

GOVERNANCE AND REMUNERATION

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CORPORATE GOVERNANCE OVERVIEW

The board is accountable for the sustainable and ethical operations of Life Healthcare through sound governance practices.

Governance structure and board composition

Governance structure

The board sets the strategic objectives of the Group, determines investment policy and performance criteria, and delegates the detailed planning and implementation of policies to management in accordance with 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.

The role of the board is regulated in a formal board charter, which defines its authority and power. In accordance with its charter, the responsibilities of the board include:

- acting as a focal point for and custodian of corporate governance;
- identifying key performance and risk areas;
- ensuring the Group's strategy will result in sustainable outcomes;
- considering sustainability as a business opportunity that guides strategy formulation;

- approving the Group's strategy and annual business plans;
- ensuring that the Group's ethics are effectively managed;
- the governance of risk;
- overseeing IT governance and cybersecurity;
- assessing the impact of the Group's business operations on the environment; and
- approving and adopting Group policies, programmes and procedures in relation to health, safety, economic, social and environmental impacts, and remuneration and benefits.

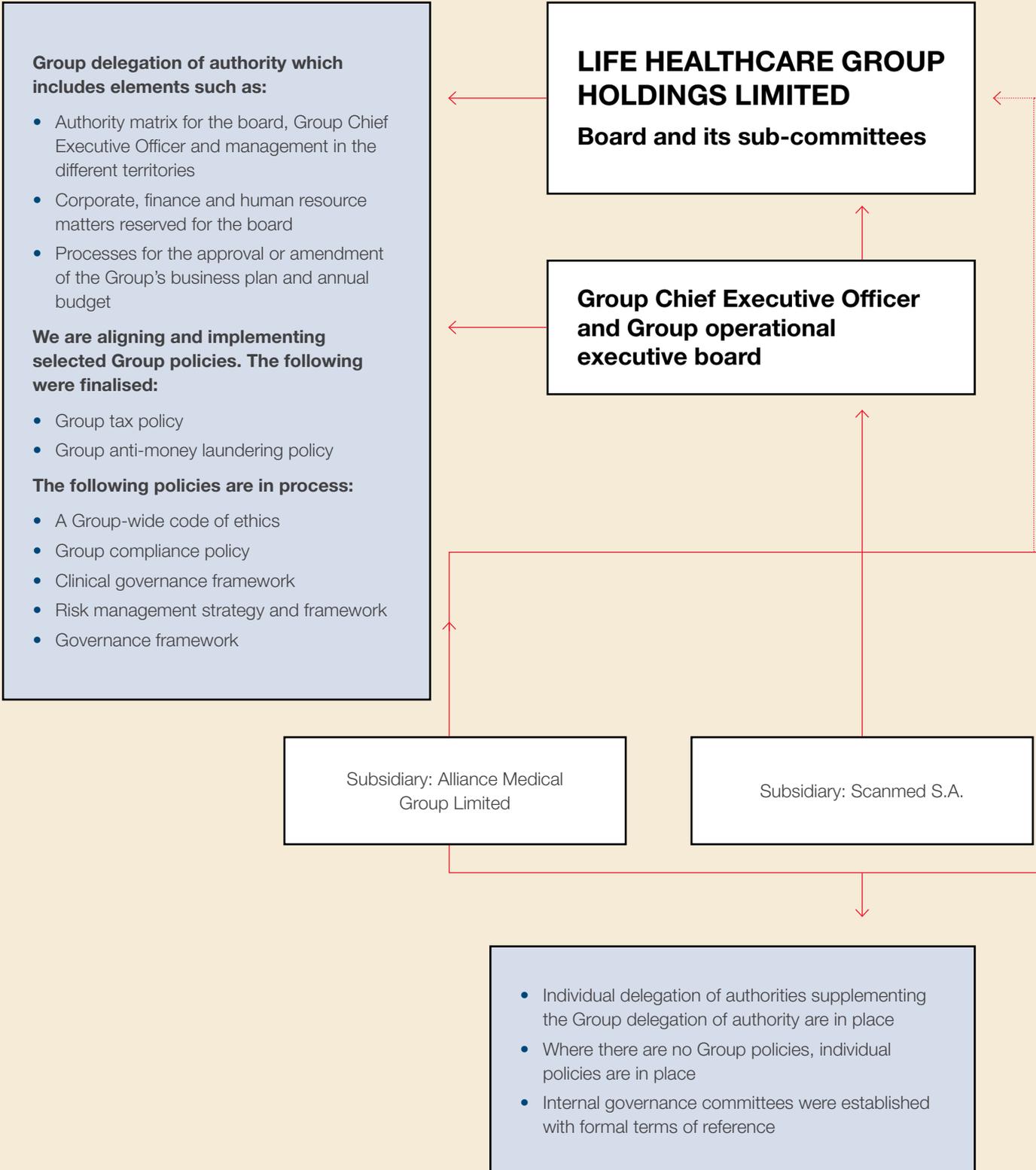
The governing body is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

Life Healthcare has a unitary board of directors and various board sub-committees as shown in the diagram that follows. The board created sub-committees to enable it to discharge its duties and responsibilities properly and to fulfil its decision-making process effectively. Each committee acts with appropriate terms of reference. Board committees may take independent professional advice at the Group's expense when necessary. While retaining overall accountability, the board has delegated authority to the Group Chief Executive Officer to manage the day-to-day affairs of the Group. The Group Chief Executive Officer is supported by the Group operational executive board¹.

¹ On 1 July 2017, the Group executive management committee was changed and restructured to the Group operational executive board (page 102).

CORPORATE GOVERNANCE OVERVIEW CONTINUED

The following governance structure and decision-making processes are in place to manage and oversee all the businesses in the Group and to ensure that the interests of its stakeholders are protected.



The chief executive officers of southern Africa, Alliance Medical and Scanmed provide input into and attend the annual board strategy session.

Feedback on each of the territories' performance is provided at all the board meetings by the Group Chief Executive Officer.

The Group is developing the ERM process to apply across the Group. It will ensure that risk management is embedded in the culture of the Group and provides assurance of the effectiveness of risk management to the board and the executive management. The Group's combined assurance model would be improved to support the implementation of this process throughout the business.

Joint venture: Max Healthcare Institute Limited

The Group Chief Executive Officer or Group Chief Financial Officer and the Group Strategy and Investor Relations Executive serve on the board and the various sub-committees.

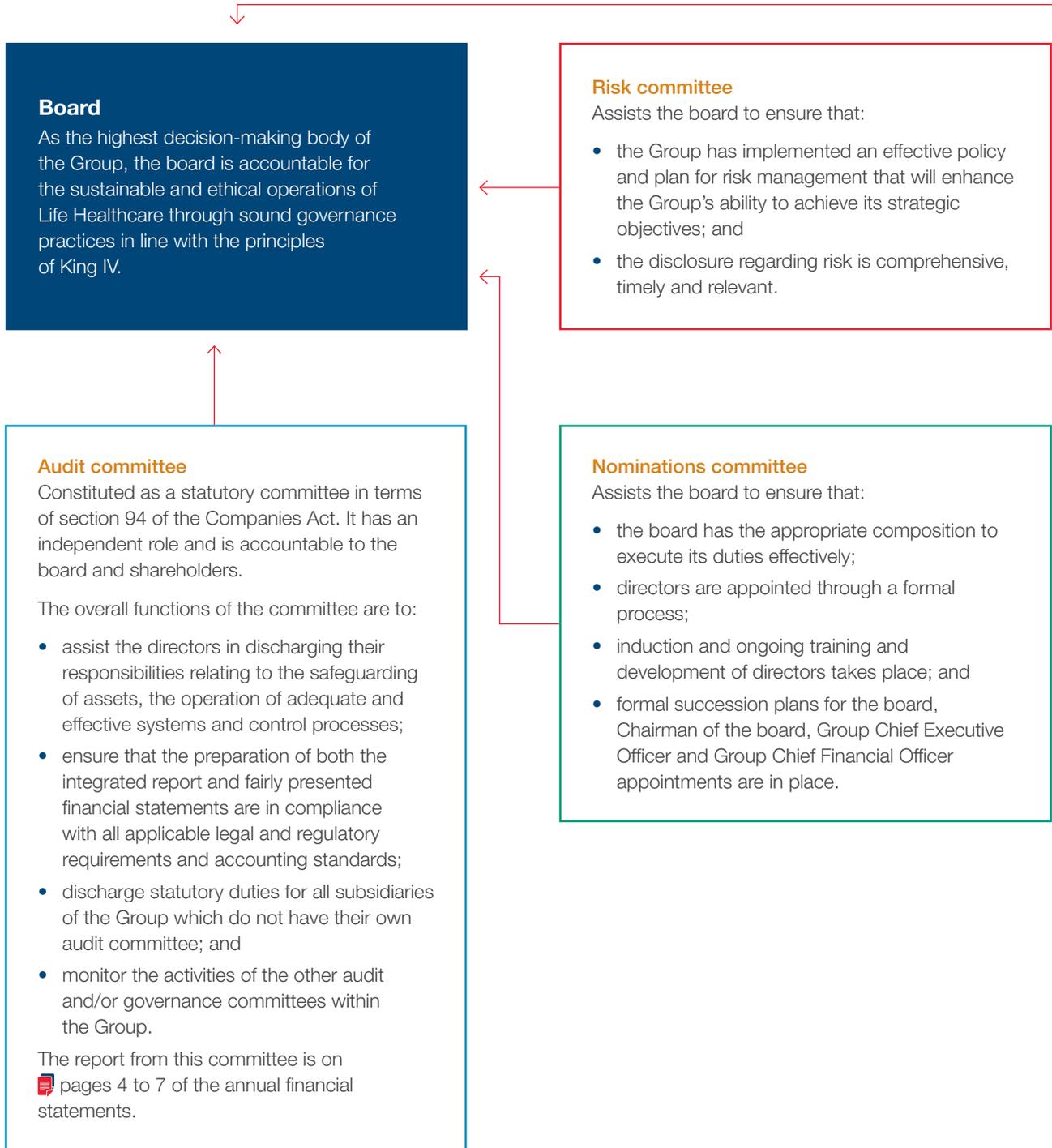
Subsidiary: Life Healthcare Group Proprietary Limited

The following Group operational executive board members serve on the subsidiary boards:

- Alliance Medical: Group Chief Executive Officer, Group Chief Financial Officer, Group Strategy and Investor Relations Executive, Chief Executive Officer: Alliance Medical, Chief Medical Officer: Alliance Medical and Chief Financial Officer: Alliance Medical
- Scanmed: Group Chief Executive Officer, Group Chief Financial Officer, Group Strategy and Investor Relations Executive, Chief Executive Officer: Scanmed and the Group Chief Information Officer
- Southern Africa: Group Chief Executive Officer, Group Chief Financial Officer, Chief Executive Officer: Southern Africa, Chief Financial Officer: Southern Africa and Business Operations Executive: Southern Africa

CORPORATE GOVERNANCE OVERVIEW CONTINUED

Board committees



Investment committee

Assists the board to ensure that material matters that may affect the Group's strategy, financial health or shareholder value are identified and discussed, and, where appropriate or required, recommendations on these matters are made to the board.

Remuneration and human resources committee

Assists the board to ensure that the Group has a clearly articulated remuneration philosophy and human resource strategy that supports the strategic objectives of the Group.

Social, ethics and transformation committee

The social, ethics and transformation committee is constituted as a statutory committee in terms of section 72(4)(a) of the Companies Act, and its main purpose is to ensure that the Group is and remains a good and responsible corporate citizen.

The committee ensures that Life Healthcare's reputation is safeguarded by monitoring the Group's actions and impacts on the environment, consumers, employees, communities and other stakeholders. The report from this committee is on  page 150.

