

MATERIAL SUSTAINABILITY ISSUES



MATERIALITY ASSESSMENT

Mediclinic has many economic, social and environmental impacts through, among other things, the generation and distribution of value, the creation of employment opportunities, the fair and competitive remuneration of employees, the training and development of employees, black economic empowerment in South Africa, corporate social investment and its use of natural resources.

The Company's materiality assessment is used to focus its reporting on the most significant sustainable development impacts, being those that directly affect the Group's ability to create value, reflecting the Group's impacts and legitimate expectations of its stakeholders. The guidance on determining materiality contained in the GRI G4 Sustainability Reporting Guidelines and the International Integrated Reporting Framework were used during the materiality assessment.

Mediclinic acknowledges that it is dependent on various capitals (financial, manufactured, intellectual, human, social and relationship, and natural) in order to create value, which are affected by the Group's activities. The results of the materiality assessment were therefore categorised according to these capitals, as illustrated in **Figure 1**.

Five material sustainability issues (**Figure 2**) have been identified, which the Company monitors and highlights in its reporting. All GRI G4 material aspects are reported on in this report, as referenced in the **GRI G4 Disclosure Index**. The Company prefers to provide a balanced view of the Group's sustainable development performance, and therefore does not only report on its material issues.



This approach enables external stakeholders to have access to all relevant information with regard to the Group's sustainable development performance and also meets the JSE SRI Index requirement that all information must be in the public domain for purposes of the review process.

MATERIAL ISSUES: PERFORMANCE HIGHLIGHTS

A few highlights of the Group's performance against its material sustainability issues for the period under review are summarised in **Figure 2**. All of these matters are dealt with in greater detail throughout this report or the **Sustainable Development Report** in respect of the financial year ended 31 March 2015, published on the Company's website at www.mediclinic.com.



FIGURE 1: MATERIALITY ASSESSMENT MATRIX



FIGURE 2

Material issue:

PROVIDE QUALITY HEALTHCARE SERVICES

1

Potential risks considered in impact and materiality assessment	<ul style="list-style-type: none"> • Poor clinical outcomes and services • Medical malpractice liability • Reputational damage • Inability to recruit and retain healthcare practitioners
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MEASURES/KPIs	PERFORMANCE HIGHLIGHTS	MORE INFORMATION
<p>Patient safety, quality care and clinical outcomes, focusing on:</p> <ul style="list-style-type: none"> • Mortality • Safety • Extended stay and readmissions • Clinical governance • Confidentiality of patient information • Doctor recruitment and doctor satisfaction 	<p>Group</p> <p>A comprehensive clinical governance programme is in place focusing on:</p> <ul style="list-style-type: none"> • clinical governance to ensure patient safety and quality improvement; • clinical information management to enable clinical performance measurement and deals with systems to support the clinical care process, including electronic patient records; and • clinical services development dealing with the development of new coordinated care models, investigating new service lines and keeping abreast of technological developments. <p>During 2014 the platforms continued to strengthen its clinical leadership and management structures, made significant progress in infection prevention and control, and focused on establishing a more integrated approach to patient care.</p> <p>Multi-disciplinary clinical committees at hospital level are established throughout the Group that drive quality and safety and promote cooperation between doctors, nursing staff and management, and are being developed further.</p> <p>Focused clinical audits are used at most hospitals throughout the Group.</p> <p>Clinical outcomes are benchmarked throughout the Group through participation in external initiatives such as the Vermont Oxford Network aimed at measuring and improving the quality of care in neonatal intensive care units; the Adult Cardio-thoracic Database aimed at measuring and improving the clinical outcomes of cardio-thoracic surgery; and APACHE III-j, a hospital mortality prediction methodology for adult intensive care patients, used to evaluate the quality of care in this complex setting.</p> <p>Information security policy and controls are in place throughout the Group, as further dealt with in the Corporate Governance Report.</p>	<p>Clinical Services Report</p> <p>Corporate Governance Report</p>



FIGURE 2 (CONTINUED)

MEASURES/KPIs	PERFORMANCE HIGHLIGHTS	MORE INFORMATION
<p>Patient safety, quality care and clinical outcomes (continued)</p>	<p>Southern Africa</p> <p>Mediclinic Southern Africa is focusing on three major initiatives to reduce healthcare-associated infections, namely:</p> <ul style="list-style-type: none"> • ongoing participation in the national <i>Best Care ... Always!</i> campaign; • promotion of the rational use of antimicrobials through a comprehensive antimicrobial stewardship programme; and • focus on the improvement of hand hygiene in order to prevent the transmission of infections. <p>Mediclinic Southern Africa has further emphasised its commitment to clinical excellence by appointing clinical quality specialists to develop and implement strategies in the specialised units.</p> <p>Mediclinic Southern Africa maintains an effective infection prevention and control programme centred on a comprehensive electronic surveillance system. The services of independent microbiologists and infection prevention and control specialists are regularly utilised in order to ensure continuous improvements in the programme.</p> <p>Switzerland</p> <p>The second external audit of the adherence to the safe surgery checklist in the hospitals was concluded during the reporting period. It showed an increased adherence compared to the first audit two years before. The audit was performed without prior notice to the hospitals. Certain issues for improvement at the hospitals were identified. As a result, a patient safety concept with a comprehensive summary of all important activities around patient safety was introduced.</p> <p>The rollout of the electronic patient record is now covering more than 30% of the inpatient cases and should be completed by 2017.</p> <p>UAE</p> <p>A quality department was established to implement the patient safety strategy under the leadership of the group’s patient safety and risk officer.</p> <p>Development of key performance indicators (KPIs) that will be included in the annual doctors’ performance review process at Mediclinic Middle East.</p> <p>Mediclinic Middle East standardised its CIS, a component of the Hospital Information System (“HIS”), across all its hospitals and multi-disciplinary outpatient clinics. The HIS is now fully implemented in Dubai and has a unified medical record number that allows doctors to access patient records from any one of the units. The system is also fully integrated with the Laboratory Information System and the Radiology Information System, allowing doctors to view results and images as part of the patient’s electronic medical record.</p> <p>Doctors are regularly assessed by way of a clinical performance management system in which different key clinical performance indicators are evaluated. Nursing staff is evaluated twice a year and succession planning for key nursing staff is performed on an ongoing basis.</p>	

