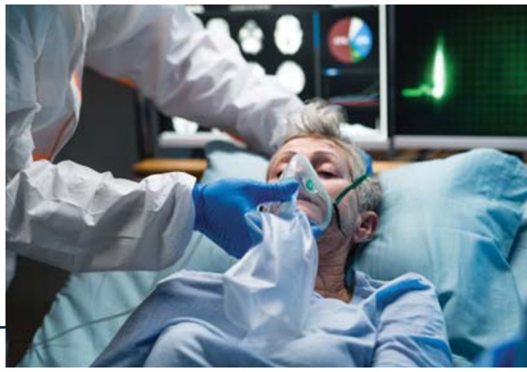
SHAREHOLDER RETURNS

	2021	2020	2019	2018	2017	2016	2015
Earnings per share (cents)	**120.6**	(6.4)	176.4	108.6	62.2	144.1	167.3
Diluted earnings per share (cents)	**120.3**	(6.4)	175.5	108.1	62.0	143.7	166.7
Headline earnings per share (cents)	**111.1**	48.7	88.7	108.8	77.4	179.1	167.3
Diluted headline earnings per share (cents)	**110.7**	48.5	88.2	108.3	77.2	178.5	166.7
Normalised earnings per share – NEPS (cents)	**112.7**	61.00	116.4	110.2	93.9	169.4	165.0
Normalised earnings per share excluding amortisation (cents)	**139.8**	92.10	148.1	139.3	120.6	178.8	173.2
Weighted average number of shares in issue ('m)	**1 454**	1 455	1 456	1 451	1 310	1 121	1 115
Weighted average number of shares for diluted earnings per share ('m)	**1 458**	1 460	1 464	1 457	1 314	1 125	1 119
Total number of shares in issue ('m)	**1 467**	1 467	1 467	1 467	1 449	1 058	1 042
Distributions per share (cents)	**25.0**	0	93	88.0	80.0	165.0	154.0
Net asset value per share (cents)	**1 231.2**	1 162.5	1 103.5	1 016.8	992.4	518.5	495.9
Normalised earnings	**1 640**	888	1 695	1 598	1 230	1 899	1 840
Profit attributable to ordinary equity holders	**1 754**	(93)	2 569	1 575	814	1 616	1 866
Adjustments (net of tax):							
Loss/(gain) on remeasuring of fair value of equity interest before business combination	**–**	–	–	–	(4)	23	–
Profit on disposal of businesses	**(45)**	839	(1 418)	–	–	–	–
Profit on disposal of property, plant and equipment	**10**	3	–	(30)	37	(1)	–
Impairments	**14**	5	140	34	167	370	–
Gain on derecognition of lease assets and liabilities	**–**	(50)	–	(71)	–	–	–
Retirement funds	**(24)**	(23)	(28)	(24)	(21)	(16)	(15)
Retirement fund (included in employee benefit expenses)	**–**	–	–	–	–	(3)	(4)
Transaction costs	**3**	8	148	38	267	12	15
Fair value gain on foreign exchange hedge	**–**	–	292	(17)	(7)	–	(1)
Contingent consideration released	**62**	66	42	18	(43)	(109)	(21)
Other	**(134)**	133	(50)	75	20	7	–

MARKET INDICATORS

	2021	2020	2019	2018	2017	2016	2015
Market price – high (R) per share	**25.75**	26.00	28.89	30.52	39.02	40.48	46.67
Market price – low (R) per share	**15.19**	15.44	21.12	23.00	23.05	29.53	34.32
Market price – year-end (R) per share	**22.79**	17.06	22.68	24.56	23.70	37.87	35.00
Market capitalisation – year-end (R'm)	**33 133**	24 817	33 279	36 030	34 341	40 066	36 477
Number of shares traded ('m)	**1 461**	1 220	1 055	1 241	1 326	1 047	870
Value of shares traded (R'm)	**28 030**	24 460	26 288	32 510	39 142	38 433	34 755
Price-earnings ratio (Year-end price/NEPS)	**20.22**	27.97	19.48	22.29	25.24	22.36	21.21



In this section

Administration

Corporate information

LIFE HEALTHCARE GROUP HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
Registration number: 2003/002733/06
ISIN: ZAE000145892
JSE Share Code: LHC



Registered office

Building 2, Oxford Parks,
203 Oxford Road
(cnr Eastwood and
Oxford Roads),
Dunkeld, 2196
Private Bag X13,
Northlands, 2116

Executive directors

PG Wharton-Hood
(Group Chief Executive),
PP van der Westhuizen
(Group Chief Financial Officer)

Non-executive directors

Dr VL Litlhakanyane (Chairman),
PJ Golesworthy,
CM Henry, C Hess,
Prof ME Jacobs,
AM Mothupi,
JK Netshitenzhe,
Dr MP Ngatane, Adv M Sello,
GC Solomon and RT Vice

Company Secretary

J Ranchhod

Sponsor

Rand Merchant Bank, a division of
FirstRand Bank Limited

Investor relations

Dr M Wadley

Shareholder's diary

Dividend payment date
13 December 2021

AGM date and notice
26 January 2022

2022 Interim
Results date
**On or about
26 May 2022**

2022 Final
Results date
**On or about
17 November 2022**

Independent auditor's assurance on sustainability information

Deloitte.