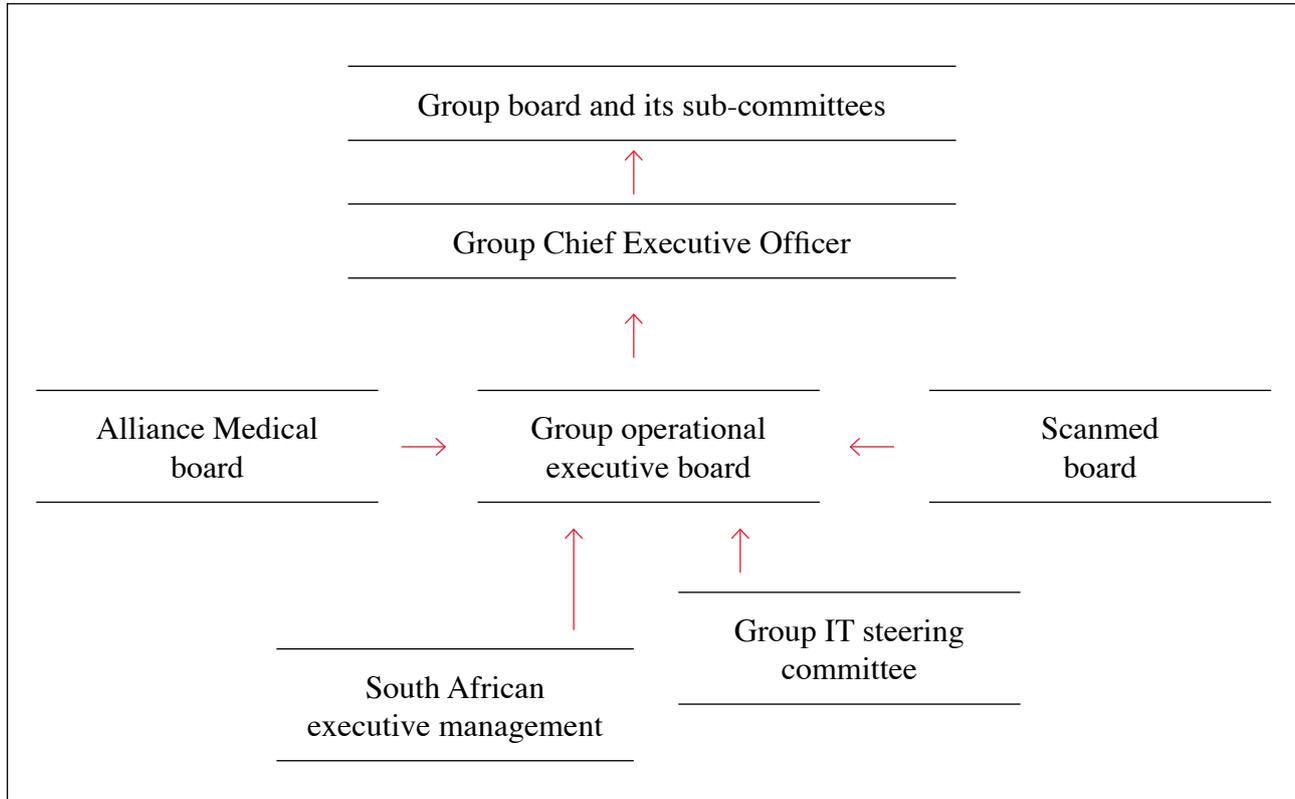
Clinical governance, quality and safety committee

Established on 11 May 2017, the committee's role is to assist the board to ensure that:

- external oversight of the Group's clinical governance arrangements and country-specific regulatory compliance is in place. Its role is also to provide assurance that there are appropriate measures in place to monitor clinical quality, patient safety and patient experience throughout the Group;
- 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; and
- an accurate reflection of existing clinical risks, key controls, assurances, and action plans to deliver against gaps in assurance exist.

CORPORATE GOVERNANCE OVERVIEW CONTINUED

Executive structure



Group operational executive board

The Group Chief Executive Officer and Group Chief Financial Officer have monthly performance reviews with all territories' chief executive officers and the relevant executives to obtain feedback relating to key initiatives and agreed KPIs. The Group operational executive board meets quarterly to discuss the overall performance of the business (financial and quality/clinical), progress on strategic initiatives and top risks by territory. Governance matters and investment committee-related items are also dealt with.

A Group IT steering committee, as a sub-committee of the Group operational executive board, is in place to deal with IT-specific operational, risk and investment matters from a Group perspective.

South African executive management

The South African operations are managed by the southern Africa executive management team. They report to the Chief Executive Officer: Southern Africa who serves on the Group operational executive board.

The southern Africa executive management meets monthly to consider progress relating to key strategic initiatives, performance of the territory (financial and quality/clinical), governance matters, and key operational initiatives and challenges.

Alliance Medical

The Chief Executive Officer: Alliance Medical reports to the Group Chief Executive Officer and serves on the Group operational executive board. Alliance Medical is operationally managed through individual countries'

management teams with the appropriate oversight. Monthly country board meetings are held where the operational and financial performance is discussed. These discussion packs are circulated to Group executives.

The Alliance Medical board of directors is chaired by the Group Chief Executive Officer and includes the Group Chief Financial Officer, Group Strategy and Investor Relations Executive and the Chief Executive Officer: Alliance Medical, Chief Financial Officer: Alliance Medical and Chief Medical Officer: Alliance Medical. The Alliance Medical board operates within the ambit of the shareholders' agreement and the articles of association, and normally meets quarterly in the UK. These meetings focus on progress relating to key strategic initiatives, the performance of each territory (financial and quality/clinical), governance matters and key operational initiatives and challenges.

Scanmed

The Chief Executive Officer: Scanmed reports to the Group Chief Executive Officer and serves on the Group operational executive board. In accordance with the Polish Commercial Code, the Scanmed business is managed by the management board chaired by the Chief Executive Officer: Scanmed. The managing board reports to the subsidiary board comprising the Group Chief Executive Officer (chairman), Group Chief Financial Officer, Group Strategy and Investor Relations Executive and the Group Chief Information Officer. The subsidiary board meets quarterly in Poland, and an annual general meeting takes place in accordance with the Companies Act (Poland).

The managing board operates within the delegation of authority framework approved by the subsidiary board.



CORPORATE GOVERNANCE OVERVIEW CONTINUED

Board composition

The composition of the board reflects an appropriate balance between executive and non-executive directors. The board's and executive management members' biographies supplementary report includes a brief biography of each director and is available online at www.lifehealthcare.co.za. 

NON-EXECUTIVE DIRECTOR



MA (Mustaq) Brey (63)
Chairman

Appointed to the board – 28 November 2003
Appointed Chairman – February 2013
South African
BCompt (Hons), CA(SA)

EXECUTIVE DIRECTOR



PP (Pieter) van der Westhuizen (46)
Acting Group Chief Executive Officer and Group Chief Financial Officer

Appointed to the board – 1 June 2013
South African
BCom (Acc), CA(SA)

INDEPENDENT NON-EXECUTIVE DIRECTORS



PJ (Peter) Golesworthy (59)
Lead independent non-executive director

Appointed to the board – 10 June 2010
British
BA (Hons) (first class), Accountancy Studies, CA



Prof ME (Marian) Jacobs (69)

Appointed to the board – 1 January 2014
South African
MBChB (UCT), Diploma in Community Medicine (UCT), Fellowship of the College of South Africa (with paediatrics)



AM (Audrey) Mothupi (47)

Appointed to the board – 3 July 2017
South African
BA (Hons), (PolSci), Trent University, Canada



JK (Joel) Netshitenzhe (60)

Appointed to the board – 30 November 2010
South African
MSc (University of London, School of Oriental and African Studies), PGDip (Economic Principles), Dip (PolSci)

Board composition as at 30 September 2017

EXPERIENCE

Healthcare sector
 Mergers and acquisitions
 Leadership roles
 Human resources
 Governance of risk management
 International business experience
 Procurement

SKILLS

Finance
 General business
 Strategy
 Medical
 IT

EQUITY DIVERSITY

ACI White
64% **36%**

GENDER DIVERSITY

Male Female
64% **36%**

TENURE ON THE GROUP'S BOARD

< 3 years	3 – 5 years	5 – 9 years	> 9 years
3	3	2	3



Dr MP (Malefetsane) Ngatane (63)
 Appointed to the board – 25 July 2007
 South African
BSc, MBChB, FCOG



ME (Mpho) Nkeli (52)
 Appointed to the board – 1 October 2015
 South African
BSc (Environmental Science), MBA



Adv M (Mahlape) Sello (55)
 Appointed to the board – 3 July 2017
 South African
MA and LLM (Russia), LLB



GC (Garth) Solomon (50)
 Appointed to the board – 23 March 2005
 South African
BCom, BCompt (Hons), CA(SA)



RT (Royden) Vice (70)
 Appointed to the board – 1 January 2014
 South African
BCom, CA(SA)

Board members that resigned during the year



LM (Louisa) Mojela (61)
 South African
 Resigned effective 25 January 2017
BCom (National University of Lesotho)
 Having served on the board for five-and-a-half years, Louisa resigned from the board as she decided to resign from boards where she has served the longest.



A (André) Meyer (51)
Group Chief Executive Officer
 South African
 Stepped down effective 30 June 2017
 After three years as the Group Chief Executive Officer, the board and André mutually decided that he would step down as Group Chief Executive Officer.

CORPORATE GOVERNANCE OVERVIEW CONTINUED

Group operational executive board composition

The Group operational executive board is responsible for the operational delivery across the Group and the delivery of the combination of benefits of southern Africa, Alliance Medical and Scanmed.

The board and the Group operational executive board's biographies, contained in the supplementary report, include a brief biography of each executive and are available online at www.lifehealthcare.co.za. 



PP (Pieter) van der Westhuizen (46)

Acting Group Chief Executive Officer and Group Chief Financial Officer

Refer board of directors



CLW (Lourens) Bekker (58)

Chief Executive Officer: Southern Africa

South African
Industrial Psychology (Hons)



AM (Adam) Pyle (51)

Group Strategy and Investor Relations Executive

South African
BCom, LLB



GE (Guy) Blomfield (49)

Chief Executive Officer: Alliance Medical

British
BA Hons (Accounting and Finance),
MSc (Corporate Finance)



H (Hubert) Bojdo (44)

Chief Executive Officer: Scanmed S.A.

Polish
MEC, PhD studies, Licensed stock exchange broker and licensed tax advisor



Dr C (Charles) Niehaus (47)

Chief Medical Officer: Alliance Medical

South African
MBChB

Power, control, support and appointments

MA Brey, a non-executive director, is the Chairman of the board. In accordance with King IV, PJ Golesworthy is the lead independent non-executive director. The lead independent non-executive director's role includes acting as a sounding board for the Chairman, chairing board meetings in the absence of the Chairman and leading the performance appraisal of the Chairman.

A Meyer, an executive director, was the Group Chief Executive Officer until he, together with the board, decided he would step down effective 30 June 2017. PP van der Westhuizen, current Group Chief Financial Officer, will be the acting Group Chief Executive Officer until Dr Shrey Viranna assumes office on 1 February 2018. Based on representations made by the Group, the JSE granted Life Healthcare a dispensation until 31 December 2017 from the requirements of paragraph 3.84(g) of the JSE Listings Requirements regarding the retention of a full-time position for the Group Chief Executive Officer. The Group is in the process of submitting an application to the JSE for an extension to the dispensation until 31 January 2018.

The roles of Chairman and Group Chief Executive Officer are separate, and there is a clearly outlined division of responsibilities.

Effective control is exercised through the Group Chief Executive Officer, who is accountable to the board through regular reports. Senior executives may attend board meetings as and when necessary to apprise the directors of important events and to develop and implement strategy. This encourages communication and cooperation between the directors and executive management.

The board ensures that no individual has unfettered powers of decision-making and authority, and that shareholder interests are protected. The board considers whether there is an appropriate balance of knowledge, expertise and collective experience among the non-executive directors. The non-executive directors are considered to have the required skills and experience to have objective judgement on matters of strategy, resources, transformation, diversity and employment equity, standards of conduct, evaluation of results and economic, social and environmental policies.

At the Group's expense, directors are entitled to seek independent professional advice to further their duties. All directors have access to the Group Company Secretary, who is responsible for ensuring Group compliance with applicable legislation and procedures.

In compliance with JSE Listings Requirements, non-executive directors do not participate in any share incentive or option scheme of the Group.

Appointments and diversity

Any new appointment to the board involves a formal and transparent process and is a matter of consideration for the full board, assisted by the nominations committee.

The board diversity policy applies to the appointment of new directors and has been taken into account for purposes of succession planning for the board. The nominations committee will make the board appointment recommendations on merit and will consider candidates against objective criteria with due regard to the benefits of diversity, including gender, and the contribution that the candidate will bring to the board. There is an ongoing commitment from the board to strengthen female representation, and preference will be given to female candidates who meet the criteria.

The nominations committee commenced the process for recruiting two independent non-executive directors in April 2017. The process outlined in the policy was applied when considering the shortlist and the appointment of the independent non-executive directors. In addition, an independent party was engaged to conduct reference checks on the shortlisted candidates. The board looks forward to the positive dynamic and contribution that AM Mothupi and Adv M Sello will add to the board's deliberations.

The memorandum of incorporation stipulates that one-third of the board members will retire from office at the annual general meeting and will be eligible for re-election. The directors to retire are those who have been in office longest since their last election or who were appointed during the year. The Group Chief Executive Officer and Group Chief Financial Officer are included in determining the rotation of retiring directors.

Delegation of authority

Life Healthcare has an international, capital intensive business. The strategy, capital and investment budget and plans are approved by the board. In order to control trading activities, it is the board's philosophy that authority and responsibility be delegated to the lowest prudent level, and management is expected to always act in accordance with the Group values formally and informally.

The delegation of authority was revised to provide for the authority levels in all the territories. The board's oversight of Alliance Medical is evolving to ensure continued good governance. Despite these transitions, Life Healthcare is satisfied that the existing framework contributes to role clarity and the effective exercise of authority and responsibilities.

CORPORATE GOVERNANCE OVERVIEW CONTINUED

Directors' attendance at board and sub-committee meetings

The board meets quarterly and on an ad hoc basis to consider specific matters as needed. The board and management meet annually to review strategy and agree on focus areas. Where directors are unable to attend board meetings for any reason, every effort is made to communicate their comments regarding the agenda and general items.

Committee	Board	Audit	Re- muneration and human resources	Nominations	Risk	Social, ethics and trans- formation	Investment	Clinical governance, quality and safety ⁷	Director to be elected or re-elected
Number of meetings held	8	5	5	3	3	3	13	–	
Chairman									
MA Brey ¹	8			3			12		Yes
Independent non-executive directors									
PJ Golesworthy ²	8	5		3	3	2	12		
Prof ME Jacobs ³	6		2		3				
LM Mojela ³	1	2	2	–		1			
Audrey Mothupi ⁴	1	1			2				Yes
JK Netshitenzhe	8				3				
Dr MP Ngatane	8			3		3			
ME Nkeli	8		5			3			
Adv Mahlape Sello ⁴	1		1		2				Yes
GC Solomon	8	5	5				13		Yes
RT Vice	8	5	5				13		
Executive directors									
A Meyer ⁵	5				1	2	8		
PP van der Westhuizen	8				3	1	12		

¹ Non-executive director: attends all the board sub-committee meetings as an invitee where he is not a member.