FIGURE 2 (CONTINUED)

MEASURES/KPIs	PERFORMANCE HIGHLIGHTS	MORE INFORMATION																								
Patient satisfaction	<p>Group</p> <p>Patient satisfaction surveys are conducted throughout the Group's hospitals, with the average patient satisfaction level provided in the table below. The Group embarked on a process to create a single, standardised patient experience measurement index which will contribute to ensuring operational excellence and patient safety across all our platforms. The Group implemented the new Patient Experience Index ("PEI") in Mediclinic Southern Africa and Mediclinic Middle East from October 2014. It is managed by Press Ganey, an internationally recognised patient experience measurement and management agency. The objective of the index is to achieve incremental and sustainable improvement of the patient experience.</p> <p>Patient satisfaction levels</p> <table border="1"> <thead> <tr> <th></th> <th>2011</th> <th>2012</th> <th>2013</th> <th>2014</th> <th>2015¹</th> </tr> </thead> <tbody> <tr> <td>Mediclinic Southern Africa</td> <td>75%</td> <td>76%</td> <td>76%</td> <td>77%</td> <td>81%</td> </tr> <tr> <td>Hirslanden²</td> <td>85%</td> <td>93%</td> <td>87%</td> <td>95%</td> <td>92%</td> </tr> <tr> <td>Mediclinic Middle East³</td> <td>89%</td> <td>89%</td> <td>93%</td> <td>91%</td> <td>81%</td> </tr> </tbody> </table> <p>¹ The 2015 results of Mediclinic Southern Africa and Mediclinic Middle East are the new PEI results, but only for the six-month period ending 31 March 2015. The previous years' results are measured under a different system and therefore not comparable to the previous results.</p> <p>² Hirslanden's patient satisfaction results for 2011 and 2013 were based on the Picker patient satisfaction survey. It is not comparable to the 2012, 2014 and 2015 results, which were based on the ANQ (the Swiss National Association for Quality Development) satisfaction survey.</p> <p>³ Mediclinic Middle East's PEI results in the table above are for inpatients only. The outpatient PEI results for the six months ended 31 March 2015 are 78%.</p> <p>In Southern Africa, the Patient Journey programme, designed to further enhance the patient experience of the group's hospitals, is progressing well, with the initial six major projects completed. Initiatives currently under way include the improved inclusion of patients and families in the care process, reviewing the food service offering in hospitals, a focus on noise reduction in hospitals and placing an accent on the critical element of medication counselling.</p>		2011	2012	2013	2014	2015 ¹	Mediclinic Southern Africa	75%	76%	76%	77%	81%	Hirslanden ²	85%	93%	87%	95%	92%	Mediclinic Middle East ³	89%	89%	93%	91%	81%	<p>Chief Executive Officer's Report</p> <p>Clinical Services Report</p> <p>Stakeholder engagement (patients and doctors)</p> <p>Quality of care and facilities: Clinical quality; and Patient satisfaction</p>
	2011	2012	2013	2014	2015 ¹																					
Mediclinic Southern Africa	75%	76%	76%	77%	81%																					
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FIGURE 2 (CONTINUED)

MEASURES/KPIs	PERFORMANCE HIGHLIGHTS	MORE INFORMATION
<p>Provide and maintain high-quality hospital infrastructure (facilities and equipment), focusing on:</p> <ul style="list-style-type: none"> • Investment • Optimal use of facilities • Facilities designed for patient wellness 	<p>Group</p> <p>The Group's buildings, plant and equipment have to be maximised through reliable technical support in order to ensure a safe and user-friendly environment for staff and clients. With this in mind, and as further dealt with in the Operational Reviews, the Group continuously invests in capital projects and new equipment to expand and refurbish its facilities and the replacement of existing equipment, as well as on the repair and maintenance of property and equipment, as set out in Figure 6 to Figure 8 of the Sustainable Development Report. The total expenditure on capital projects and new equipment to expand and refurbish facilities, replacement of equipment, as well as repairs and maintenance of facilities and equipment during the year were:</p> <ul style="list-style-type: none"> • R1 742m (2014: R1 174m) in Southern Africa; • R2 148m (CHF180m) (2014: R1 724m (CHF157m)) in Switzerland; and • R361m (AED120m) (2014: R445m (AED162m)) in the UAE. <p>The Group strives to provide the best healthcare facilities and technology affordable and available in the different countries in which it operates. The maintenance systems are risk orientated, aimed at patient safety and ensure the provision of service excellence that is respected and relied upon. The planned maintenance systems and related procedures are constantly being evaluated to ensure that patient safety is paramount.</p>	<p>Operational Reviews</p> <p>Quality and care of facilities</p>
<p>Cost of healthcare</p>	<p>Group</p> <p>The international procurement initiatives have gained momentum, which include:</p> <ul style="list-style-type: none"> • better prices through pooling of capital equipment purchases across the three platforms; • volume bonus agreements with key capital equipment suppliers; and • direct importing and distribution of more cost-effective surgical and consumable products. <p>Southern Africa</p> <p>Mediclinic Southern Africa is assessing hospital efficiency with a view to identifying the top performing hospitals and factors that adversely affect efficiency in healthcare delivery.</p> <p>Mediclinic Southern Africa continues to participate in the collaborative market research done by the CMS Industry Technical Advisory Panel, with a key project being the analysis of drivers of inflation in medical scheme contributions.</p> <p>Switzerland</p> <p>Hirslanden's centralised medical store, Zenlop, strives to streamline the range of expendable materials used in the hospitals and to achieve greater efficiency through economies of scale.</p> <p>In general, Hirslanden aims to reduce the cost of healthcare by standardising processes and organisational structures in various fields of activity.</p> <p>UAE</p> <p>Significant governmental healthcare reform is under way in the UAE with the introduction of provider price increase caps in November 2014. Mediclinic Middle East is working closely with the government to develop a model that recognises the inflationary costs borne by the provider, but also minimises the rising costs of health insurance.</p>	<p>Access to and affordability of healthcare</p>



