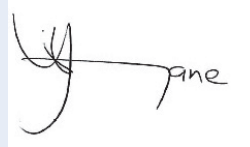




**Netcare's values guide the company in its interactions with stakeholders and in conducting its business to ensure long-term sustainable growth. Netcare is proud to be rated a Level 5 BEE contributor by Empowerdex.**

**Dr Victor Lithakanyane** *Executive Director*



## Highlights

- Acquired the remaining interest in Community Hospital Group
- 17-year PPP concession agreement signed with the Eastern Cape Department of Health
- Neonatal and trauma clinical governance systems implemented
- Addressing the nursing skills shortages through the "Training 4 000" nurses programme
- Expanded primary care network to 3 300 predominantly black doctors
- HIV/Aids VCT rolled out to five sites
- Environmentally friendly laundry commissioned

## Awards/Ratings

- Awarded one of the Top Empowered Companies by Impumelelo, Top Companies
- Netcare and Prime Cure rated Level 5 and 4 BEE contributors respectively by Empowerdex
- ABSA Healthcare Award for Netcare Park Lane Hospital's Cleft Lip and Palate programme
- Sunday Times Markinor Brand Award to Netcare 911
- Employer of Choice awards – Sixth place in Deloitte's "Best Company to Work for" and tenth place in Corporate Research Foundation's "Employer of Choice"
- Dealmakers "Deal of the Year" award for GHG acquisition
- Appointment of Netcare 911's medical director, as chairman of the International Assistance Group

# Introduction

## Performance summary

		2007	2006	Page number
<b>ECONOMIC</b>				
Revenue	Rm	<b>18 607</b>	11 152	113
Operating profit	Rm	<b>2 990</b>	1 578	113
Capital expenditure	Rm	<b>1 389</b>	1 038	105
Reductions of capital	Cents per share	<b>31</b>	27	27
Patients attended to <sup>1,2</sup>	millions	<b>4,8</b>	4,4	32
BEE rating	DTI level	<b>Level 4</b>	NA	66
<b>SOCIAL</b>				
Employees	Number	<b>27 730</b>	26 532	78
Employee costs	Rm	<b>6 155</b>	3 799	146
Training spend <sup>1</sup>	Rm	<b>100</b>	86	86
ABC employee representation <sup>1</sup>	%	<b>61,4</b>	57,6	80
HIV/Aids spend <sup>1</sup>	Rm	<b>4</b>	NA	92
Injuries on duty <sup>1</sup>	Number	<b>1 413</b>	1 306	90
Community investment <sup>1</sup>	Rm	<b>37</b>	29	94
<b>ENVIRONMENT</b>				
Energy use <sup>1</sup>	Giga Joules	<b>1 151 853</b>	731 003	100
Water use <sup>1</sup>	Kilo litres	<b>1 682 000</b>	1 613 800	100
Waste (Hazardous) <sup>1</sup>	Tons	<b>3 716</b>	4 753	100

<sup>1</sup>SA operations only

<sup>2</sup>Includes hospital admissions, primary care visits, emergency patients transported and renal dialysis patients

Netcare operates in a highly regulated environment and the interests and expectations of stakeholders are complex and inter-related. It is imperative that Netcare ensures the ongoing support of all stakeholders by having a clear understanding of their respective requirements. Active, ongoing stakeholder engagement informs corporate responsibility strategies and the approach to managing sustainability issues. Netcare aims to balance the interests of diverse stakeholder groups and build effective partnerships, investing in supporting structures to drive and monitor these interactions. This stakeholder focus is incorporated in Netcare's business model, ensuring accountability to all stakeholders in conducting its business.

This sustainability review aims to set out Netcare's strategic priorities and reflects the concerns and priorities of stakeholders. In preparing this sustainability report, Netcare has taken cognisance of the Global Reporting Initiative (GRI) version 3 guidelines, and has aimed to meet the requirements

of an application level C reporter. In line with best practice, an incremental approach is being followed to reporting on sustainability performance. Where available, performance indicators have been included for the UK operations in this review. Netcare will focus on further improving sustainability reporting in this region in 2008.