² Appointed to the social, ethics and transformation committee effective 25 January 2017.

³ Resigned effective 25 January 2017.

⁴ Appointed effective 3 July 2017.

⁵ Stepped down as Group Chief Executive Officer and executive director effective 30 June 2017.

⁶ Resigned as a member of the remuneration and human resources committee effective 4 July 2017.

⁷ The first committee meeting was held in October 2017.

Board accountability

Code of ethics

In living our values, the Group has earned a reputation for fairness and ethical behaviour in all its business dealings and processes.

The board is responsible for ensuring that management embeds a culture of ethical conduct and sets the values by which the Group abides. As such, Life Healthcare's code of ethics (the code) commits employees to the highest standards of integrity, ethics and business conduct.

The code is available at www.lifehealthcare.co.za. 

Guidance for appropriate behaviour in the Group is based on the code. The code sets out policies and procedures to be followed in all aspects of professional, clinical and business dealings, and establishes a set of standards. It guides employees in their behaviour towards supporting medical 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. Alliance Medical has an anti-corruption and an anti-fraud policy in place, these will be aligned to the Group code of ethics going forward.

New employees are familiarised with the code as part of their induction. The code is presented to the social, ethics and transformation committee annually where relevant updates are discussed and submitted to the board for approval. No material changes were made to the code in 2017.

A confidential guidance and support hotline, operated by an international auditing firm, provides an independent facility for employees and suppliers to report fraud or any form of malpractice. A policy of non-retaliation protects and encourages people wishing to share their concerns.

The Group maintains a zero-tolerance approach to fraud. Executives and line management are responsible for implementing procedures against fraud and corruption.

In tandem with the code, individuals from Life Healthcare are represented on the South African Nursing Council, and the professional conduct committee that monitors professional misconduct within the nursing profession. Professional employees are encouraged to become members of their professional associations.

2017 focus areas

Developed and rolled out proactive ethics-related communication to the business, in conjunction with marketing and communications.

Monitoring ethics within the Group

The Group's ethics standards, as stipulated in the code, are monitored to track achievement. In the case of non-compliance, appropriate disciplinary action is taken as Life Healthcare responds to offences and aims to prevent their recurrence.

Business ethics assessment

As part of the 2016 internal audits, a business ethics assessment of Life Healthcare was conducted, covering July 2015 to June 2016. Tangible metrics and evidence pertaining to the promotion, implementation and monitoring of ethics across the Group were examined to evaluate the effectiveness of ethics management. In addition, internal audit conducted an independent survey across the employee spectrum to gauge their perceptions regarding ethics.

The ethics assessment revealed an overall positive outcome. Life Healthcare has sound policies, and the governance structures are designed to support and incorporate ethics considerations as part of the day-to-day management. Responses to potential and real ethical

breaches are prompt and thorough. The employee ethics perception survey indicated a positive overall response, which indicates generally positive leadership affirmation. Improvement areas were identified, including that proactive ethics-related employee communications and ethics training should be consistently applied throughout the Group.

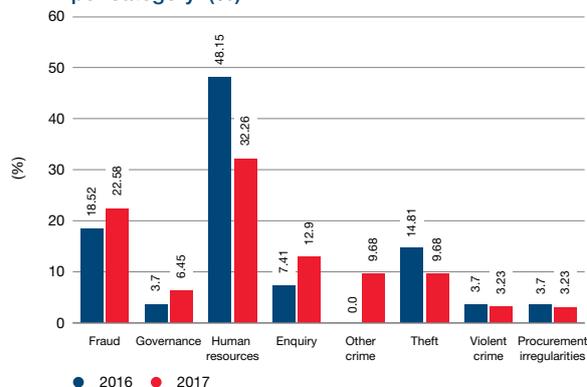
QUICK FACT

Efficient control compliance, with internal and external audits yielding no material deviations.

Tip Offs Anonymous

Employees, doctors and suppliers can report suspected irregularities anonymously to an independent service provider. Reported incidents are independently assessed, and where relevant, independently investigated. These incidents are also reported to the audit committee and the social, ethics and transformation committee.

Tip Offs Anonymous number of reports per category (%)



Of all the tip-offs received in the year, the majority were deemed to be unfounded and only two matters remain under investigation.

CORPORATE GOVERNANCE OVERVIEW CONTINUED

2018 focus areas

- Training on ethics to be standardised throughout the Group.
- Proactive communication on ethics will be continued through print and digital media, including our international businesses.

Internal controls

We maintain accounting records, and developed systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements. The board delegates responsibility for the adequacy and operation of these systems to the Group Chief Executive Officer. These records and systems are designed to safeguard assets and minimise fraud. The systems of internal control are based on established organisational structures, such as written policies and procedures, which include budgeting and forecasting disciplines and the comparison of actual results against these budgets and forecasts.

The Group has a key operational processes checklist, and has assigned responsibilities for controls in the processes to relevant employees. Compliance is tested by internal and external audit reviews.

Internal audit

Internal audit is an independent, objective assurance and consulting function designed to add value and improve the operations of the Group. It assists the Group with accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal audit reports administratively to the Group Chief Financial Officer and functionally to the audit committee, and has unrestricted access to its chairman, the Chairman of the board and the Group Chief Executive Officer. A Chief Internal Audit Executive was appointed with effect from 1 December 2017 to provide strategic direction and oversight of all our operations. In May 2017, we appointed EY to provide outsourced internal audit services for the southern Africa operations. In Poland, internal audit is outsourced to Deloitte and the optimal internal audit structure for Alliance Medical is under consideration.

A risk-based internal audit plan is developed and approved by management and the audit committee. Every internal audit assignment is accompanied by a detailed report to management, which includes recommendations for improvement. Significant business risks and weaknesses in the operating and financial control systems are highlighted and brought to the attention of the audit committee, senior management and external auditors.

Induction and training of directors

It is important that directors are kept up to date with their duties as well as changes in the Group. On appointment, new directors are briefed on their fiduciary duties and responsibilities by executive management. The nominations committee approved an induction policy which includes the requisite reading material and the required exposure to the business. The policy is reviewed annually by the nominations committee. In addition, new directors receive information on JSE Listings Requirements, King IV, the Companies Act and obligations they have to comply with. The Group Company Secretary assists the Chairman with the induction of directors.

Directors are informed of relevant new legislation and changing commercial risks that affect the Group. Board training sessions are linked to board meetings. Presentations relating to, inter alia; NHI, the HMI, and amendments to the JSE Listings Requirements, took place during the year. A King IV gap analysis presentation was also performed.

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

Independence and conflicts of interest

The Group's nominations committee is responsible for assessing the independence of the Group's directors on an annual basis. Independence is determined according to the Companies Act, JSE Listings Requirements and the recommendations in King IV, which takes into account, among others, the number of years a director has served on the board.

The board was satisfied that all its independent non-executive directors met its independence criteria for the 2017 financial year.

The following non-executive directors have served on the board for longer than nine years:

Mustaq Brey

Mustaq owns shares in the Company, the value of which is material to his personal wealth, he can thus not be considered to be an independent non-executive director. However, the nominations committee board is satisfied that Mustaq displays objective, unfettered judgement in decision-making and that his objectivity has not been compromised by virtue of his shareholding. Mustaq has served on the board for 13 years and 10 months.

Dr Malefetsane Ngatane

Despite serving on the board for longer than nine years, the board is satisfied that Dr Ngatane continues to exercise objective judgement in decision-making. In its assessment, the nominations committee confirmed that Dr Ngatane has no interest, position, association or relationship which is likely to influence unduly or cause bias in decision-making. Dr Ngatane has served on the board for 10 years and 2 months.

Garth Solomon

Despite serving on the board for longer than nine years, the board is satisfied that Garth continues to exercise objective judgement in decision-making. In its assessment, the nominations committee confirmed that Garth's shareholding in the Company is not material to his personal wealth. It further confirmed that Garth has no position, association or relationship which is likely to influence unduly or cause bias in decision-making. Garth has served on the board for 12 years and 6 months.

Directors are required to avoid a situation where they may have a direct or indirect interest that conflicts with the Group's interests. A conflicts of interest policy is included in the code of conduct and ensures that 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, or when a change has occurred.

Succession planning

Succession planning is important in ensuring continuity and maintaining the correct mix of expertise on the board. The nominations committee continually assesses the board and its sub-committees' composition. This year the nominations committee, in considering the skills set of the board, was of the view that a board member with significant international experience, in addition to Royden Vice, was required given the Group's increased global presence. It was agreed that this be considered further post appointment of the new Group Chief Executive Officer. The nominations committee reviewed the board diversity policy and it was recommended to the board that no changes be made to the policy.

The board is satisfied with the current board composition for 2017.

Group operational executive board succession planning

In September 2017, a remuneration and human resources committee meeting was dedicated to the succession

planning of the Group operational executive board and other key positions in the Group. The succession plan identified emergency successors. Development plans will be put in place for successors where readiness levels of three to five years were indicated. The committee will continue to monitor progress in this regard.

Board evaluation

An external evaluation facilitated by the IoDSA was conducted for the 2017 performance evaluation under the auspices of the nominations committee. Based on the results of the appraisal, the board had significantly more areas that performed well, and the overall score was in line with the listed sector benchmark. The appraisal results also highlighted that the board was well balanced in terms of the gender, race and skills, and works well as a team, with different skills prompting a diversity of ideas.

The assessment identified two key focus areas for 2018:

- The recruitment, appointment and onboarding of the new Group Chief Executive Officer and management of the transition and integration of the Group Chief Executive Officer.
- Ensuring that the Alliance Medical Group is well managed from a governance perspective and properly integrated.

The Group operating model meets the requirements of the board's oversight role from a combined assurance, compliance and risk perspective.

CORPORATE GOVERNANCE OVERVIEW CONTINUED

The prior year's internal board assessment identified three key focus areas:

Focus area	2017 progress
<p>The role of the board in stakeholder engagement needs to be more clearly defined</p>	<ul style="list-style-type: none"> • The board received regular updates on stakeholder engagements including those in relation to the Life Esidimeni matter and investor roadshows. • Opportunities for the board to interact with stakeholders were provided. • The board continued to receive updates on the HMI and matters related to NHI.
<p>The board's desire to interact more broadly across the Group to gain a better understanding of the operations</p>	<ul style="list-style-type: none"> • The induction of the two new directors included a visit to a hospital in the area where they reside. • The members of the investment committee visited selected Alliance Medical sites in the UK and Italy. • The attendance at board meetings and the board strategy sessions has been expanded to include members of the Group operational executive board. The attendance at board sub-committee meetings includes senior management and functional heads. Exposure is also provided to individuals to present at these meetings if this forms part of an individual's development plan.
<p>The implementation of succession planning for the board going forward</p>	<ul style="list-style-type: none"> • The nominations committee embarked on a process to ensure appropriate succession planning and, at the 2017 AGM, shareholders approved the consequent amendment to the Company's MOI. The amendment provides that a director, at the annual general meeting following their 70th birthday, shall retire and not be eligible for re-election, unless the nominations committee determines otherwise. This will enable the group to retain board members with valuable knowledge, skills and experience while maintaining continuation on the board. This also provides opportunities for mentoring less experienced board members if required. • The nominations committee ascertained the intentions of individual board members with regard to their tenure on the board and, given the recruitment of the two board members, the committee is satisfied with the current skill sets represented on the board. However, given the Group's international expansion, the committee is of the view that another board member with international experience will enhance the collective skill set of the board.

Group Company Secretary

F Patel's role as Group Company Secretary is to guide the board in its duties and responsibilities, keeping directors abreast of relevant changes in legislation and governance best practices. She works with the board to ensure compliance with Group policies and procedures, applicable statutes, regulations and the roll-out of King IV.

She plays an active role in the Group's corporate governance process and ensures that the proceedings and affairs of the directorate, the Group and, where appropriate, shareholders are properly administered. The Group Company Secretary oversees the induction of new directors. She is kept apprised of directors' dealings in

Life Healthcare's shares and ensures that the appropriate disclosures are made in accordance with the JSE Listings Requirements.

In line with King IV and paragraph 3.84(h) of the JSE Listings Requirements, the board assessed the competence, qualifications and experience of the Group Company Secretary through a formal external evaluation process conducted by the Institute of Directors in Southern Africa (IoDSA) under the auspices of the nominations committee. The board is satisfied that the Company Secretary has the requisite qualifications and experience to effectively discharge her duties and maintains an arm's-length relationship with the board and directors.

Board sub-committees overview

Each sub-committee is chaired by an independent non-executive director. Certain executives are required to attend sub-committee meetings by invitation. External auditors attend the audit committee meetings.

The sub-committees report back to the board at every board meeting, and the minutes of the sub-committee meetings are tabled for noting. Where the minutes are not

available, the chairman of the sub-committee provides verbal feedback, and the minutes are then tabled for noting at a subsequent board meeting.

The role of the board sub-committees is formalised by terms of reference which define their authority and scope. All sub-committee terms of reference were reviewed and amended where relevant. There were no changes in key terms of reference for board sub-committees in 2017 unless otherwise stated.