Private Bag X6
Gallo Manor 2052
South Africa

Deloitte & Touche
Registered Auditors
Risk Advisory
Deloitte
5 Magwa Crescent
Waterfall City
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Docex 10 Johannesburg
Tel: +27 (01) 11 806 5000
www.deloitte.com

The Board of Directors
Life Healthcare Holdings Limited
Oxford Manor
21 Chaplin Road
Illovo
2196

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF LIFE HEALTHCARE HOLDINGS LIMITED

We have performed our limited assurance engagement in respect of the key performance indicators for the year ended 30 September 2021.

The subject matter comprises the selected key performance indicators conducted in accordance with the company's reporting criteria, as prepared by the responsible party, during the year ended 30 September 2021.

The terms of management's basis of preparation comprise the criteria by which the company's compliance is to be evaluated for purposes of our limited assurance engagement. The key performance indicators are as follows:

No	Key Performance Indicator	Unit of measurement	Boundary
1	Healthcare risk waste generated	kg/PPD	Southern Africa Business
2	Patient safety adverse events	Total patient incidents/PPD x 1000	Southern Africa Business
3	Paid patient days (PPD)	Number	Southern Africa Business
4	Healthcare associated infections (HAI)	HAI/PPD x 1000	Southern Africa Business

Directors' responsibility

The directors being the responsible party, and where appropriate, those charged with governance are responsible for the key performance indicator information, in accordance with management's basis of preparation.

The responsible party is responsible for:

- ensuring that the key performance indicator information is properly prepared and presented in accordance with management's basis of preparation;
- confirming the measurement or evaluation of the underlying key performance indicators against the applicable criteria, including that all relevant matters are reflected in the key performance indicator information and;
- designing, establishing and maintaining internal controls to ensure that the key performance indicator information is properly prepared and presented in accordance with management's basis of preparation.

Assurance Practitioner's responsibility

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historic Financial Information*. This standard requires us to comply with ethical requirements and to plan and perform our limited assurance engagement with the aim of obtaining limited assurance regarding the key performance indicators of the engagement.

We shall not be responsible for reporting on any key performance indicator events and transactions beyond the period covered by our limited assurance engagement.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

Deloitte 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.

Summary of work performed

We have performed our procedures on the key performance indicator transactions of the Company, as prepared by management in accordance with management's basis of preparation for the year ended 30 September 2020.

Our evaluation included performing such procedures as we considered necessary which included:
- 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 for the selected subject matter;
- tested the systems and processes to generate, collate, aggregate, validate and monitor the source data used to prepare the selected subject matter for disclosure in the Integrated Report,
- inspected supporting documentation and performed analytical review procedures; and
- evaluated whether the selected key performance indicator disclosures are consistent with our overall knowledge and experience of sustainability processes at Life Healthcare Holdings Limited.

Our assurance engagement does not constitute an audit or review of any of the underlying information conducted in accordance with International Standards on Auditing or International Standards on Review Engagements and accordingly, we do not express an audit opinion or review conclusion.

We believe that our evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

In a limited assurance engagement, the procedures performed vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, 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 key performance indicator information has been properly prepared and presented, in all material respects, in accordance with management's basis of preparation.

Limited assurance conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that the key performance indicators are not prepared, in all material respects, in accordance with management's basis of preparation.

Other matters

The maintenance and integrity of the company's website is the responsibility of Life Healthcare Holdings Limited management. 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 limited assurance report that may have occurred since the initial date of its presentation on Life Healthcare Holdings Limited's website.