FIGURE 2 (CONTINUED)

MEASURES/KPIs	PERFORMANCE HIGHLIGHTS	MORE INFORMATION
<p>Accreditation</p>	<p>Southern Africa</p> <p>As at December 2014, 28 of the 36 participating Mediclinic Southern Africa hospitals held Council for Health Services Accreditation of Southern Africa (COHSASA) accreditation, an agency accredited by the International Society for Quality in Healthcare to accredit hospitals. The remaining eight hospitals are undergoing the renewal process.</p> <p>Switzerland</p> <p>The model for accrediting Hirslanden competence centres at different levels, which was developed with strong participation of Klinik Hirslanden, was launched as a national initiative open for accreditation of any Swiss competence centre in healthcare by the Swiss Association for Quality and Management Systems early in 2014.</p> <p>Fourteen Hirslanden hospitals and the Hirslanden Corporate Office were self-assessed against the EFQM (European Foundation for Quality Management) Excellence Model.</p> <p>Fifteen Hirslanden hospitals and the Hirslanden Corporate Office are ISO 9001:2008 (quality management) certified.</p> <p>UAE</p> <p>Mediclinic Middle East’s two hospitals and the eight clinics in Dubai received JCI (Joint Commission International) reaccreditation in June 2013. Mediclinic Middle East’s group of clinics is the first in the UAE’s private sector to be accredited by JCI as a network. JCI is an international accreditation organisation for healthcare organisations focused on improving the safety of patient care through accreditation. There is a unified strategy in place to prepare for JCI reaccreditation in 2016.</p> <p>The pathology laboratories of both Mediclinic Middle East hospitals are ISO 15189:2009 certified. All five clinics with in-house laboratories were also recertified during the year.</p> <p>Mediclinic City Hospital’s pathology laboratory is accredited by the College of American Pathologists (CAP). This is part of the biannual accreditation cycle.</p> <p>Mediclinic City Hospital is recognised as an IBCLC (International Board Certified Lactation Consultants) Care Award facility in recognition of its lactation programme and breastfeeding support.</p>	<p>Clinical Services Report</p> <p>Assurance</p>



FIGURE 2 (CONTINUED)

OUTLOOK/PLANS GOING FORWARD**Group**

Although the clinical performance of the Group was satisfactory during the period under review, there are several initiatives under way in order to ensure patient safety, improve clinical performance, and at the same time increase cost-effectiveness.

The development of clinical leadership, accountability and accompanying organisational structures will continue to receive attention. The refinement of patient care standards and policies, and the assessment of health technology, will in future be coordinated centrally by Mediclinic International through pooling of skills and insight from all three platforms. Each of the three platforms is busy developing and refining its approach to clinical information systems and electronic patient records for improved clinical care process support. New service offerings and integrated care models to improve performance are also being investigated and implemented.

As the availability of accurate clinical information forms the foundation of clinical performance measurement and improvement, Mediclinic embarked on an information management strategy in order to improve the integrity of its clinical information. This will enable the development of a wider range of clinical performance indicators during the next few years, and will significantly enhance clinical cost analytics and accompanying cost-efficiency initiatives.

Southern Africa

Mediclinic Southern Africa has embarked on an e-Health project. The aim of the project is partially to understand the current needs of the company with regard to a clinical information system as well as to optimise the integration and use of the current stand-alone clinical datasets, aligning this with the company goal of safe patient care.

Patient satisfaction performance goals will be set for the next year and benchmarked against the Press Ganey international database consisting of over 1 900 participating hospitals.

As part of the group's Patient Journey strategy, further workshops are planned with the hospital management teams on Leading the Patient Experience and with all staff on Managing the Patient Experience.

Switzerland

The new hospitals, Hirslanden Clinique La Colline and Hirslanden Klinik Meggen, will be self-assessed against the EFQM Excellence Model in the next two years.

Hirslanden Clinique La Colline to be certified against the ISO 9001:2008 (quality management) standards in 2016.

There is a new European norm, based on ISO 9001, dedicated for healthcare institutions (EN 15224), which integrates additional elements such as patient safety and patient orientation. An external audit regarding EN 15224 will be piloted in one of the hospitals of the group.

UAE

The group continually focuses on:

- patient safety and further implementation of the patient safety strategy for the group;
- accreditation preparation and clinical audit strategy for the group; and
- standardisation of policies and documentation.

FIGURE 2 (CONTINUED)

Material issue:

ADDRESS SHORTAGE OF HEALTHCARE PRACTITIONERS 2

Potential risks considered in impact and materiality assessment	<ul style="list-style-type: none"> • Inability to recruit healthcare practitioners to meet business demand • Limited growth and loss of revenue • Poor clinical outcomes and services • Medical malpractice liability • Reputational damage
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MEASURES/KPIs	PERFORMANCE HIGHLIGHTS	MORE INFORMATION
<p>Employee recruitment and retention</p>	<p>Group</p> <p>The Group offers market-related salaries and benefits to our employees, based on the principles of internal equity, external equity and affordability in accordance with the Group’s Remuneration Policy.</p> <p>The recruitment approach is consistent with promoting the Group as an employer of choice.</p> <p>Sound performance management procedures are in place to identify areas for improvement and training needs, recognising good performance and promoting opportunities for career development and contributing to a contented workforce.</p> <p>Southern Africa</p> <p>Mediclinic Southern Africa made a significant investment during the year to support priority hospitals in the compilation and implementation of a proactive retention plan that supports the needs of each business unit.</p> <p>Various initiatives between Mediclinic Southern Africa and local and national government authorities to collaborate on training needs.</p> <p>Foreign recruitment drives for nurses from India to alleviate critical registered nurse shortage in Southern Africa. These nurses are now placed in 23 Mediclinic Southern Africa hospitals across the country.</p> <p>Switzerland</p> <p>Hirslanden participates more regularly in healthcare exhibitions to strengthen its presence in the job market and has also commenced with the recruitment of nurses from Germany and Austria in specific projects to address the nurse shortage.</p> <p>Hirslanden introduced Centres of Expertise for specialised employer branding and employer shared services.</p> <p>Hirslanden’s absence management enables the group to control the attendance rate of employees and to recognise problem situations promptly.</p> <p>Hirslanden implemented an exit monitoring process in 2014 in support of the group’s retention strategy.</p>	<p>Remuneration Report</p> <p>Labour relations and working conditions</p> <p>Performance management</p> <p>Employee recruitment, retention and remuneration</p> <p>Training and skills development</p>



FIGURE 2 (CONTINUED)

MEASURES/KPIs	PERFORMANCE HIGHLIGHTS	MORE INFORMATION
<p>Employee recruitment and retention (continued)</p>	<p>UAE</p> <p>A recruitment open day hosted by Mediclinic Middle East was attended by more than 1 300 applicants from various nationalities, demonstrating the group’s status as an employer of choice in the region.</p> <p>Physician information sessions are held at Mediclinic Middle East demonstrating new projects and opportunities to join the group’s medical team.</p> <p>Mediclinic Middle East successfully rolled out an e-Learning initiative to upskill the staff.</p>	
<p>Development and training of staff to maintain and improve quality service delivery</p>	<p>Group</p> <p>Continuous training and development of our employees at all three platforms to ensure retention of staff, in particular where the skills shortage is most critical.</p> <p>The average spending on employee training expressed as a percentage of payroll was 3.0% (2014: 3.3%) by Mediclinic Southern Africa, 5.0% (2014: 5.0%) by Hirslanden and 0.2% (2014: 0.4%) by Mediclinic Middle East.</p> <p>Performance reviews to develop staff and identify training needs were conducted with all Hirslanden and Mediclinic Middle East employees and with 99.6% of Mediclinic Southern Africa employees during the year.</p> <p>Southern Africa</p> <p>At Mediclinic Southern Africa, 29 803 (2014: 39 737) structured learning interventions were recorded.</p> <p>Three of the group’s six Learning Centres were expanded during the year to enable an increase in learner numbers.</p> <p>The results of a KPI system to measure Mediclinic Southern Africa’s training performance in the group’s Learning Centres remain good, with high learner success rates.</p> <p>Mediclinic Southern Africa’s Management Development Programme continues to be successful and focuses on developing employees on an accelerated learning path with exposure to the business, industry and the responsibilities of a manager in a structured manner. The programme was registered by the Department of Higher Education and Training and the first 11 learners successfully completed the registered Advanced Diploma in Health Services Management and Leadership in 2014. Two of these learners were promoted into managerial positions within the group and one of the current second year learners was also recently promoted into a hospital manager position.</p> <p>Mediclinic Southern Africa launched a Leadership Academy in 2013 and, to date, 654 management and training employees attended this programme, which focuses on leadership based on the corporate culture and values.</p> <p>Mediclinic Durbanville has been accredited by the University of Stellenbosch as a training centre for internal medicine medical student training, which project was piloted in 2014. The project was successful and will be extended to other hospital localities.</p> <p>Public forums to address skills shortages are attended on a regular basis and good relations are maintained with relevant legislative bodies.</p>	<p>Operational Reviews</p> <p>Performance management</p> <p>Training and skills development</p>



FIGURE 2 (CONTINUED)

MEASURES/KPIs	PERFORMANCE HIGHLIGHTS	MORE INFORMATION
<p>Development and training of staff to maintain and improve quality service delivery (continued)</p>	<p>Switzerland</p> <p>Hirslanden's leadership talent management process aims to enhance the identification of leadership potential and the development of leadership.</p> <p>At Hirslanden, 977 (2014: 943) apprentice employees received formal training (federal certificate, higher college, college or graduate students) across 30 professions, of whom 832 (2014: 816) students were healthcare professionals and 145 (2014: 113) junior doctors. In-house leadership and management courses were attended by 326 (2014:438) management employees.</p> <p>UAE</p> <p>At Mediclinic Middle East 4 902 (2014: 6 187) structured learning interventions were recorded.</p> <p>In addition to the in-house training, the e-Learning programme was launched in February 2015, providing 1 100 licences to staff and offering a mix of 16 customer service and leadership courses.</p>	
<p>Nurse training</p>	<p>Southern Africa</p> <p>All six of Mediclinic Southern Africa's Learning Centres offer the Diploma in General Nursing and the Diploma in Operating Department Assistance registered by the Department of Higher Education and Training.</p> <p>During the 2014 academic year, 572 (2013: 451) students completed basic nursing courses; 79 (2013: 97) students completed post-basic nursing courses; 808 (2013: 804) learners completed other Mediclinic Southern Africa courses in various disciplines.</p> <p>Mediclinic continues to train Operating Department Assistants for the Western Cape Department of Health.</p> <p>In March 2015, a "train the trainer" workshop was organised by Mediclinic to train nurses in cardiocotograph interpretation and to equip them to train others. Delegates included Mediclinic staff as well as delegates from various Western Cape Department of Health hospitals. The workshop was run by an expert from New Jersey, USA. Mediclinic plans to host more workshops in collaboration with the Department of Health in future.</p> <p>Mediclinic Southern Africa provides free training to Grade 12 school leavers to obtain either a nursing qualification or a qualification as an operating department assistant. The group plans to expand the programme offering to include training to become emergency care technicians.</p> <p>Switzerland</p> <p>Hirslanden collaborates with every canton in Switzerland, providing a large component of education in terms of nurse training. Every Hirslanden hospital listed on cantonal hospital lists has an obligation to provide a certain amount of training positions in nursing.</p> <p>UAE</p> <p>The responsibility for the training of nurses was centralised in July 2014 and is now an integral part of Corporate Learning and Development Department, which department addresses the learning and continuous education of the staff through its well-defined programmes for life support, clinical training, general training, leadership and business process-related courses.</p>	<p>Operational Reviews</p> <p>Performance management</p> <p>Training and skills development</p>