Audit committee	<p>Composition</p> <p><i>Chairman</i></p> <ul style="list-style-type: none"> • Peter Golesworthy <p><i>Members</i></p> <ul style="list-style-type: none"> • Louisa Mojela¹ • Audrey Mothupi² • Garth Solomon • Royden Vice 	<p>Key focus areas in 2017</p> <ul style="list-style-type: none"> • Poland impairment • Rights offer matters • The Alliance Medical transaction and matters flowing from this such as funding and control on non-audit services • The tax policy, which was adopted for the first time, and the hedge policy • Critical matters namely, the rights issue, debt and covenants • Material judgements from a financial perspective <p>The committee was satisfied that it had executed its duties during the financial year in accordance with its terms of reference.</p>
Risk committee	<p>Composition</p> <p><i>Chairman</i></p> <ul style="list-style-type: none"> • Joel Netshitenzhe <p><i>Members</i></p> <ul style="list-style-type: none"> • Peter Golesworthy • Prof Marian Jacobs • André Meyer³ • Audrey Mothupi² • Adv Mahlape Sello² • Pieter van der Westhuizen 	<p>Key focus areas in 2017</p> <ul style="list-style-type: none"> • Appointment of an independent adviser to assist the committee on IT-related matters. • Cyber risk, particularly in relation to medical devices and equipment • Group compliance strategy • Review of the risk process followed by Alliance Medical • Revised risk appetite and tolerance statements to take account of the different territories that the Group operates in <p>The committee was satisfied that it had executed its duties during the financial year in accordance with its terms of reference.</p> <p>Key changes to terms of reference</p> <ul style="list-style-type: none"> • To provide for the committee's responsibility in monitoring management's response to cybersecurity and social media risks
Nominations committee	<p>Composition</p> <p><i>Chairman</i></p> <ul style="list-style-type: none"> • Peter Golesworthy <p><i>Members</i></p> <ul style="list-style-type: none"> • Mustaq Brey • Louisa Mojela¹ • Dr Malefetsane Ngatane 	<p>Key focus areas in 2017</p> <ul style="list-style-type: none"> • Desktop board skills analysis • Succession planning • Process and appointment of two independent non-executive directors in line with the diversity policy • Recruitment of a new Group Chief Executive Officer <p>The committee was satisfied that it had executed its duties during the financial year in accordance with its terms of reference.</p>

¹ Resigned from the board effective 25 January 2017.

² Appointed effective 4 July 2017.

³ Stepped down as Group Chief Executive Officer and executive director effective 30 June 2017.

CORPORATE GOVERNANCE OVERVIEW CONTINUED

Investment committee

Composition

Chairman

- Garth Solomon

Members

- Mustaq Brey
- Peter Golesworthy
- Royden Vice
- André Meyer¹
- Pieter van der Westhuizen

Key focus areas in 2017

- Consideration of the Group's budget
- The acquisition of Alliance Medical
- Rights offer matters including pricing
- Funding strategy
- Acquisitions in South Africa and the cyclotron business in Germany
- Review of the performance of the international operations
- India strategy
- Distribution policy

The committee was satisfied that it had executed its duties during the reporting period in accordance with its terms of reference.

Key changes to terms of reference

- To provide for the review of the international operations performance, integration and alignment in the early stages post acquisition.
- The materiality amount was revised from R80 million to R100 million. This amendment was carried through to the delegation of authority document.

Remuneration and human resources committee

Composition

Chairman

- Royden Vice

Members

- Prof Marian Jacobs²
- Louisa Mojela³
- Mpho Nkeli
- Adv Mahlape Sello⁴
- Garth Solomon

Key focus areas in 2017

- Consideration of the Group's remuneration policy and implementation report
- Reviewing the Group's HR strategy
- Succession planning for executive management throughout the Group
- Approval of the salary mandate
- Impact of the rights offer on the employees share plan and the long-term incentive plan
- Retirement fund matters

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

Key changes to terms of reference

To provide for:

- the committee's responsibility in approving the HR strategy including reviewing the Group's performance in terms of HR development and retention against internal transformation targets; and
- finalising and making recommendations to the board in respect of key performance indicators for the Group Chief Executive Officer on an annual basis.

Social, ethics and transformation committee

Composition

Chairman

- Mpho Nkeli⁵
- Louisa Mojela³

Members

- Peter Golesworthy⁶
- Dr Malefatsane Ngatane
- André Meyer¹
- Dr Nilesh Patel⁷
- Pieter van der Westhuizen⁸

Key focus areas in 2017

- Consideration of the Group's B-BBEE strategy and progress against the B-BBEE scorecard
- Environmental initiatives and progress against targets
- Code of ethics review and implementation including whistle-blowing arrangements
- Health policy and related legislation
- PoPI roll-out
- Skills development and progress against plan
- Plan to roll-out code of ethics, CSI and environmental reporting throughout the Group

The committee was satisfied that it had executed its duties during the reporting period in accordance with its terms of reference.

Clinical governance, quality and safety committee

Composition

Chairman

- Prof Marian Jacobs

Members

- Dr Malefatsane Ngatane
- André Meyer¹
- Pieter van der Westhuizen⁸

Key focus areas in 2017

- Governance framework to establish effective reporting to the committee
- Clinical governance processes by territory

¹ Stepped down as Group Chief Executive Officer and executive director effective 30 June 2017.

² Resigned from the committee effective 4 July 2017.

³ Resigned from the board effective 25 January 2017.

⁴ Appointed to the committee effective 4 July 2017.

⁵ Appointed chairman of the committee effective 25 January 2017.

⁶ Appointed to the committee effective 25 January 2017.

⁷ Resigned effective 4 March 2017.

⁸ Appointed to the committee effective 26 July 2017.

CORPORATE GOVERNANCE OVERVIEW CONTINUED

Codes, regulations and compliance

The board is responsible for the Group's compliance with applicable laws, rules, codes and standards. Compliance is an integral part of the Group's culture in ensuring the achievement of its strategy. The Group's board has delegated the implementation of an effective compliance framework to management. Supervision of compliance risk management is delegated to the risk committee, which reviews and approves the arrangements in place to monitor compliance. The Group complies with various codes and regulations such as the Companies Act, the JSE Listings Requirements and King III, and is in the process of rolling out King IV.

In respect of the southern Africa business, a QMS is in place which is designed to ensure compliance with legal

requirements, industry standards and the Company's internal Group requirements across all aspects of its business and operations. Internal quality audits are performed annually at hospitals to assess compliance with legal and industry requirements from an occupational health and safety, environment, quality, and human capital perspective.

In respect of Alliance Medical and Scanmed, there are dedicated legal and compliance resources that actively support business monitoring and provide advice on relevant new laws and dealing with regulators and enforcement action.

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

2017 focus areas	2018 focus areas
<ul style="list-style-type: none"> Approval of a compliance framework for the Group 	<ul style="list-style-type: none"> Commencement of the roll-out of compliance metrics throughout the Group in line with the compliance framework

King IV

Life Healthcare endorses and endeavours to adhere to the guidelines and principles of King IV. A King IV implementation report and a gap analysis is available on the Group's website. 

Principle	Application of the principle
Leadership, ethics and corporate citizenship	
<i>Principle 1</i>	<i>Leadership</i>
The board should lead ethically and effectively.	<p>Based on the recent board evaluation conducted by the IoDSA, the performance assessment tested, inter alia, whether the board exercised leadership, enterprise, integrity and judgement in directing the business of Life Healthcare. The board was found to be effective in the afore-mentioned key areas.</p> <p>A code of ethics has been adopted by the board. The code is intended to focus the board and each director on areas of ethical risk, and it fosters a culture of honesty and accountability which all directors ascribe to.</p>

Principle	Application of the principle
<p><i>Principle 2</i></p> <p>The board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p>	<p><i>Organisational values and ethics</i></p> <p>In terms of the board charter, the board discharges its role and responsibilities with due regard to the values that support the central tenets of Life Healthcare's name and brand. In providing the required leadership in terms of establishing and maintaining an ethical culture within the organisation, and to ensure that ethics is managed effectively, the board applies the governance principles contained in King IV and continues to entrench the recommended practices through the Group's governance processes and procedures. There is a code of ethics in place which is applicable to employees and contractors. Adherence to the code of ethics is also incorporated as part of the contractual arrangements with parties in the supply chain. Part of the Group's core values, Quality to the power of e (Q^e), encompasses ethics to ensure that all business endeavours are conducted within the framework of legal and ethical standards.</p> <p>The board, with the assistance of the social, ethics and transformation committee and the audit committee oversees the management of ethics and monitors the Company's activities to ensure they are in line with the code of ethics.</p>
<p><i>Principle 3</i></p> <p>The board should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>	<p><i>Responsible corporate citizenship</i></p> <p>The board has delegated to the social, ethics and transformation committee the responsibility for monitoring and reporting of social, ethical, transformational and sustainability practices that are consistent with good corporate citizenship.</p>
<p>Strategy, performance and reporting</p>	
<p><i>Principle 4</i></p> <p>The board should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p>	<p><i>Strategy, implementation and performance</i></p> <p>The board approves and monitors the implementation of the strategy and business plans for each of the territories that the Company operates in. The board, assisted by the risk committee, reviews key risks and opportunities impacting on the achievement of its strategic objectives.</p> <p>The board, in determining strategy, considers the six capitals in directing the Company's inputs and activities towards sustainable and positive outputs and outcomes. The value creation process is set out in the integrated report as well as the Company's performance against its strategic objectives. Information on material matters and risks and opportunities can be found in the integrated report.</p>
<p><i>Principle 5</i></p> <p>The board should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short-, medium- and long-term prospects</p>	<p><i>Reports and disclosure</i></p> <p>The board is assisted by the audit committee in reviewing and approving the integrated report. The report is prepared in line with recognised local and international guidelines including International Financial Reporting Standards (IFRS), the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework, the reporting principles contained in King IV and the JSE Limited Listings Requirements.</p> <p>The integrated report, when read with the annual financial statements, provides a comprehensive view of the Company's performance.</p>

CORPORATE GOVERNANCE OVERVIEW CONTINUED

Principle	Application of the principle
Governing structures and delegation	
<i>Principle 6</i>	<i>Role of the board</i>
The board should serve as the focal point and custodian of corporate governance in the organisation.	The board has an approved charter which it reviews annually. The board's role and responsibilities are articulated in the board charter. The board is the focal point and custodian of corporate governance, both in terms of how its role and responsibilities are documented and the way it executes its duties and responsibilities.
<i>Principle 7</i>	<i>Composition of the board</i>
The board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	<p>The nominations committee considers, on an annual basis, the composition of the board in terms of the balance of skills, experience, diversity, independence and knowledge needed to discharge the board's role and responsibility.</p> <p>Further details regarding the composition of the board, assessment of the independence of the non-executive directors, induction and the board's diversity policy is contained in the governance section of the integrated report.</p>
<i>Principle 8</i>	<i>Committees of the board</i>
The board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.	<p>The board has seven committees that assist it in discharging its duties and responsibilities as follows:</p> <ul style="list-style-type: none"> • Audit committee • Risk committee • Remuneration and human resources committee • Investment committee • Nominations committee • Social, ethics and transformation committee • Clinical governance, quality and safety committee <p>The committees operate in accordance with written terms of reference which are reviewed and approved by the board annually. The nominations committee reviews the board committees as well as the composition of the committees annually and makes recommendations to the board with due regard to the skills sets required which contribute to the effectiveness of the committees and the distribution of the balance of power to avoid a situation where individual/s dominate decision-making. The nominations committee also considers whether the existing committees allow the board to properly discharge its duties. Each of the committee chairmen provide feedback to the board on the deliberations of the committee meetings and copies of the minutes of the committee meetings are included in the board pack. Additional information on the board committees are to be found in the governance section of the integrated report.</p>
<i>Principle 9</i>	<i>Evaluations of the performance of the board</i>
The board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	Formal assessments of the effectiveness of the board, board committees, Chairman, directors and Group Company Secretary are conducted annually under the auspices of the nominations committee. In-house assessments are conducted and external formal assessments take place every three years. Further details of the external board assessment conducted for FY2017 are contained in the governance section of the integrated report.

