RISK MANAGEMENT REPORT

INTRODUCTION

The Board is ultimately accountable for the Group's risk management process and system of internal control. In terms of a mandate by the Board, the Audit and Risk Committee monitors the risk management process and systems of internal control of the Group. The Board oversees the activities of the Audit and Risk Committee, the Group's internal and external auditors and the Group's risk management function as delegated to the Company's Audit and Risk Committee.

RISK MANAGEMENT REPORT

RISK MANAGEMENT

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 annual review and any amendments are submitted to the Audit and Risk Committee for approval.

The objective of risk management in the Group is to establish an integrated and effective risk management framework where important risks are identified, quantified and managed. The Group's risk management process is supported by an ERM software application that is implemented across the Group to support the risk management process in all three operating platforms. The Group's priority risk items, together with key measures taken to mitigate these risks, are listed in the table below.

	Risk	Description of risk	Mitigation of risk
Compliance risks	**Legal and regulatory compliance**	Failure to comply with laws and regulations may result in fines, prosecution or damage to reputation.	• Company secretarial and/or legal departments in the different operating platforms support operational management and monitor regulatory developments and, where necessary, obtain expert legal advice for the effective implementation of compliance initiatives. • Compliance risks are identified and assessed as part of departmental risk registers. • The Social and Ethics Committee monitors compliance in the Group.
	Confidentiality	Unauthorised access and sharing of confidential company information.	• Policies and procedures are in place.
Human resources risks	**Availability, recruitment and retention of skilled resources**	There is a shortage of skilled labour, particularly a shortage of qualified and experienced nursing staff in Southern Africa.	• The employment, recruitment and retention strategies are explained in the **Sustainable Development Report**. • Extensive training and skills development programme, which is further explained in the **Sustainable Development Report**. • Foreign recruitment programme, which is further explained in the **Sustainable Development Report**.
	Availability and support of medical practitioners	The availability and support of admitting doctors, whether independent or employed, are critical to the services the Group provides.	• Doctors' retention and recruitment strategies. • Monitoring of doctor satisfaction, movement and doctors' profiles. • Further details on the relationship with doctors are provided in the **Sustainable Development Report**.

	Risk	Description of risk	Mitigation of risk
Credit and market risks	**Regulatory risk**	The risk of a change in laws and regulations applicable to the Group.	• Mediclinic Southern Africa, Hirslanden and Mediclinic Middle East have implemented proactive engagement strategies with stakeholders. • Health policy units were created in the Group to conduct research and to provide strategic input into engagement with the reform processes. • Active industry participation in both Mediclinic Southern Africa and in Hirslanden. Mediclinic Middle East has set up a Funder Relations Department to prepare for tariff reform.
	Availability and cost of capital and financing and liquidity risk	The cost, terms and availability of capital to finance strategic expansion opportunities and/or the refinancing or restructuring of existing debt which has been affected by prevailing capital market conditions. The impact of negative interest rates currently prevailing in Switzerland.	• Long-term planning of capital requirements and cash flow forecasting. • Monitoring of cash-generating capacity within the Group. • Proactive and long-term agreements with banks and other funders on funding facilities. • Monitoring of compliance with the requirements of debt covenants. • Further details on capital risk management and the Group's borrowings are contained in the annual financial statements.
	Economic and business environment	The downturn in the general economic and business environment, including all those factors that affect a company's operations, customers, competitors, stakeholders, suppliers and industry trends.	• All three operating platforms have implemented systems to monitor developments in the economic and business environment of trends and early warning indicators.
	Competition	The risk relating to the uncertainty created by the existence of competitors or the emergence of new competitors with their own strategies.	• Proactive monitoring.

	Risk	Description of risk	Mitigation of risk
Credit and market risks	**Power of funders, tariff and fee risks**	The risk relating to the impact on tariffs and fees resulting from the shift of the relative negotiating power towards funders away from service providers in the healthcare industry. In Mediclinic Southern Africa the Funder industry continue to experience a consolidation of medical aid schemes. In Hirslanden the regulation of tariffs have impacted on the setting of tariffs of the Hirslanden group.	• Proactive monitoring and negotiation by Group's Funder Relations Departments.
	Credit risk	Credit risk is the risk of loss because of a funder's inability to pay the outstanding balance owing, default by banks or other deposit-taking institutions or the inability to recover outstanding amounts due from the patient.	• Regulated minimum solvency requirements. • Billing and recovery policies and processes. • Internal control systems in place. • Monitoring of funders. • Treasury policy.
Physical and operational risks	**Service failures**	The risk relates to incidents of poor service or failure to respond effectively to complaints.	• Patient satisfaction surveys. • Complaints monitoring. • Quality management systems. • Training programmes.
	Clinical risks	All clinical risks associated with the provision of clinical care resulting in undesired provision of clinical care or clinical outcomes.	• Refer to the **Clinical Services Report** for a detailed analysis of the strategies to manage and monitor clinical risks. • A group-wide clinical risk register is implemented per platform.
Technology risks	**Information systems security and availability risk**	Information systems security risk (including cyber risk) relates to the unauthorised access to information systems, failure of data integrity and confidentiality and availability risk relates to the instances where systems are not available for use by its intended users.	• Comprehensive IT logical access, change and physical access controls. • System design and architecture. • Disaster recovery planning.