FIGURE 2 (CONTINUED)

MEASURES/KPIs	PERFORMANCE HIGHLIGHTS	MORE INFORMATION
<p>Support of external training institutions</p>	<p>Southern Africa</p> <p>Financial support of R3.96m (2014: R2.46m) was provided to academic institutions in Southern Africa, mainly through sponsorships to medical schools and bursaries to external students that applied for financial assistance.</p> <p>Bursaries and funding towards higher education, mainly for the group’s employees, to the value of R1.4m (2014: R1.8m) were provided during the year.</p> <p>Switzerland</p> <p>Hirlanden cooperated with external training institutions in terms of lectures given by medical experts from Hirlanden at academic institutions.</p> <p>UAE</p> <p>Mediclinic Middle East supported the Emirates Medical Students Society with a small monetary donation.</p>	<p>Supporting academic institutions</p>
<p>Remuneration and recognition of staff</p>	<p>Group</p> <p>The Group remunerates employees in a manner that supports the achievement of the Group’s vision and strategic objectives, while attracting and retaining scarce skills and rewarding high levels of performance. This is achieved through establishing remuneration practices that are fair, reasonable and market-related while at the same time maintaining an appropriate balance between employee and shareholder interest.</p> <p>To encourage a performance-driven organisation, the Group rewards employees for achieving strategic objectives as well as individual personal performance targets.</p> <p>During the year, the Group introduced a Reward Centre of Expertise, specialising in the design and delivery of global reward initiatives.</p> <p>The Group’s management remuneration structures consist of a fixed and a variable component:</p> <ul style="list-style-type: none"> • fixed: guaranteed base salary and benefits; and • variable: short-term and long-term incentives. <p>Southern Africa</p> <p>Mediclinic Southern Africa offers a number of retention bonuses to retain scarce and critical skills, including a special nursing bonus as well as a pharmacist retention bonus.</p> <p>All Mediclinic Southern Africa employees, up to and including first line management, participate in an employee ownership scheme through the Mpilo trusts.</p> <p>Employees are recognised for tenure of 5, 10 and 25 years’ service with both monetary and non-monetary awards.</p> <p>Switzerland</p> <p>Hirlanden’s remuneration practices are aligned with the Group’s Remuneration Policy. Market data is used to benchmark salary levels for hospital managers, senior managers and general staff. Guaranteed remuneration includes the base salary, retirement benefits as well as death and disability insurance.</p>	<p>Remuneration Report</p> <p>Employee recruitment, retention and remuneration</p>



FIGURE 2 (CONTINUED)

MEASURES/KPIs	PERFORMANCE HIGHLIGHTS	MORE INFORMATION
<p>Remuneration and recognition of staff (continued)</p>	<p>UAE</p> <p>The employed doctors' remuneration model was further expanded during the year and will continuously be refined to ensure a motivated team and the highest clinical standards.</p> <p>During the year, Mediclinic Middle East managed to appoint several senior positions internally, demonstrating to staff the potential to grow internally as part of the succession planning strategy.</p>	
<p>Employee health and safety</p>	<p>Southern Africa</p> <p>Health and safety committees are in place at all hospitals within the group. Meetings are held monthly to three-monthly depending on the operational requirements of the hospital. Health and safety inspections are done monthly and reports are analysed by the health and safety committees.</p> <p>Switzerland</p> <p>Every Hirslanden employee receives a safety introduction when starting his or her employment. Health and safety processes are managed by the respective human resources departments, which are responsible for enforcing all legal regulations regarding employee health and safety.</p> <p>UAE</p> <p>At Mediclinic Middle East employee health and safety are governed by the Facility Management and Safety Committee. The committee operates at three different levels: group, facility and operational, which ensures that the group strategy is implemented effectively within the units. The overall responsibility for health and safety now falls under the group engineering manager with support from the engineering managers in each of the facilities.</p>	<p>Health and safety at work</p> 
<p>Employee satisfaction</p>	<p>Group</p> <p>Periodic employee satisfaction surveys are conducted per platform. Other key performance indicators, measured on a continuous basis in determining employee satisfaction, include turnover rate and absenteeism.</p> <p>Southern Africa</p> <p>Mediclinic Southern Africa conducted an internal communication audit in 2014. The objective was to measure how effectively communication takes place across Mediclinic Southern Africa. The overall results were positive and a number of focus areas were identified for the new year.</p> <p>Switzerland</p> <p>The results of the last survey conducted by Hirslanden in 2012 showed an overall satisfaction level of 7.5 (on a scale of 1 to 10).</p> <p>UAE</p> <p>The results of Mediclinic Middle East's employee survey in 2014 showed employee satisfaction of 81%.</p>	<p>Employee composition and turnover rates</p> <p>Labour relations and working conditions</p> <p>Health and safety at work</p>   

FIGURE 2 (CONTINUED)

OUTLOOK/PLANS GOING FORWARD**Group**

A new Group-wide employee engagement project is planned for the year ahead.

Southern Africa

The support to hospitals in the compilation and implementation of employee retention plans will be rolled out to the rest of the group's hospitals during the year ahead.

Mediclinic Southern Africa plans to increase learner numbers by approximately 600 learners over the next five years.

The Mediclinic Learning Centre Cape Region plans to implement training of emergency medical care technicians in 2016.