Deloitte & Touche

Deloitte & Touche
Registered Auditors

Per Mark Victor
Partner

17 December 2021

5 Magwa Crescent
Waterfall City, Waterfall

Private Bag X6, Gallo Manor, 2052
South Africa

Glossary

ACI	African, coloured and Indian
AD	Alzheimer's disease
AGM	Annual general meeting
AMG	Alliance Medical Group Limited
AMS	Antimicrobial stewardship
ASL	Azienda Sanitaria Locale
BAU	Business as usual
B-BBEE	Broad-based black economic empowerment
BSI	British Standards Institution
Capex	Capital expenditure
CAUTI	Catheter-associated urinary tract infection
CDC	Community Diagnostic Centre
CFO	Chief Financial Officer
CGC	Clinical governance committee
CIP	Co-investment plan
CISO	Chief Information Security Officer
CLABSI	Central line-associated bloodstream infection
CMS	Council for Medical Schemes
Companies Act	South African Companies Act, 71 of 2008 (as amended)
CPE	Continuing professional education
CPI	Consumer price index
cps	Cents per share
CRMP	Compliance risk management plans
CSI	Corporate social investment
CT	Computerised tomography
Deloitte	Deloitte Touche Tohmatsu Limited
DI	Diagnostic imaging
DMD	Disease modifying drug
DOH	Department of Health
DSP	Designated service provider
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and depreciation
EBITDA	Earnings before interest, tax, depreciation and amortisation
EEA	European Economic Area
EHS	Life Employee Health Solutions
EPS	Earnings per share
ESG	Environment, social and governance
ESP	Employee share plan

EU	European Union
EUR	European Union Euro
EVDS	Electronic vaccination data system
EVP	Employee value proposition
EWP	Employee wellness programme
EXCO	Executive Committee
FDA	Food and Drug Administration
FDG	Fluorodeoxyglucose
FSCA	Financial Sector Conduct Authority
FTSE	Financial Times Stock Exchange
GBP	Great Britain pound
GCE	Group Chief Executive
GDP	Gross domestic product
GDPR	General Data Protection Regulation
GEMS	Government Employees Medical Scheme
GOC	Group operating committee
GP	Guaranteed package
GRI	Global Reporting Initiative
gW	Giga watt
H1-2020	Six-month period from 1 October 2019 to 31 March 2020
H1-2021	Six-month period from 1 October 2020 to 31 March 2021
H2-2020	Six-month period from 1 April 2020 to 30 September 2020
H2-2021	Six-month period from 1 April 2021 to 30 September 2021
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
HFO	Heavy fuel oil
HMI	Healthcare Market Inquiry
HOOS	Hip osteoarthritis outcomes score
HPCSA	Health Professions Council of South Africa
HQA	Health quality assessment
HR	Human resources
ICU	Intensive care unit
IFRS	International Financial Reporting Standards

International <IR> Framework	International <IR> Framework (January 2021)
IoDSA	Institute of Directors in South Africa
ISMS	Information security management system
ISO	International Organization for Standardization
IT	Information technology
JSE	Johannesburg Stock Exchange Limited
King IV	King IV Report on Corporate Governance for South Africa, 2016
kg	Kilogram
kl	Kilolitre
KOOS	Knee osteoarthritis outcomes score
KPA	Key performance area
KPI	Key performance indicator
kWh	Kilowatt hour
KZN	KwaZulu-Natal
LCP	Life core purpose
Life EHS	Life Employee Health Solutions
LGH	Lifecare Group Holdings
LMI	Life Molecular Imaging
LPG	Liquefied petroleum gas
LTI	Long-term incentive
LTIP	Long-term incentive plan
MEC	Member of the Executive Council
MOI	Memorandum of Incorporation
MRI	Magnetic resonance imaging
NCD	Non-communicable disease
NED	Non-executive director
NEPS	Normalised earnings per share
NHI	National Health Insurance
NHS	UK National Health Service
OEM	Original equipment manufacturer
PET-CT	Positron emission tomography-computerised tomography
POPIA	Protection of Personal Information Act, 4 of 2013
PPD	Paid patient day
PPE	Property, plant and equipment
PPP	Public-private partnership
PSP	Progressive supranuclear palsy
PV	Photo voltaic
PwC	PricewaterhouseCoopers Inc.
PXM	Patient experience measure
QMS	Quality management system
QSSS	Quality systems support specialist
R&D	Research and development
RCITGC	Risk, compliance and IT governance committee
REMCO	Human resources and remuneration committee
ROCE	Return on capital employed
ROIC	Return on invested capital
RONA	Return in net assets
SA	South Africa
SANC	South African Nursing Council
SANCB	South African National Council for the Blind
Scanmed	Scanmed S.A.
SDG	Sustainability Development Goals
SDLC	Systems development lifecycle
SENS	Stock Exchange News Service
SET	Social, Ethics and Transformation
SOC	Security operations centre
SOE	State owned enterprise
SSI	Surgical site infections
STI	Short-term incentive
TBD	To be determined
TCD	Temporary capacity diverts
TCO	Total cost of ownership
TDI	Transformation, diversity and inclusion
TSR	Total shareholder return
UK	United Kingdom
UNGC	United Nations Global Compact
UOM	Unit of measurement
US	United States
VAP	Ventilator-associated pneumonia
VCP	Variable compensation plan
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
WHO	World Health Organization
ZAR	South African Rand

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