The Netcare board is responsible for overseeing the Group's economic, social and environmental performance. Risk management is central to Netcare's commitment to sustainable development, and the risk management committee drives a formalised risk management process ensuring that potential non-financial risks and opportunities are identified and appropriately managed. The Quality Assurance and Clinical Risk Audit and the Transformation and BEE committees have been elevated to full board committees. The Group continues to actively monitor material non-financial issues through regular audits and reporting quarterly on progress to the board.

## Strategy

Healthcare is an inalienable human right and basic need in every society. As a leading healthcare provider, Netcare is committed to play a meaningful role in the equitable and sustainable development of both private and public healthcare in the markets in which it operates. By harnessing core competencies and resources in close cooperation with national and local government, Netcare can assist to improve and broaden the delivery of affordable, quality healthcare.

In the UK, General Healthcare Group (GHG), Netcare's subsidiary, is an important partner in the National Health Service's 2000 plan to become a world-class, patient-centred public healthcare provider. In South Africa, Netcare continues to develop its network of primary healthcare facilities to provide more citizens with access to affordable quality healthcare, and is working with government on several Public Private Partnerships (PPPs). Netcare continues to engage pro-actively with government on further partnership initiatives.

## Stakeholder engagement

Netcare's core business, as an operator of private hospitals and medical facilities, is to provide a hotelling service, nursing care and modern facilities for doctors and specialists to function within. Netcare's product is essentially excellent patient care. Stakeholders therefore include patients, doctors, employees (including nursing, administrative and managerial staff), funders (mainly medical insurance schemes), government, suppliers and investors. A breakdown in Netcare's relationships with any of these stakeholder groups is a key risk to the business.

### Patients

People define their experience in hospitals in terms of quality, emotional fulfillment and the service, comfort and convenience experienced during their stay. As consumers, patients are becoming more pro-active in making decisions relating to cost and more patients are using publicly reported quality measures in making their choice of healthcare facility.

Patient concerns include:

- Safe environment with low infection rates;
- The quality of nursing staff; and
- Knowledge of medical procedure and processes.

To ensure that Netcare's facilities meet patient expectations, there is a requirement to:

- Actively address patient complaints;
- Partner with physicians and healthcare service providers to enhance patient care;
- Operate according to a stringent clinical governance framework;
- Provide highly trained and qualified nursing staff;

- Invest in new facilities and upgrade existing facilities; and
- Provide patients with adequate information that is increasingly web-based.

Netcare engages with patients in several ways, including:

- A web-based and telephonic pre-admission facility;
- An inbound and outbound customer call centre;
- An outbound telephonic patient satisfaction survey;
- Discharge SMSs;
- Patient focus groups;
- Brochures; and
- Netcare and related internet websites.

### The Patient Rights Charter

The Department of Health of South Africa has issued a Patient Rights Charter to ensure that the general public is informed about their rights and obligations to healthcare. Under the charter, patients are granted the right to have full knowledge of their condition, the right to give informed consent, the right to participate in decisions regarding their health, the right to patient confidentiality and access to health records.

### Doctors

Doctors working at Netcare hospitals are private practitioners and are not employed by Netcare, but are primary customers. Research shows that doctors tend to choose the private hospitals they work from based on convenience, access to the best equipment, instruments, medicines and support staff, support services including administration and marketing, and opportunities to develop a successful practice. Netcare's approach is to provide an ideal working environment for doctors with uncompromising quality of care, outstanding nursing and support staff and comprehensive medical infrastructure. Netcare's strategy to ensure good relationships with doctors includes a focused relationship building programme for specialists with GPs.

Each Netcare hospital has a formal Physician Advisory Body (PAB), which is designed to engage the assistance of resident doctors in setting and maintaining the highest quality standards in the clinical aspects of hospital management, and to serve as a peer review platform. A national PAB represents some 70 physicians and focuses on high-level, macro issues including quality management. Also at national level, the Medical Advisory Ethics Committee (MEAC) assists Netcare in clinical governance.