Principle	Application of the principle
Principle 10	
<i>Appointment and delegation to management</i>	
The board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	While retaining overall accountability, and subject to matters reserved to itself, the board has delegated authority to the Group Chief Executive Officer to run the day to day affairs of the Company, subject to a delegation of authority framework. The delegation of authority framework sets out authority thresholds and governs sub-delegation. The framework also prescribes authority levels for each of the territories that the Group operates in.
Governance of functional areas	
Principle 11	
<i>Risk governance</i>	
The board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	<p>The board, supported by the risk committee, is ultimately responsible for the governance of risk. The role of the risk committee is to ensure that the Company has implemented an effective policy and plan for risk management which enhances the Company's ability to achieve its strategic objectives. The risk committee oversees the development and annual review of a policy and plan for risk management and recommends these for approval to the board. Management designs, implements and monitors the risk management plan and is accountable for embedding the risk management process in the business. Mitigating controls are formulated to address the risks, and the board is kept up-to-date on progress on the risk management plan. The day-to-day responsibility for management of the risk management plan rests with the Group Risk Manager.</p> <p>Two independent non-executive director members of the audit committee also serve on the risk committee ensuring there is co-ordination in respect of the evaluation and reporting of risks.</p>
Principle 12	
<i>Technology and information governance</i>	
The board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	The board is cognisant of the importance of technology and information as it is interrelated to the strategy, performance and sustainability of the Company. The risk committee is responsible for information and technology governance in accordance with King IV. The committee oversees the implementation of IT governance mechanisms, IT frameworks, policies, procedures and standards to ensure the effectiveness and efficiency of the Group's information systems. The committee has co-opted an external IT specialist to assist it in governing technology and information.
Principle 13	
<i>Compliance governance</i>	
The board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	<p>The board is responsible for the Group's compliance with applicable laws. The board has delegated the responsibility for implementing compliance to management. The board is assisted by the risk committee in monitoring compliance.</p> <p>The social, ethics and transformation committee assists the board with ensuring responsible business practices within the Group and monitors the Group's activities in line with section 72 of the Companies Act, no 71 of 2008 (as amended).</p>

CORPORATE GOVERNANCE OVERVIEW CONTINUED

Principle	Application of the principle
Principle 14	
<i>Remuneration governance</i>	
<p>The board should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium and long-term.</p>	<p>The Group's remuneration strategy's objective is to attract and retain key talent and to motivate and reward employees appropriately to ensure they achieve key organisational objectives.</p> <p>The remuneration report and remuneration policy set out in the 2017 integrated report have been designed to give effect to the Group's strategic objectives.</p>
Principle 15	
<i>Assurance</i>	
<p>The board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.</p>	<p>The Group has implemented a combined risk assurance model which is coordinated and managed by internal audit. Combined assurance at Group and subsidiary levels are overseen by the audit committee.</p> <p>The board has delegated to the audit committee oversight of, inter alia, effectiveness of the Company's assurance services with focus on combined assurance including external audit, internal audit, and the finance function as well as the integrity of the integrated report and the annual financial statements.</p> <p>The audit committee receives on a quarterly basis a detailed report on the progress of the internal audit function against its annual risk based plan.</p> <p>The audit committee report is contained in the annual financial statements.</p>
Stakeholder relationships	
Principle 16	
<i>Stakeholders</i>	
<p>In the execution of its governance role and responsibilities, the board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p>	<p>Establishing and maintaining effective stakeholder relationships are not only essential to sustain the growth of the Company but also an essential component of sound governance. The board has approved a stakeholder framework and engagements with stakeholders are in accordance with the framework.</p> <p>Details of stakeholder relationships and stakeholder engagements are included in the integrated report.</p>
<p>Relationship within a Group of Companies</p>	<p>The board is the custodian of corporate governance across the Group. The delegation of authority framework is approved by the board and reviewed annually. The approved framework and authority levels are implemented throughout the Group. Policies are developed and implemented at Group and subsidiary levels. In cases where policies are required to address specific needs of business, these are developed and applied at business unit level with appropriate Group oversight by the Group operational executive board.</p>

Key southern Africa regulations

These are the key changes/concerns/pending regulations that can have material impact on the southern Africa operations.

National Health Act's Office of Health Standards Compliance

The Minister of Health intends to set norms and standards for quality, in terms of the National Health Act, 61 of 2003. These norms and standards will be aligned with the norms and standards for health establishments as published by the Office of Health Standards Compliance.

The draft norms and standards were published for comment in March 2015. Life Healthcare has reviewed the documents and presented its comments to HASA. HASA attorneys have prepared the consolidated version incorporating the various groups' feedback for submission to the Minister, and HASA submitted collective comments on the regulations. This submission highlights many issues contained in the regulations that currently apply equally to public and private facilities despite the significant differences in operating practices and regulatory frameworks. The procedural regulations pertaining to the functioning of the Office of Health Standards Compliance and handling of complaints by the Ombud came into operation in October 2016.

National Health Insurance (NHI)

South Africa's National Department of Health released the White Paper on NHI on 10 December 2015. The Group submitted its response to the NHI White Paper in May 2016 with a position that fundamentally supports the principle of all South Africans having access to affordable, comprehensive quality healthcare services, but one that questions the approach of the NHI policy in its current form. The NHI White Paper was gazetted in June 2017. The next phase extends from 2017 to 2022, which will focus on the development of NHI legislation and amendments to related legislation.

NHI implementation: *Institutions, bodies and commissions that must be established* was gazetted in July 2017.

Our view is that the NHI fails to address the critical issues required to ensure universal health coverage, namely:

- developing a well-run and functioning public sector;
- improving management skills; and
- addressing the shortage of healthcare professionals.

The costing in the White Paper is not aligned with the current economic reality and there has been no real change from the 2011 Green Paper.

Life Healthcare remains supportive of the government's desire to ensure a stronger healthcare system and looks forward to continued engagement on ways to collaborate and provide constructive input into the direction of the reform agenda in a broader manner.

Free State Licensing Regulations

The Free State Department of Health published regulations in August 2014 on the licensing framework for private hospitals. We submitted comments relating to the premature inclusion of the National Health Act section 36 criteria (certificate of need), and certain inappropriate anomalies and conditions that exist within this Act.

Final regulations were published in September 2014 with no major changes to the draft regulations. This resulted in Life Healthcare challenging the Department, through HASA, in the Free State High Court. The matter was heard on 25 July 2016. Regulations 2, 3, 4, 6 and 14 of the 2014 regulations and the annexures were set aside. Pursuant to the judgment, further amendments were published that are intended to amend and replace the amendments which were set aside with effect from 22 June 2017. The updated regulations published in September 2017 remain problematic and comments have been provided.

CORPORATE GOVERNANCE OVERVIEW CONTINUED

Protection of Personal Information Act (PoPI)

PoPI was promulgated in November 2013 with the commencement date still to be identified. The Act protects the personal information collected and processed by organisations and will impact how personal information held by the Group is dealt with – in relation to employees, patients, doctors and suppliers.

We formed a working group that conducted a gap analysis to highlight areas where additional controls and actions were required to ensure full compliance with PoPI.

Deloitte was appointed to perform a verification of the gap analysis and assisted in the development of an implementation road map. We are in the process of addressing the gaps and rolling out PoPI awareness training throughout the southern Africa operations.

A privacy officer for the Group was appointed effective 1 November 2016.

Labour Relations Amendment Act

Changes to the Labour Relations Act became effective on 1 January 2015, and the impact of the changes in legislation is being addressed as legal precedent develops. The amendment introduced significant changes to the regulation of non-standard forms of employment (part-time), namely temporary employment services (agency staff), employees on fixed-term employment contracts and sessional employees. In order to align with emerging precedent, we made amendments to the way in which we contract with temporary employees.

Proposed amendments to the Medical Schemes Act (MSA)

The proposed amendments attempt to introduce certain limitations on prescribed minimum benefits which are not currently the case under the MSA. In addition, the section also attempts to make prices charged by medical professionals dependent on a 2006 National Health Reference Price List (NHRPL) tariff that was ruled unlawful by the courts during previous HASA litigation or may negotiate alternative tariffs with the relevant healthcare provider where no co-payment or deductible is payable by a member.

Life Healthcare has submitted comments on these proposed amendments, through HASA, wherein it challenges the basis of the proposed amendments as unlawful.

Other reporting requirements

Insider trading

Life Healthcare observes a closed period from the end of the accounting period to the announcement of the interim or annual results, and when otherwise required in terms of the JSE Listings Requirements. During this time, no employee or director who might be in possession of unpublished price-sensitive information may deal, either directly or indirectly, in the shares of the Company. Comprehensive guidelines on how to comply with insider trading restrictions and how to deal with analysts are provided in the insider trading policy.

Going concern

The board considers and assesses the Group's going-concern basis in the preparation of the annual and interim financial statements. In addition, the solvency and liquidity requirements per the Companies Act are considered. The board is satisfied that the Group will continue as a going concern into the foreseeable future.

Material litigation

During the financial year, the Group was not involved in any material litigation or arbitration proceedings, nor were the directors aware of any pending or threatened legal issues which may have a material impact on the Group's financial position. Institutions in the healthcare sector are subject to patient lawsuits and the directors are of the opinion that the Group has sufficient insurance to mitigate financial risk.

Political party contributions

In line with the code of ethics, employees may not make any direct or indirect political contribution on behalf of the Group unless authorised by the board. This includes contributions to candidates, office holders and political parties. No political party contributions were made in the current financial year (2016: nil).

REMUNERATION

REPORT

Driving high performance through competitive remuneration.

Dear shareholder,

I am pleased to present this background letter and the accompanying remuneration report for Life Healthcare.

The group remuneration and human resources committee (the committee) recognise the increased need for stakeholder engagement, and we will continue to engage with major shareholders in this regard.

During the year, the committee dealt successfully with a number of key issues which include:

- dealing with the impact of the rights issue on the Company's incentive schemes;
- the exit of the Group Chief Executive Officer on mutually agreed terms;
- external benchmarking and review of non-executive directors' fees which were lagging behind our peers, primarily as a result of a freeze in fees during 2016. The review included the introduction of separate fees for the role of lead independent non-executive director; and
- addressing the continued shortage of key clinical nursing and pharmacy skills by improving the value proposition to these categories of staff. Staff turnover has improved to the best levels ever experienced in the history of the Company.

We recognise the importance of incentivising our employees and management. We believe that strongly committed employees and management promote the Group's growth, quality, efficiency and sustainability strategic focus areas.

As the demand for healthcare increases, the labour market becomes increasingly competitive. Continued slow economic growth has been a challenge, and global mobility has resulted in the loss of key skills. The Group continues to seek creative ways to attract and retain skilled individuals to address the slow growth of the talent pool, especially regarding clinical skills. Over the past two years, offshore expansion and local market pricing have negatively impacted aspects of profitability. As a result, our LTIs and performance bonuses are becoming challenging.

Challenges like these may lead to executives looking for opportunities outside the Group. It is imperative for us to ensure we prevent the loss of key skills. The committee, in collaboration with the Group as a whole, strives to address challenges faced to ensure future success. The committee has consequently initiated a review of our employee (managerial) value proposition by a leading consulting group.

We endeavour to design and continue calibrating our executive remuneration, in a manner that promotes the achievement of key business objectives in order to qualify for variable remuneration.

The committee is of the opinion that the Group's HR strategy delivered a sound value proposition to employees in the past year, and improved employee retention rates support this. Our employee reward and recognition initiative was developed to ensure a broader application of recognition at all levels in the Company. It recognises when individual and Group performance goes beyond expectation and continues to drive the correct behaviour. The performance of the Life Healthcare share price and resultant lack of retention value offered by the long-term incentive scheme is, however, of concern. The value proposition to senior managers is a key item on the committee's agenda for 2018.

The committee solicits and receives independent, external professional advice on matters within the scope of its duties. During the year, we received assistance on matters associated with remuneration in general and executive remuneration specifically by a number of consultants who, in the view of the committee, are fully independent.

Royden Vice

Chairman: Remuneration and human resources committee

Please note

Life Healthcare Group Holdings Limited and its subsidiaries are defined as the Group, while Company refers to the southern Africa business.

REMUNERATION REPORT CONTINUED

Remuneration policy report

Introduction

In embracing positive governance and effective disclosure, our remuneration policy and implementation are explained in compliance with King IV and draft guidelines and practice notes of IoDSA. The remuneration policy report and the accompanying remuneration implementation report (implementation report) are to be tabled at the upcoming annual general meeting and are to be subject to separate non-binding advisory votes by shareholders.

Through these non-binding advisory votes, the shareholders express their views separately on the remuneration policy and the implementation thereof as disclosed in the implementation report.

We will continue to engage with shareholders as well as other stakeholders regarding our remuneration policy and in particular, be sensitive to our employees' needs and the requirements of the Company to retain our talented and skilled people.

All information relates to southern Africa unless stated otherwise.

Remuneration philosophy

The Group's remuneration strategy's objective is to attract and retain key talent and to motivate and reward employees appropriately to ensure they achieve key organisational objectives.

The remuneration philosophy is informed by business objectives, market competitiveness, employee growth and development, the retention of scarce and specialised skills and legislative compliance.

Our remuneration strategy aims to:

- support the Group's business, human resource strategy, and provide a platform for the provision and articulation of the remuneration policy;
- provide a platform for fair, responsible and transparent remuneration throughout the Group;
- align management's interests with those of shareholders;
- encourage innovation and progress;
- promote an ethical culture and responsible corporate citizenship;
- offer support aligned to the vision and direction of the Group's goals and strategy;
- be flexible in order to adapt and change as the business responds to market forces; and
- continually monitor its efficacy to ensure that the unique needs of the employees and Group are being met.

The Group acknowledges that focused management and employee attention to business objectives are critical success factors for sustained long-term value creation for

stakeholders. To this end, its remuneration strategy aims to attract and retain the talent required to give effect to these objectives.

Therefore, the Group will periodically solicit a number of market survey providers for an indication of the guaranteed remuneration and annual cash incentive payments, made generally and sectorally. This is undertaken in order to assess our positioning compared to the market in terms of key talent, and to assess our own performance in delivering a value proposition to all employees of fair and equitable remuneration.

The committee has a systematic agenda to review the remuneration strategy and overall policy (including higher-level strategic reward principles). It oversees, without interfering in areas where management ordinarily have discretion, the implementation of policy over an annual cycle. At least annually, formal feedback is provided to the board on how the policy objectives are being achieved, and this feedback forms part of the process of obtaining approval of the remuneration report.

In the annual review of the benefits offered by the Group, the committee considers whether they are appropriate and competitive given the industry, the Group's financial position, legislative requirements, and market benchmarks and trends, and if the costs relating to the administration of the benefits/schemes are justified.

The committee reviews the policy and objectively assesses the appropriateness of the fixed to variable remuneration mix for the Group, to ensure that it reflects the remuneration strategy, and:

- serves the Group's operational needs and objectives;
- is competitive;
- is sustainable; and
- serves the achievement of strategic objectives and promotes positive outcomes.

At the same time, it ensures that the tenets of fair and equitable remuneration are addressed, by assessing:

- how the benefits are perceived and understood by participants;
- if the benefits/schemes/trusts are soundly governed;
- whether the benefits/schemes meet the needs of employees and are fair towards all employees; and
- whether benefits that are offered to executives are similarly offered to employees and if not, what the justification is.