The commissioning of a seventh Learning Centre in Kimberley, as well as a satellite campus in Pietermaritzburg for operating department assistant training, is planned for the year ahead, subject to approval by the relevant legislative bodies.

Collaboration with the University of KwaZulu-Natal to train specialist nurses in Pietermaritzburg is planned.

A project that will commence during the next year will investigate the possibilities for addressing shortages in Namibia through training and/or bursaries.

Funding of training through collaboration with other institutions to address the training needs in remote areas is being investigated.

Switzerland

Hirslanden continues its efforts to be an employer of choice in the healthcare industry for existing and potential employees. Potential employees are approached in various healthcare exhibitions. Hirslanden also addresses the specific nurse shortage by recruiting nurses from Germany and Austria.

Furthermore, Hirslanden offers its employees modern working conditions, including the possibility of professional training.

UAE

Employee recruitment and retention remains challenging as competition in the market increases, putting pressure on salaries. Mediclinic Middle East will continue to actively seek and retain the most experienced medical professionals with appropriate packages and succession planning schemes. The group is reviewing its independent doctor programme to ensure that it does not compete in any way with the employed doctors.

FIGURE 2 (CONTINUED)

Material issue:

CREATING AND SUSTAINING SHAREHOLDER VALUE

3

Potential risks considered in impact and materiality assessment	<ul style="list-style-type: none"> • Unattractive investment proposition • Poor shareholder relations • Unavailability of capital and financing for growth • Solvency and liquidity
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MEASURES/KPIs	PERFORMANCE HIGHLIGHTS	MORE INFORMATION
Acceptable shareholder returns	<p>The total dividend per share for the period under review is 106.5 cents (2014: 96.0 cents).</p> <p>The Group's dividend policy reflects the underlying earnings and growth of the business while retaining sufficient capital to fund ongoing operations and to invest in the Company's long-term growth. The Company currently targets a payout ratio of between 25% and 30% of normalised headline earnings per share.</p> <p>The Company's market capitalisation has increased from R170m at listing on the JSE in 1986 to R105 891m (2014: R61 881m) at year end.</p> <p>The Group's normalised headline earnings increased by 13% to R3 443m (2014: R3 052m) and basic normalised headline earnings per ordinary share increased by 9% to 408.2 cents (2014: 375.8 cents).</p>	<p>Chief Financial Officer's Report</p> 
Growing the business	<p>Group normalised revenue increased by 16% to R35 238m (2014: R30 495m) for the period under review. Normalised EBITDA is 11% higher at R7 179m (2014: R6 467m).</p> <p>The Group continues to make significant investments to grow the capacity of its footprint at each of the operating platforms, supported by the successful capital raising of R3.1bn through an accelerated bookbuild in June 2014.</p> <p>During the year, the Group continued to invest in its existing platforms:</p> <ul style="list-style-type: none"> • Mediclinic Southern Africa commissioned a new hospital, Mediclinic Midstream in Centurion, South Africa and relocated a portion of the facilities of Mediclinic Kimberley to a new building, Mediclinic Gariep; • Hirslanden acquired a 100% interest in two acute care private hospitals in Switzerland (Hirslanden Clinique La Colline and Hirslanden Klinik Meggen) following a successful equity capital raising through an accelerated bookbuild offering in June 2014; and • Mediclinic Middle East commissioned a new clinic, Mediclinic Al Hili, in Abu Dhabi, UAE. <p>The development of the North Wing at Mediclinic City Hospital in Dubai is progressing well and is expected to be commissioned in the 2016/17 financial year. In addition, Mediclinic Middle East has started with the planning and development of a third hospital, on the southern side of Dubai, with an estimated opening date of mid-2018.</p>	<p>Chief Executive Officer's Report</p> <p>Operational Reviews</p> <p>Quality and care of facilities</p>   

FIGURE 2 (CONTINUED)

MEASURES/KPIs	PERFORMANCE HIGHLIGHTS	MORE INFORMATION
Profitability	<p>The Group's normalised EBITDA margin decreased from 21.2% in 2014 to 20.4% at year end.</p> <p>The EBITDA margins of the Group's platforms were 21.3% (2014: 21.6%) for Mediclinic Southern Africa, 19.4% (2014: 20.8%) for Hirslanden and 21.8% (2014: 22.0%) for Mediclinic Middle East.</p>	<p>Chief Financial Officer's Report</p> <p>Annual Financial Statements</p>
Asset efficiency	<p>Property, equipment and vehicles increased from R49 597m at 31 March 2014 to R53 776m at year end, and intangible assets increased from R9 210m at 31 March 2014 to R11 565m at year end. These increases are mainly as a result of additions as well as the change in the closing ZAR/CHF and the ZAR/AED exchange rates.</p> <p>The Group's cash flow continued to be strong. The Group converted 109% (2014: 98%) of normalised EBITDA into cash generated from operations. Cash and cash equivalents increased from R3 521m at 31 March 2014 to R4 779m at year end.</p> <p>Mediclinic has an asset efficiency ratio (revenue to total assets) of 0.47, compared to 0.48 for the previous year.</p>	<p>Chief Financial Officer's Report</p> <p>Annual Financial Statements</p>



OUTLOOK/PLANS GOING FORWARD

Mediclinic continues to invest in growth opportunities within its existing operating platforms.

In the UAE, an opportunity for a new hospital on the south side of Dubai has been identified as well as opportunities for two additional clinics. These have undergone a strict process of due diligence to ensure that they are sustainable and will deliver shareholder value going forward.