Doctors are offered ongoing professional development opportunities and in 2006 a research initiative was launched to encourage the participation of Netcare hospitals and doctors in clinical research, and to publish their results. The objective of the project is to turn the innovative, evidence-based medicine practised at Netcare hospitals into benchmarking research.

Through Netcare's Excellence Programme, an interactive feedback mechanism, doctors are able to communicate with hospital management on the prevalent issues at each Netcare facility.

**Employees**

Attracting and retaining the best skills and being recognised as an employer of choice are priorities at Netcare. The national nursing skills shortage has placed specific demands on staff, necessitating greater teamwork, open communication and coping with constant change. The human resources strategy, including training, retention, talent management and attraction, is discussed in more detail on pages 78 to 88. During the year under review Netcare rolled out a Voluntary Counselling and Testing campaign as part of managing HIV/Aids in the workplace and also launched a number of site-specific staff magazines and newsletters to enhance employee engagement. An annual employee satisfaction survey is conducted to obtain feedback and inform strategies to address key issues.

**Funders**

The majority of Netcare's revenue is derived from medical insurance, the remainder from the self-pay market. Engagement between Netcare and the medical schemes is driven largely by interaction with the medical scheme administrators and relates to issues such as managed care. Open and pro-active working relationships between funders and providers of healthcare services are essential to eliminate the possibility of misunderstandings occurring at the expense of the patient.

Regular liaison meetings and interaction related to operational issues, including payment on queries, contribute to ensuring a low write-off of debtors. Hospital tariff negotiations take place annually. The medical insurance sector and private healthcare sector in South Africa are in the process of finding an alternative tariff model based on shared risk. This is discussed in more detail in the discussion on Affordability of Services in the Economic Section of the Sustainability Review on page 74.

**Government**

Netcare's relationship with government, particularly in South Africa but also in the UK, is critical to maintaining licences to operate and also contributing to meeting national healthcare challenges.

Netcare is committed to being a trusted and reliable partner to the Ministers and Departments of Health in South Africa and in the UK. National health policy objectives are carefully analysed and incorporated into business strategy in each region. Netcare aims to propose policy changes in a constructive manner, and to promote the implementation of policies that encourage sustainable growth and investment in the sector.

Netcare has established a dedicated policy unit tasked with addressing government's concerns about the private healthcare sector and creating opportunities to partner with government to find solutions to healthcare challenges.

Formal interaction between Netcare and the Department of Health takes place through regular meetings. In addition, Netcare interacts with government through several industry organisations such as the Healthcare Charter Forum, 2010 World Cup Forum and the annual Health Sector Indaba, as well as the Hospital Association of South Africa (HASA).

**Investors**

Key concerns for Netcare's investors include improved shareholder value, corporate governance, the transformation of the Netcare board and top management, the regulatory uncertainty surrounding healthcare provision in both South Africa and the UK, the quality of management and its ability to execute Netcare's strategy, as well as timely and adequate provision of information. To provide a platform for investors to interact with senior management on material issues affecting the business and management's relevant strategies and plans, Netcare hosted an analyst day in Johannesburg in August 2007.

**Suppliers**

In selecting suppliers, ISO or internationally accredited companies are given preference over non-accredited companies. Relations with suppliers are governed by the Netcare Supplier Code of Conduct. In addition, both parties commit to the highest standard of ethics when dealing with one another. The Netcare Whistle Blowers Hotline (0860 102 103) is a vehicle for the reporting of unethical behaviour.

Meetings with selected strategic suppliers, at which delivery and quality performance, demand forecasting, pricing and continual improvement are discussed, take place at least quarterly. Other suppliers are visited at least annually. A questionnaire to assess suppliers' perceptions of Netcare is a valuable tool in an effort to be the customer of choice to suppliers. In addition, Netcare conducts a joint audit with selected suppliers annually to evaluate their performance in terms of various criteria ranging from fair pricing, timeousness of delivery, to additional value added services.

Netcare is a key sponsor and strategic partner of the Proudly South African campaign and aims to make all purchases, where logistically possible and commercially viable, from South African suppliers.