This remuneration philosophy and the attendant policies that support it are widely shared with employees, and can also be accessed by the public at www.lifehealthcare.co.za. 

Fair and equitable remuneration structures

The Group targets a mix of remuneration elements to align reward strategy to its stated objective of providing fair, responsible and transparent remuneration throughout the Group, in order to:

- attract, motivate, reward and retain human capital;
- promote the achievement of strategic objectives within the Group's risk appetite;
- promote positive outcomes;
- promote an ethical culture and responsible corporate citizenship; and
- provide a balanced remuneration mix within the Group's financial constraints.

The following aspects are considered in the delivery of a compelling value proposition to employees:

- Job evaluation/job sizing
- Design and implementation of remuneration structures based on a unique mix of remuneration elements specific to Life Healthcare
- Development of integrated performance management systems
- Bonus, incentive and employee ownership plans
- Non-monetary rewards

All elements of remuneration that are offered in the Group are set out in the detailed remuneration policy that follows, including:

- Fixed remuneration: Salary and benefits and how these are determined, including contributions to retirement, risk funds and medical benefits, leave entitlements, allowances and flexible work conditions

- Variable remuneration: Short-term performance incentives – Annual or shorter incentives and (generally) cash performance-based payments
- Variable remuneration: Long-term incentives – share-orientated awards that are performance and retention based
- Retention and sign-on payments
- All other types of payments including, for example, loss of office or termination payments and restraint payments
- Non-executive directors' fee structures and the principles for setting of fees

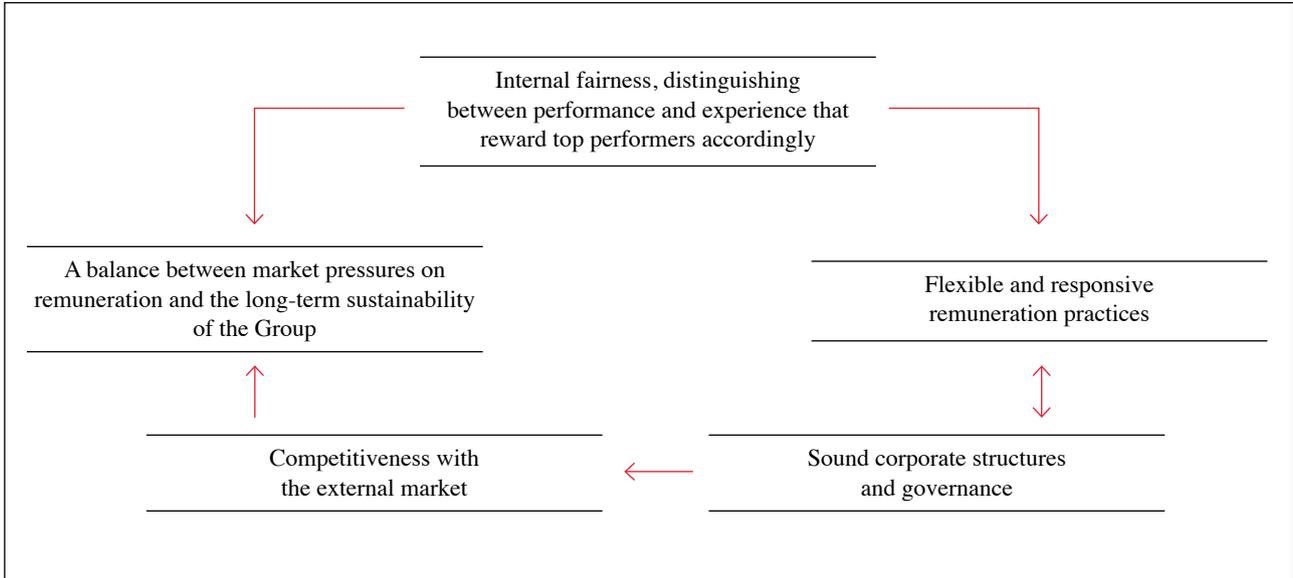
The proposed introduction of policies on malus (pre-vesting) and clawback (post-vesting) provisions and minimum shareholding requirements/guidelines are also discussed.

Non-binding advisory votes on the remuneration policy and remuneration implementation report

In the event that less than 75% support for the remuneration policy and remuneration implementation report are achieved at the annual general meeting, Life Healthcare will invite dissenting shareholders to send reasons for such votes in writing whereafter further engagements may be scheduled.

REMUNERATION REPORT CONTINUED

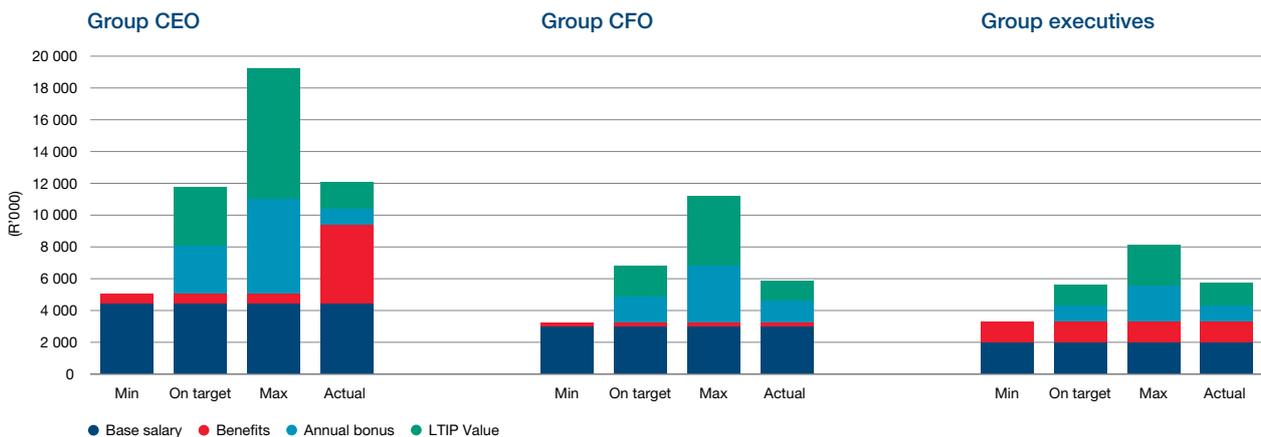
At a practical level, the Group strives for:



The Group offers senior employees a combination of guaranteed remuneration, short and long-term incentives. Short-term incentives are paid to employees at middle management and higher grades who have a line of sight to business objectives. Targets are stretched to encourage superior performance. Senior managers who have a more strategic focus participate in the Group's long-term incentive scheme to ensure long-term sustainability of the Group and alignment with shareholders' interests.

The on-target pay mix apportionment for a number of executive positions in Life Healthcare is shown in more detail in the graph below.

The potential consequences of the remuneration policy on the total remuneration for executive management are illustrated below. The standard minimum, on-target and maximum expected reward mix for executives in Life Healthcare are depicted. Actual remuneration in the year under review is also identified for illustrative purposes, but is commented on more fully in the implementation report which follows.



Notes

- LTIP actual payments are based on 2014 allocations that vested in January 2017.
- For simplicity in the above graph, any actual payments made for extraordinary or outside policy decisions, for example for recruitment or termination, are included under benefits. These benefits are separately detailed and explained in the accompanying implementation report, single-figure disclosure.

Scanmed has a similar remuneration offering to Life Healthcare, i.e. guaranteed remuneration, short and long-term incentive plans. The Group commissioned an international survey house to establish benchmark management salaries for similar sized companies in the Polish market. The combined remuneration offering creates strong alignment to Scanmed company financial performance.

Guaranteed remuneration

Base salary	<ul style="list-style-type: none"> • Attraction and retention of key employees • Internal and external equity • Rewarding individual performance
Benefits	<ul style="list-style-type: none"> • External market competitiveness • Integrated approach towards wellness, driving employee effectiveness and engagement
Allowances	<ul style="list-style-type: none"> • Compliance with legislation • Key focus on attraction and retention of clinical skills • Specialist allowances are paid for specialised employees to recognise skills and incentivise and retain employees. Higher premiums are paid to qualified employees to heighten professionalism and Group excellence • Other variable allowances are paid for additional services rendered
Guaranteed package	<ul style="list-style-type: none"> • Salaries are benchmarked against general market surveys and specific healthcare market data

The Company benchmarks remuneration against the market median which is derived from representative salary surveys.

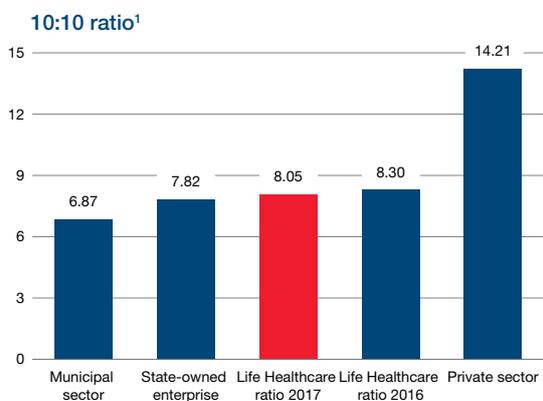
In southern Africa an average increase of 6.0% in guaranteed package was granted to the executives in the 2017 salary review, which was lower than the average increase granted to salaried employees.

Wage gap

Research suggests that the so-called 10:10 ratio provides an insightful view on the top versus bottom earnings comparison in organisations.

This methodology analyses the average guaranteed remuneration of the highest earning 10% of employees against the lowest earning 10% of employees. The Company's 10:10 ratio reflects a more conservative distribution of income compared to the private sector

as depicted below. The Company's efforts in increasing the wages of lower paid employees is evidenced by the reduction in the ratio from 2016 to 2017:



¹ Source: African Journal of Reward – Edition 2 (Bryden Morton and Chris Blair) – March 2017.

REMUNERATION REPORT CONTINUED

Employee benefits

The benefits that form part of total cost to company include the following:

Retirement funds

The Company operates two defined contribution retirement funds:

- The Life Healthcare Provident Fund
- The Life Healthcare DC Pension Fund

In addition, the Company operates two defined benefit funds that have been closed to new membership since 1996. The Life Healthcare DB Pension Fund provides retirement benefits for 121 active members and 246 pensioners. The remaining 10 active members of the Lifecare Group Holdings (LGH) Pension Fund joined the Life Healthcare DB Pension Fund with effect from 1 March 2017, following registration of a rule amendment to allow the Life Healthcare Fund to accept the LGH members. The next step will be to outsource the pensioner liability in the LGH Fund to an insurer, as the fund advances towards closure and deregistration.

The Company-supported retirement funds offer Group life cover and disability benefits to members. Permanent disability and death are covered by lump sum payments that are underwritten by an insurer. The standard cover for new employees is three times annual salary for death and disability cover. Some historical anomalies to this standard cover exist.

Medical aid

It is a condition of employment for permanent employees earning above R7 000 per month (with effect from 1 January 2018) to belong to a Company-supported medical aid, unless membership of a spouse's medical aid can be proven.

Membership of a principal member, spouse and up to two children is subsidised by the Company.

The Company participates in the open medical scheme market and offers Medshield and Discovery Health as options to employees. In addition, medical aid membership is voluntary for employees who earn below the threshold level referred to above. However, the Company will, in instances where employees earning below R 7 000 per month (with effect from 1 January 2018) opt not to join a medical aid, procure a primary health benefit for such employees. This benefit covers, via a bespoke network, doctors' consultations, medication and a certain number of prescribed minimum benefits.

Other benefits

All other benefits are industry benchmarked and are granted on the basis that they aid employee retention and/or provide an efficient work environment for the employee. Such benefits are priced and form part of the annual salary review mandate process.

Short-term incentives

Short-term incentives

- Alignment with Group and business unit performance
- Individual performance, which includes transformation and quality
- Rewards performance against targets

The Group's variable compensation plan (VCP) is a short-term reward scheme based on balanced scorecard methodology and is offered to managers who have line of sight and contribute to the profitability of the business.

Balanced scorecard measures are weighted differently at each level of the organisation in line with the accountability of employees and the behaviour that needs to be encouraged; and both modifiers and gatekeepers are applicable where appropriate, where the gatekeeper acts as a penalty, and a modifier may enhance or decrease incentives for performance relative to targets.

In setting targets, the committee is mindful that external factors, some of which are unpredictable, can mitigate performance, but it strongly believes that overall sustainable performance should still be carefully considered and then targeted, within a mix of financial and non-financial measures that are directly controllable, but still in the context of overall affordability and alignment with shareholder outcomes.

The board may apply its discretion on all payments, to mitigate against unintended consequences, but this discretion is reluctantly applied, and only used in extreme and exceptional circumstances. Such discretion for executives is fully disclosed in the implementation report.

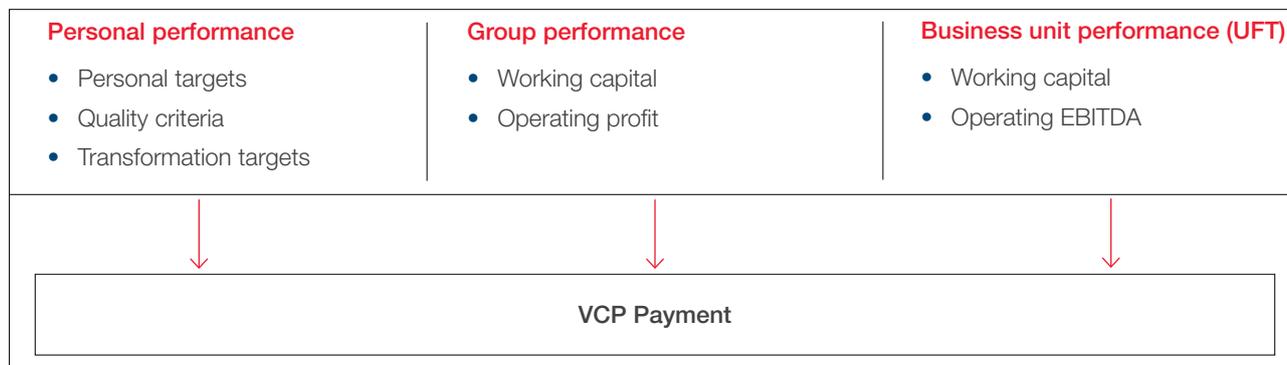
For each performance measure or scorecard element, a weighting is set reflecting its overall importance for that year, as well as levels for threshold, target and stretch performance. Individual and corporate performance targets are reviewed annually in advance.