FIGURE 2 (CONTINUED)

Material issue:

RESPONSIBLE USE OF NATURAL RESOURCES

4

Potential risks considered in impact and materiality assessment	<ul style="list-style-type: none"> • Business interruption due to electricity supply • Increased operational costs due to cost of electricity • Hazardous waste disposal • Reputational damage
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MEASURES/KPIs	PERFORMANCE HIGHLIGHTS	MORE INFORMATION
<p>Effective environmental management system to monitor and minimise impact</p>	<p>Group Ranked joint 2nd position in the 2014 Climate Disclosure Leadership Index of the CDP (formerly known as the Carbon Disclosure Project). CDP Global A List ranking in the 2014 Climate Performance Leadership Index. Mediclinic is the only and first hospital group in the world to receive this ranking.</p> <p>Southern Africa Forty of Mediclinic Southern Africa's 52 hospitals are ISO 14001:2004 (environmental management) certified. The ISO 14001 environmental management standards are implemented at 51 of the group's 52 hospitals.</p> <p>Switzerland Hirslanden implemented the ISO 14001:2005 environmental management standards at Hirslanden Klinik Belair in Schaffhausen as a pilot project. The ISO 14001 pre-assessment was successful. The certification is expected to be achieved by the end of 2015.</p> <p>UAE Mediclinic Middle East has commenced with environmental data collection during the reporting period as part of its environmental management plan. The objective is to obtain ISO 14001 certification during the next financial year.</p>	<p>Operational Reviews</p> <p>Environmental management and risk assessment</p>



FIGURE 2 (CONTINUED)

MEASURES/KPIs	PERFORMANCE HIGHLIGHTS	MORE INFORMATION
<p>Effluent and hazardous waste management</p>	<p><i>Southern Africa</i> Healthcare risk waste is now treated by means of electro-thermal deactivation or autoclaving and only anatomical waste is treated by incineration.</p> <p><i>Switzerland</i> Hirslanden complies with all applicable legislation regarding recycling, waste disposal and the treatment and transport of hazardous waste. All medical waste is treated as hazardous waste and onsite collection is separated from other waste categories. Only licensed transportation companies transport the hazardous waste to waste incineration stations.</p> <p><i>UAE</i> Mediclinic Middle East has policies in place to manage the disposal of hazardous waste to ensure correct segregation of waste. Staff training and awareness regarding hazardous waste disposal is ongoing. The municipality of Dubai monitors the company to ensure standards are maintained.</p>	<p>Waste management and recycling</p>



FIGURE 2 (CONTINUED)

MEASURES/KPIs	PERFORMANCE HIGHLIGHTS	MORE INFORMATION
<p>Energy efficiency</p>	<p>Southern Africa</p> <p>Mediclinic Southern Africa's total CO₂ emissions per bed day increased from 114 kg to 115 kg per bed day as a result of the improvements in the operational boundary changes, which include:</p> <ul style="list-style-type: none"> • emission factors change with improved science; • waste to landfill and waste sent to recycling being included for the first time; • flights that included radiative forcing for the first time; and • an increase in ER24 vehicle and aircraft travel. <p>Excluding these improvements, the total CO₂ emissions decreased from 105 kg to 102 kg per bed day.</p> <p>Switzerland</p> <p>Despite the increasing number of beds with the acquisition of two hospitals during the reporting period, Hirslanden has reduced its CO₂ emissions from 15 kg to 14 kg per bed day, mainly due to the switch to 100% sustainable electric power supply and the relatively mild winter (20% less heating degree days).</p> <p>Klinik Hirslanden, Hirslanden Klinik Im Park and Hirslanden Klinik Stephanshorn are recognised as CO₂-reduced businesses by the Swiss Energy Agency for the Economy on behalf of the Swiss Federal Office of Energy. This achievement recognises the contracted commitment to reduce CO₂ emissions within operations.</p> <p>Since January 2014, the electricity supply of the entire Hirslanden group (all 16 hospitals and the Corporate Office) was from 100% sustainable electricity generation mainly from hydropower plants. One of the group's hospitals, Hirslanden Klinik Belair, has gone further by switching its entire electricity consumption from January 2014 to CleanSolution StarPremium, a green electricity provider, which is certified to the most stringent specifications for the generation of green electricity in the world (www.naturemade.ch). The energy is free from nuclear power and CO₂.</p> <p>UAE</p> <p>Due to the addition of two new facilities and new services with a 6% increase in inpatient admissions and a 8% growth in outpatient consultations, energy consumption increased by 3.2%.</p>	<p>Emissions/ Climate change</p> <p>Energy conservation</p>



OUTLOOK/PLANS GOING FORWARD

Southern Africa

In the next reporting period, the new Mediclinic Southern Africa hospital, Mediclinic Midstream, will start with the implementation of the ISO 14001 Environmental Management System with the aim to achieve certification in the financial year ending 31 March 2017.

Switzerland

The ISO 14001 certification of Hirslanden Klinik Belair at the end of 2015 is planned based on the revised standards to be published later in 2015.

UAE

Mediclinic Middle East will ensure that planned upgrades conform to all environmental industry standards.

FIGURE 2 (CONTINUED)

Material issue:

GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY **5**

Potential risks considered in impact and materiality assessment	<ul style="list-style-type: none"> • Fines, prosecution or reputational damage • Loss of shareholder support • Inability to continue business due to non-compliance with laws or changes in regulatory landscape • Perceived unethical or anti-competitive business conduct
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MEASURES/KPIs	PERFORMANCE HIGHLIGHTS	MORE INFORMATION
Ethics	<p>Group</p> <p>The Group’s commitment to ethical standards is set out in the Group’s values and is supported by the Group Code of Business Conduct and Ethics (“the Code”). The Code provides a framework for employees of the standards of business conduct and ethics that are required of all business divisions, directors and employees within the Group in order to promote and enforce ethical business practices and standards throughout the Group. The Code is available to all staff and also communicated to new employees as part of the on-boarding process.</p> <p>Southern Africa</p> <p>Mediclinic Southern Africa developed an e-Learning module available to all staff relating to the provisions of the code and demonstrating practical examples of conduct that might fall foul of the Code.</p> <p>Switzerland</p> <p>A dedicated Ethics Contact Person is available to deal with all ethics complaints in line with the Group Code of Business Conduct and Ethics.</p> <p>UAE</p> <p>Mediclinic Middle East implemented an independent Ethics Line during the reporting period and this has been widely publicised among staff and patients.</p>	<p>Corporate Governance Report</p> 
Effective risk management	<p>Group</p> <p>The Group’s Enterprise-wide Risk Management (“ERM”) policy follows the international COSO (Committee of Sponsoring Organisations of the Treadway Commission) framework and incorporates the recommendations of King III, defines the risk management objectives, methodology, risk appetite, process and the responsibilities of the various risk management role players in the Group. The ERM policy is subject to an annual review and any amendments are submitted to the Audit and Risk Committee for approval.</p> <p>During the year, Mediclinic Middle East appointed a Safety and Risk Officer to consolidate and centralise all actions related to risk within the business.</p>	<p>Risk Management Report</p> 