	Risk	Description of risk	Mitigation of risk
Technology risks	**Medical technology risk**	The risk of not maintaining a competitive edge in the utilisation and availability of new medical technology, or not ensuring that new medical technology is cost-effective, proven and safe, or investing in new medical technology that is subsequently not utilised effectively.	• Ongoing monitoring and evaluation of new technology. • Defined approval process for the acquisition of new technology.
Business continuity risks	**Fire and allied perils**	Fire and allied perils causing damage or business interruption.	• All three operating platforms have plans to deal with disasters and employ extensive fire-fighting and detection systems, and have comprehensive maintenance processes to reduce the risk. • Comprehensive insurance to deal with financial impact of potential disasters is in place.
	Pandemics and disease outbreaks	A pandemic is an epidemic of infectious disease that is spreading through human populations across a large region. Disease outbreak includes highly infectious diseases with a high mortality rate.	• Comprehensive processes for infection and prevention control are in place. • Detailed plans to deal with these types of events. • Clinical governance processes further explained in the **Clinical Services Report**.

INTERNAL CONTROL

The Group has in place a comprehensive system of internal controls, which is designed to ensure that risks are mitigated and that the Group's objectives are attained. The system includes monitoring mechanisms and ensures that appropriate actions are taken to correct deficiencies when they are identified. During the year, each operating platform executed its assurance plans. These plans comprise various assurance processes, including internal and external audit processes that are in place to evaluate the effectiveness of key controls designed to mitigate the significant risks identified in each operating platform.

The Group makes use of an outsourced internal audit function, which complies with the principles of King III. At each operating platform the effectiveness of the system of internal financial control is independently evaluated through the internal and external audit programmes. In addition to these audits, the effectiveness of operational procedures is examined internally through various peer review and control self-assessment processes. The results of these assurance processes are monitored by the Group's risk management function and reported to each operating platform's executive management teams.

Each of the operating platforms has, in addition to the abovementioned assurance processes, implemented further independent assurance processes with independent organisations and these are summarised in the table below.

The Company Secretaries at Group and operating platform level as well as the internal legal advisors are responsible for providing guidance in respect of compliance with applicable laws and regulations.

Assurance output*		Business processes assured	Provider
External calculation of carbon footprint based on carbon emissions data of Mediclinic Southern Africa	🇿🇦🇳🇦	Carbon footprint calculation	Carbon Calculated
ISO 14001:2004 certification of 40 of Mediclinic Southern Africa's 52 hospitals	🇿🇦🇳🇦	Environmental management system	NQA (National Quality Assurance Ltd) / UKAS (United Kingdom Accreditation Service)
COHSASA accreditation of 28 of Mediclinic Southern Africa's 36 participating hospitals, with the remaining eight hospitals undergoing the renewal process	🇿🇦🇳🇦	Quality standards of healthcare facilities	COHSASA (Council for Health Services Accreditation of Southern Africa), which is accredited by ISQua (the International Society for Quality in Health Care)
BBBEE Level 4 contributor verification	🇿🇦🇳🇦	Broad-based black economic empowerment	Empowerdex
ISO 9001:2008 certification of 15 out of 16 Hirslanden hospitals and Hirslanden Corporate Office	🇨🇭	Process and quality management	Swiss Association for Quality and Management Systems (SQS)
Self-assessment against EFQM (European Foundation for Quality Management) Excellence Model by 14 out of 16 Hirslanden hospitals and Hirslanden Corporate Office	🇨🇭	Assessment against the EFQM Excellence Model, a framework for organisational management systems aimed at promoting sustainable excellence within organisations	EFQM Excellence Model
JCI reaccreditation of both Mediclinic Middle East hospitals and accreditation of eight clinics in Dubai	🇦🇪	Quality and safety of patient care	Joint Commission International Accreditation (JCIA)
ISO 15189:2009 certification of the pathology laboratories of both Mediclinic Middle East hospitals and all five clinics with in-house laboratories	🇦🇪	Pathology laboratories of both Mediclinic Middle East hospitals and five clinics	International Organization for Standardization (ISO)
College of American Pathologists (CAP) re-accreditation of the pathology laboratory of Mediclinic City Hospital	🇦🇪	Pathology laboratory of Mediclinic City Hospital	College of American Pathologists

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

Key: 🇿🇦 🇳🇦 = Mediclinic Southern Africa; 🇨🇭 = Hirslanden and 🇦🇪 = Mediclinic Middle East

EFFECTIVENESS OF RISK MANAGEMENT PROCESS AND SYSTEM OF INTERNAL CONTROL

The Board, via the Audit and Risk Committee, regularly receives reports on and considers the activities of the internal and external auditors of Mediclinic Southern Africa, Hirslanden and Mediclinic Middle East and the Group's risk management function. The Board, via the Audit and Risk Committee, is satisfied that there is an effective risk management process in place and that there is an adequate and effective system of internal control to mitigate the significant risks faced by the Group to an appropriate level for the Group.