The Group emphasises pay for performance only, and any business and/or personal performance below a set threshold will result in non-payment of incentives.

Life Healthcare variable compensation plan (VCP) (southern Africa)

a) Balanced scorecard measures

Payments under the VCP scheme are based on personal and financial performance (which is either business unit performance, or a combination of Group and business unit performance).



Note

Specific detail applicable to the Group Chief Executive Officer financial measures are reflected below, and are not illustrated in the above diagram.

The Group CEO has a bespoke balanced scorecard which, for the financial year under review, comprised the following measures:

Financial	Group	<ul style="list-style-type: none"> • Group normalised earnings per share against budget • Group return on equity
	Southern Africa	<ul style="list-style-type: none"> • EBITDA delivered against budget • Free cash flow against budget
	Poland	<ul style="list-style-type: none"> • EBITDA delivered against budget • Improvement of EBITDA margin
Personal	Group	<ul style="list-style-type: none"> • Total growth in current and new business including complementary services • A number of strategic objectives aimed at improving efficiency, quality and sustainability, namely environmental, social and governance (ESG)

REMUNERATION REPORT CONTINUED

b) On-target and maximum payments

The level of potential reward has been industry benchmarked and directly influences total remuneration. A targeted percentage, ranging from 10% to 72.5% of remuneration, represents a theoretical on-target reward should the targeted objectives be met, which escalates as responsibility increases. However, actual reward may exceed this percentage if targets are exceeded. Maximum rewards are as follows:

- Group performance – capped at 225% of on-target remuneration
- Business unit performance – capped at 225% of on-target remuneration
- Personal performance criteria – capped at 120% of on-target remuneration

The maximum potential reward based on the above criteria ranges from 12.6% to 149% of salary, depending on the management level.

Scanned short-term incentive scheme (Poland)

Short-term variable compensation is paid to the management board of Scanned, and targeted reward is based on seniority. Payment is made every six months and is based on the following targeted reward:

Measures	Weighting	
	Chief Financial Officer	Management team
Financial goals	75%	50%
Personal performance	25%	50%

Alliance Medical short-term incentive scheme (UK)

Short-term variable compensation is paid to the management board of Alliance Medical and targeted reward is based on seniority. Payment is made annually and is based on the following targeted reward:

Weighting	Senior management
Financial goals	67%
Personal performance	33%

Long-term incentive plan

Long-term incentives

- Direct alignment with shareholders' interests by making the award conditional upon the achievement of targets.
- Awards are made annually to eligible managers.
- Scheme reviewed annually to ensure its continuous alignment to strategic goals.
- Recently extended to executive management of Scanned (Poland)

Purpose

The purpose of the long-term incentive plan (LTIP) is to motivate and reward executives and senior managers who are able to influence the long-term performance and sustainability of the Group. This is done by rewarding participants based on Group performance against key long-term measures.

The aims of the plan are

- to provide a long-term financial incentive to maximise a collective contribution to the Group's continued growth and prosperity;
- to allow managers to share in the growth of the Group;
- to align managers' interests with those of the Group's shareholders;
- to assist with the recruitment and motivation of managers of the Group;
- to reward executives for sustained out-performance; and

- in terms of a newly adopted policy to encourage unencumbered share ownership, an element of retention, but still governed by performance criteria.

The scheme design

The LTIP is a notional performance share plan for all senior managers and executives. The notional value of the performance shares is linked to the Company's share price. Allocations are made annually.

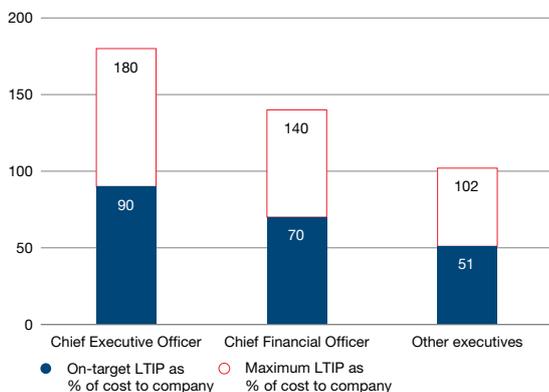
a) Allocation levels and maximum vesting

The value of the award is set to realise a targeted percentage payment of guaranteed package when vesting, assuming targeted performance levels are achieved. The quantum of reward increases with seniority and is market benchmarked.

The value of the performance shares will be determined by the Company's listed share price, using a 30-day volume weighted average traded price (VWAP).

The maximum vestings for the Group Chief Executive Officer, Group Chief Financial Officer, executive directors and prescribed officers are as follows:

LTIP allocation levels and maximum vesting (%)



b) Sustained performance/retention modifier

The allocation of performance shares can be enhanced via a performance/retention modifier to retain key high-performing individuals with no allocation for poor performance, while the allocation for top performance may be enhanced up to 130% of on-target allocations.

c) Vesting and settlement

All units vest at the end of the third year, and the cash value is determined. The after-tax value is used to purchase Life Healthcare shares on the open market, which are delivered to participants.

d) Performance measures

Two performance measures generally apply, namely total shareholder return (TSR) and earnings before interest and tax (EBIT). However, to align closer with shareholder interests, the Group Chief Executive Officer and Group Chief Financial Officer are measured on headline earnings per share (HEPS) in place of EBIT.

Measure	Rationale	Reward threshold	On-target performance	Maximum performance
TSR 50%	Key external indicator ensuring alignment with shareholder interest.	Below 50th percentile = no payment	60th percentile	80th percentile = 200% award
EBIT 50% OR HEPS (Group CEO, Group CFO) 50%	A key internal indicator of the underlying profit performance of the Group, reflecting both revenue and costs. A key indicator of the effective disclosure of the profits and losses of a company in a given trading period.	Below CPI + 1% = no payment	CPI + 4%	CPI + 8% = 200% award

The LTIP scheme is currently under review to possibly include ESG measures, either as gatekeepers or as modifiers.

• Total shareholder return

The target TSR is set as relative to a comparator group of 27 listed companies, which are similar in size and investor profile. The comparator group excludes banks, telecommunications and resources companies, but includes direct competitors in the private healthcare market. On vesting, the actual TSR will be compared to the TSR of the comparator group. This determines the modifier for the number of performance shares vesting.

$$\text{TSR \%} = \frac{\text{Ending share price minus initial share price (plus all dividends received)}}{\text{Initial share price}} \times 100$$

The target thresholds are set at date of allocation of units, and vesting only occurs starting at median performance. The multiplier for the performance shares will be on a sliding

scale from 0% to 200% for each performance measure, thus complete outperformance in comparison to the comparator group results in a maximum 200% award.

• EBIT (HEPS for Group Chief Executive Officer and Group Chief Financial Officer)

The internal financial measure of EBIT is the absolute performance measure that will be used to modify the value of the performance shares vesting. This measure will be set relative to inflation (CPI).

The target thresholds are set at date of allocation of units, and no vesting occurs under CPI + 1%.

Long-term incentive schemes: Rights issue adjustments

The rules of the Company's long-term incentive schemes require that adjustments be made to accommodate the effects of a rights issue. The Company sought advice from a leading investment bank and the committee approved the following adjustments:

REMUNERATION REPORT CONTINUED

Previous LTI Scheme (2013 and 2014 allocations remain)

The last allocation in terms of this scheme was made in 2014. All allocations have vested, however, there are still employee purchased shares and Company matched shares held in trust until restrictions are lifted in 2018 (2013 allocation) and 2019 (2014 allocation).

- The rights issue offer applied to shares held in the LTIP Trust. Where participants elected to follow their rights, they were required to pay for additional rights issue shares with own funds. Under such circumstances the Company matched the employees' commitment by funding the following of rights on Company matched shares.

New LTI Scheme (introduced from 2015)

- An adjustment ratio of 1.21367 was applied to all Performance shares held by participants. The ratio was based on the change in the VWAP in the 10 days before the finalisation date (23 March 2017) and the 10 days VWAP post the rights issue date.
- Base EBIT will be adjusted to reflect the acquisition of Alliance Medical.
- The TSR ranking is obtained from a service provider that factors in any corporate action.

Employment contracts

Executive employment contracts for management are generally subject to a three-month notice period and a subsequent six-month restraint of trade.

The letters of appointment for executive directors specify that he/she "be required to tender his/her resignation as an executive director on the board with effect from the 3rd anniversary date of the date of commencement of the Contract and on the anniversary date of each subsequent 3 (three) year period for the duration of the Contract".

They are entitled, but not obliged, to offer themselves up for re-election as executive director on the Life Healthcare board.

If their re-election is supported by the board, but they are not re-elected, the executive director will resign and the notice period will apply, or alternatively, an appropriate payment in lieu of the notice period may be agreed upon between the parties.

On expiry of the notice period, Life Healthcare will make the following payments:

- An amount equivalent to 12 (twelve) months guaranteed remuneration and the amount of the 13th cheque payment (if applicable)
- An amount equivalent to 12 (twelve) months of the variable compensation plan payment, based on the amount paid to the executive director during the immediately preceding 12-month period, to be escalated by the CPI increase over the same period
- They would be granted good leaver status with all benefits as provided for in the Life Healthcare LTIP

Employee share plan

An employee share ownership plan was implemented via a trust. Commencing in 2012, the Company funded, via the trust, the purchase of shares to the value of R50 million per annum for the benefit of employees. This year an increased contribution of R60 million was approved by the board to purchase shares on behalf of employees.

The trust holds the shares and confers "rights" or units to shares to employees. Permanent employees who belong to Company retirement funds and have one year's service at the date of grant are eligible for an allocation. The rights have been equally distributed to all qualifying employees.

The objectives of the plan are to incentivise and retain employees. To fulfil these objectives, certain conditions need to be attained by the employees to transfer these rights into actual shares:

- Employees need to remain in the employ of the Company for seven years to obtain the full quota of the rights of each allocation made.

Dividends start to flow to employees from the onset of the plan.

Employees who resign or are dismissed during the duration of the scheme will lose their rights to all allocations made, and their rights will be distributed equally among the remaining employees. Thus, the number of rights will increase by the time of transfer of shares to remaining employees. Good leavers, for example those who are retrenched or retire, will have the proportionate number of shares they hold at the time of termination paid out to them, less tax and costs. They will no longer participate in the employee share plan.

Shares, or the after tax equivalent in cash, are transferred from the trust to the employee after five years as follows:

- 25% of the allocated rights transfer to the employee in year five.
- 25% of the allocated rights transfer to the employee in year six.
- 50% of the allocated rights transfer to the employee in year seven.

The first vesting of 25% of the 2012 allocation has taken place in the current year. This means that in the next three years the scheme will be fully ramped up to provide a 100%

vesting to each employee who received their first allocation in 2012.

The Company will continue to acquire shares on an annual basis to ensure that the opportunity is granted to new employees and the objectives of the plan are continuously achieved. Each allocation will be managed separately and will vest according to the same criteria.

The efficacy of the plan is proving advantageous, as employee turnover for the qualifying participants has reduced substantially.

Non-executive directors' remuneration

The fees in respect of non-executive directors are reviewed on an annual basis, and independent survey house data is used for benchmarking purposes. Fees are paid as a combination of a retainer and a fee per meeting to ensure alignment with the emerging market practice and Company culture.

An average increase of 9.6% was granted to non-executive directors, in 2017, to address anomalies in the market.

REMUNERATION IMPLEMENTATION REPORT

This implementation report discloses the remuneration outcomes on a named individual basis, for each executive director and identified prescribed officer (CLW Bekker and GE Blomfield with effect from financial year 2017).

Additional tables provide details of all awards made under various remuneration incentive schemes:

- In schemes that have not yet vested, including the number of LTIP allocations, the values at date of allocation, their allocation and vesting dates, and an estimated fair value at the end of this reporting period
- The cash value of all awards made under variable remuneration incentive schemes that were settled under the reporting period
- The performance measures used with their relative weighting, as a result of which variable compensation plan (VCP) incentive awards and LTIP allocations were made, including: the targets set for the performance measures and the corresponding value of the award opportunity; and for each performance measure, how the Group and executive managers individually performed against the set targets

All individuals are subject to the Company's standard terms and conditions of employment, specifically as they relate to the employment contract and conditions relating to termination.

As a payment was made to the Group Chief Executive Officer as part of a negotiated termination of employment, these amount(s), are disclosed separately, together with an account as to why, in this instance, the committee applied its discretion/judgement to deviate from policy.

A market comparison of executive salaries was conducted during 2017, and the board remuneration and human resources committee approved an additional adjustment of 13% to the Group Chief Financial Officer's salary to align with salaries of similar roles in the market.

Remuneration outcomes – total remuneration

2016/2017 total remuneration outcomes are provided on a name and role basis for the current and prior financial years, with explanatory footnotes identifying, where appropriate, the above provisions.