FIGURE 2 (CONTINUED)

MEASURES/KPIs	PERFORMANCE HIGHLIGHTS	MORE INFORMATION																					
Compliance with laws and regulations	<p>Group</p> <p>Compliance with all relevant laws, regulations, accepted standards or codes is integral to the Group's risk management process and is monitored.</p> <p>Good progress was made to define and integrate relevant laws and potential risks in the risk registers of the various platforms and departments.</p> <p>As in previous years, there were no incidents of material non-compliance with any laws, regulations, accepted standards or codes applicable to the Group or fines against the Group during the period under review.</p>	<p>Corporate Governance Report</p> 																					
BBBEE (in South Africa)	<p>Southern Africa</p> <p>Mediclinic Southern Africa maintained its level 4 contributor status on the generic BBBEE scorecard, as externally verified.</p> <p>The number of black employees increased year on year from 67.2% to 69.1% of total employees.</p> <p>Black management representation increased from 11% in 2006 to 25.8% at year end.</p> <p>Diversity management interventions are continuing through workshops and presentations at all localities throughout the group.</p>	<p>Broad-based black economic empowerment</p> 																					
Corporate social investment ("CSI")	<p>Group</p> <p>An annual donation of R300 000 is made to the Mandela Rhodes Foundation.</p> <p>Various health awareness campaigns are conducted throughout the Group.</p> <p>Southern Africa</p> <p>During the year, R10.4m (2014: R9.7m) was spent on CSI in Southern Africa, as set out below:</p> <table border="1"> <thead> <tr> <th></th> <th>2014</th> <th>2015*</th> </tr> </thead> <tbody> <tr> <td>Public Health Enhancement Fund</td> <td>R8 400 000</td> <td>R9 036 000</td> </tr> <tr> <td>Tier 1* (surgical support in partnership with public hospitals)</td> <td>R300 000</td> <td>R367 000</td> </tr> <tr> <td>Tier 2* (value of in-kind donations)</td> <td>R500 000</td> <td>R600 000</td> </tr> <tr> <td>Tier 3 (volunteerism)</td> <td>R300 000</td> <td>R300 000</td> </tr> <tr> <td>Operational costs (T-shirts, marketing, travel costs)</td> <td>R184 309</td> <td>R101 871</td> </tr> <tr> <td>Total</td> <td>R9 684 309</td> <td>R10 404 871</td> </tr> </tbody> </table> <p>* Due to the significant contribution to the Public Health Enhancement Fund since the previous financial year, the tier 1 and tier 2 contributions by Mediclinic Southern Africa have decreased significantly.</p>		2014	2015*	Public Health Enhancement Fund	R8 400 000	R9 036 000	Tier 1* (surgical support in partnership with public hospitals)	R300 000	R367 000	Tier 2* (value of in-kind donations)	R500 000	R600 000	Tier 3 (volunteerism)	R300 000	R300 000	Operational costs (T-shirts, marketing, travel costs)	R184 309	R101 871	Total	R9 684 309	R10 404 871	<p>Operational Reviews</p> <p>Investing in the community</p>  
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FIGURE 2 (CONTINUED)

MEASURES/KPIs	PERFORMANCE HIGHLIGHTS	MORE INFORMATION
<p>Corporate social investment ("CSI") (continued)</p>	<p>Switzerland</p> <p>Hirslanden invested CHF2.1m (2014: CHF2.1m) in various programmes, projects and institutions in relation with the community. The involvement was mostly in the form of medical partnership and health advisory services.</p> <p>On a group basis, Hirslanden launched a new CSI initiative under the name Donation instead of a gift and allocated CHF50 000 to an orthopaedic development help foundation that provides medical support in Vietnam.</p> <p>Hirslanden hospitals partnered with various local and international organisations and foundations such as the "One chance, one heart" foundation (www.chancecoeur.ch) in Lausanne that coordinates the medical and surgical treatment of young patients suffering from heart disease in developing countries.</p> <p>UAE</p> <p>Mediclinic Middle East contributed approximately AED740 000 (2014: AED610 000) to corporate social responsibility projects during the reporting period. Initiatives included:</p> <ul style="list-style-type: none"> • a provision of AED500 000, of which AED400 000 was utilised for medical services for the Al Jalila Foundation, which provides medical care for underprivileged children; • free health screenings, health talks and awareness campaigns on particular health topics; and • AED50 000 contribution to the annual road safety campaign organised by the Roads and Transport Authority of Dubai. 	

OUTLOOK/PLANS GOING FORWARD

Hirslanden plans to introduce an independently operated Ethics Line, in line with the practice at the rest of the Group, during the year ahead.

The implementation of more standardised guidelines and a process to expand the monitoring of compliance with laws is planned, which will include raising employees' awareness of their responsibilities within Hirslanden.

Mediclinic Middle East is entering the second year of a three-year arrangement with Al Jalila Foundation and will again offer AED500 000 of services to the charity in the next reporting period. An additional AED440 000 has been budgeted to support international health days, the road safety campaign, the Emirates Medical Students Society, a Ramadan campaign on social media platforms and various other charities.