Actuals achieved 2016 and 2017 in relation to 2017 pay mix targets:

Group CEO – A Meyer¹

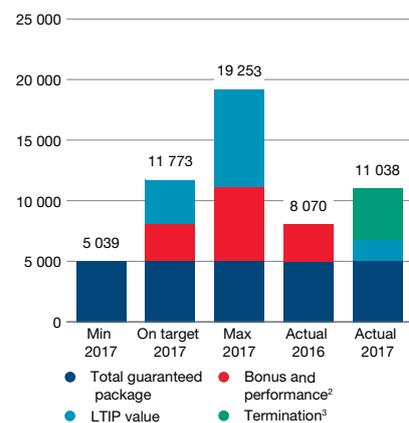
	Total guaranteed package R	Bonus and performance ² R	Total annual compensation R	LTIP value R	Termination ³ R	Total remuneration R
Targeted reward		72.5%		90.0%		
Min 2017	5 039	–	5 039	–	–	5 039
On-target 2017	5 039	3 004	8 043	3 730	–	11 773
Max 2017	5 039	6 009	11 048	8 205	–	19 253
Actual 2016	4 941	3 129	8 070	–	–	8 070
Actual 2017	5 039	–	5 039	1 686	4 313	11 038
Year-on-year growth (%)	2.0		(37.6)			36.8

¹ Mr Meyer terminated his appointment with the Company by mutual agreement, effective 30 June 2017.

² The VCP payment formed part of the mutual separation payment, thus not measured against targets.

³ Mr Meyer's mutual separation payment consisted of a lump sum made up of the following negotiated elements
Negotiated bonus in terms of the variable compensation plan to March 2017 – R686 430
Seven months' guaranteed package – R3 270 853
Leave balance paid out of – R356 000

Group CEO – A Meyer¹ (R'000)

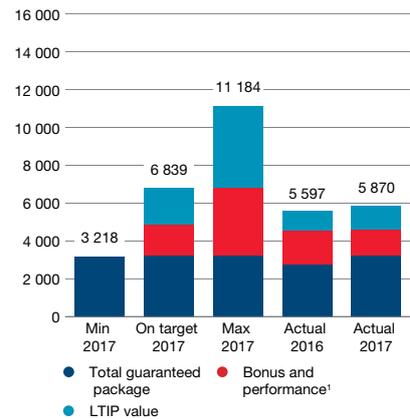


Group CFO – PP van der Westhuizen

	Total guaranteed package R	Bonus and performance ¹ R	Total annual compensation R	LTIP value R	Total remuneration R
Targeted reward		57.5%		70.0%	
Min 2017	3 218	–	3 218	–	3 218
On-target 2017	3 218	1 633	4 851	1 988	6 839
Max 2017	3 218	3 593	6 811	4 374	11 184
Actual 2016	2 750	1 804	4 554	1 043	5 597
Actual 2017	3 218	1 375	4 593	1 277	5 870
Single figure 2017	3 218	1 375	–	1 988	6 581
Year-on-year growth (%)	17.0		0.9		4.9

¹ An additional bonus of R400 000 was awarded in FY 2017 for the successful rights offer and bedding down of the AMG acquisition.

Group CFO – PP van der Westhuizen (R'000)



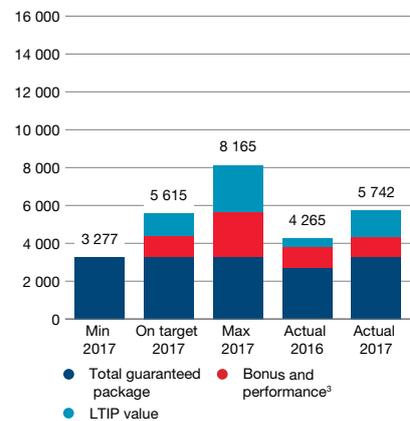
CEO: Southern Africa – CLW Bekker²

	Total guaranteed package R	Bonus and performance ³ R	Total annual compensation R	LTIP value R	Total remuneration R
Targeted reward		57.50%		70.00%	
Min 2017	3 277	–	3 277	–	3 277
On-target 2017	3 277	1 055	4 332	1 284	5 615
Max 2017	3 277	2 320	5 597	2 568	8 165
Actual 2016	2 675	1 133	3 808	457	4 265
Actual 2017	3 277	1 049	4 326	1 416	5 742
Single figure 2017	3 277	1 049	–	1 284	5 610
Year-on-year growth (%)	22.5		13.6		34.6

² Mr Bekker was promoted to CEO: Southern Africa in June 2016.

³ An additional bonus of R335 000 was awarded in FY 2017 for the successful rights offer and bedding down of the AMG acquisition.

CEO: Southern Africa – CLW Bekker² (R'000)



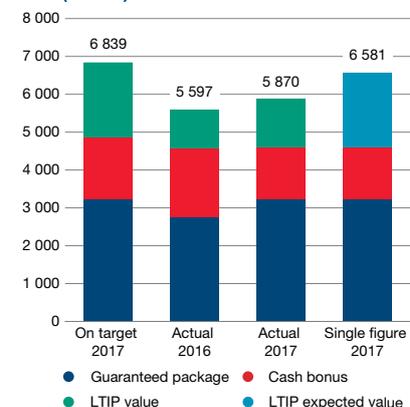
Remuneration outcomes – single figure

2016/2017 total remuneration outcomes are compared to the 2017 target pay mix and a single figure derivation on a name and role basis for the previous year and the year under review.

Group CFO – PP van der Westhuizen

	Guaranteed package R	Cash bonus R	Total annual compensation R	LTIP value R	LTIP expected value R	Total remuneration R
On-target 2017	3 218	1 633	4 851	1 988	–	6 839
Actual 2016	2 750	1 804	4 554	1 043	–	5 597
Actual 2017	3 218	1 375	4 593	1 277	–	5 870
Single figure 2017	3 218	1 375	4 593	–	1 988	6 581

Group CFO – PP van der Westhuizen (R'000)

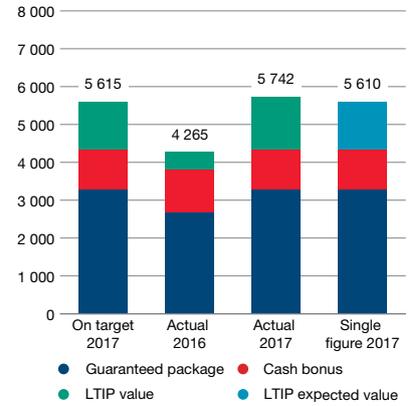


REMUNERATION IMPLEMENTATION REPORT CONTINUED

CEO: Southern Africa – CLW Bekker

	Guaran- teed package R	Cash bonus R	Total annual compen- sation R	LTIP value R	LTIP expected value R	Total remu- neration R
On-target 2017	3 277	1 055	4 332	1 284	–	5 615
Actual 2016	2 675	1 133	3 808	457	–	4 265
Actual 2017	3 277	1 049	4 326	1 416	–	5 742
Single figure 2017	3 277	1 049	4 326	–	1 284	5 610

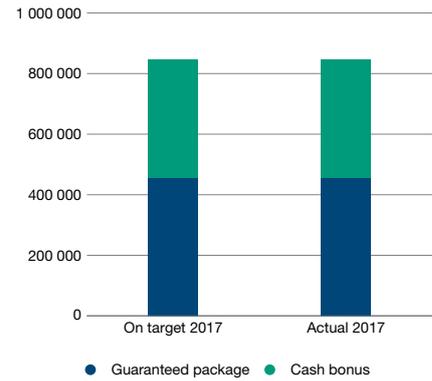
CEO: Southern Africa – CLW Bekker
(R'000)



CEO: Alliance Medical – GE Blomfield

	Guaran- teed package £	Cash bonus £	LTIP value £	Total remu- neration £
On-target 2017	455 090	390 822	–	845 912
Actual 2017	455 090	390 822	–	845 912
Single figure 2017	455 090	390 822	–	845 912

CEO: Alliance Medical –
GE Blomfield (£)



Remuneration outcomes – 2016/2017 variable compensation plan (VCP) outcomes in detail

The results of performance against all measures in the corporate and individual scorecards are disclosed below in such a way that the stakeholder can reasonably assess whether the incentive is in line with the performance measures and the policy.

Financial year 2017

			H1 – FY 2017										
First name	Surname	Job description	Targeted reward	Company weighting %	Financial weighting %	Personal weighting %	Company achievement %	Company award R	UFT financial award %	Total UFT financial award R	Personal award %	Personal award R	Total payment H1 R
André	Meyer	Group Chief Executive Officer ¹	72.50	70	-	30	-	-	-	-	-	-	-
Pieter	van der Westhuizen	Group Chief Financial Officer	57.50	60	-	40	-	-	-	-	140	495 231	495 231
Lourens	Bekker	Chief Executive Officer: Southern Africa	57.50	15	60	25	-	-	50	244 530	100	203 775	448 305

			H2 – FY 2017											
First name	Surname	Job description	Targeted reward	Company weighting %	Financial weighting %	Personal weighting %	Company achievement %	Company award R	UFT financial award %	Total UFT financial award R	Personal award %	Personal award R	Total payment H2 R	Grand total R
Pieter	van der Westhuizen	Group Chief Financial Officer	57.50	60	-	40	-	-	-	-	120	479 667	479 667	974 898
Lourens	Bekker	Chief Executive Officer: Southern Africa	57.50	15	60	25	-	-	-	-	120	265 897	265 897	714 202

Financial year 2016

			H1 – FY 2016										
First name	Surname	Job description	Targeted reward	Company weighting %	Financial weighting %	Personal weighting %	Company achievement %	Company award R	UFT financial award %	Total UFT financial award R	Personal award %	Personal award R	Total payment H1 R
André	Meyer	Group Chief Executive Officer	72.50	70	-	30	115	1 321 613	-	-	100	766 152	2 087 765
Pieter	van der Westhuizen	Group Chief Financial Officer	57.50	60	-	40	115	532 574	-	-	120	370 486	903 060

¹ The variable compensation plan payment for H1-FY 2017 for André Meyer was not measured and was negotiated as part of his mutual separation.

REMUNERATION IMPLEMENTATION REPORT CONTINUED

H2 – FY 2016														
First name	Surname	Job description	Targeted reward	Company weighting %	Financial weighting %	Personal weighting %	Company achievement %	Company award R	UFT financial award %	Total UFT financial award R	Personal award %	Personal award R	Total payment H2 R	Grand total R
André	Meyer	Group Chief Executive Officer	72.50	70	–	30	35	467 973	–	–	100.00	573 029	1 041 002	3 128 768
Pieter	van der Westhuizen	Group Chief Financial Officer	57.50	60	–	40	100	500 570	–	–	120.00	400 456	901 027	1 804 086

Remuneration outcomes – history of recently vested and unvested shares

There are currently unvested shares resulting from two legacy share schemes and from the current share scheme.

- From the Life Healthcare 2009 long-term incentive plan, individuals were allowed to elect prior to the vesting of their 2011 and 2012 allocations to defer settlement, invest the shares for a further three years and have those shares matched with additional restricted shares.
- From the Life Healthcare 2013 long-term incentive plan, individuals were allowed to elect at the time of their 2013 and 2014 allocations to defer the vesting of the shares for a further two years (from three to five), and have those shares matched with additional restricted shares.

From the Life Healthcare 2015 long-term incentive plan, performance units were offered in 2015, 2016 and 2017.

Summaries of the current situation for executive directors and prescribed officers are shown below:

Executive directors	LTIP scheme	Share allocation	1 October 2016			Rights offer			Vested 1 February 2017		30 September 2017			
			Offer price R	Co-investment shares	Matched shares	Offer price R	Additional co-investment shares purchased by executive	Adjustment co-matched shares	Number of shares	Price at exercise date R	Number of shares	Allocation value R	Value based on 30 Sept 2017 share price R	
Pieter van der Westhuizen	LTIP 2009 scheme	1 Jan 11	38.72	8 685	14 471				23 156	34.13	–	–	–	
		1 Jan 12	42.66	6 098	10 163				16 261	34.13	–	–	–	
		1 Jan 13	31.66	7 031	11 916	24.50	2 406	4 077			25 430	758 696	602 691	
		1 Jan 14	35.05	7 381	12 509	24.50	2 526	4 280			26 696	863 892	632 695	
	LTIP 2015 scheme	Share allocation		Offer price R	Per-formance shares		Adjustment to performance shares					Total number of shares	Allocation value R	Value based on 30 Sept 2017 share price R
			1 Sep 15	37.14	43 126		9 215		52 341	1 943 945	1 240 482			
			1 Jan 16	34.58	40 620		8 679		49 299	1 704 759	1 168 386			
1 Jan 17	31.59	65 380		13 970		79 350	2 506 667	1 880 595						

		1 October 2016			Rights offer			Vested 1 February 2017		30 September 2017			
Prescribed officer	LTIP scheme	Share allocation	Offer price R	Co-investment shares	Matched shares	Offer price R	Additional co-investment shares purchased by executive	Adjustment co-matched shares	Number of shares	Price at exercise date R	Number of shares	Allocation value R	Value based on 30 Sept 2017 share price R
Lourens Bekker	LTIP 2009 scheme	1 Jan 11	38.72	10 453	17 422				27 875	34.13	-	-	-
		1 Jan 12	42.66	7 309	12 182				19 491	34.13	-	-	-
		1 Jan 13	31.66	8 521	14 442	24.50	2 916	4 942			30 821	919 530	730 458
		1 Jan 14	35.05	6 941	11 765	24.50	2 376	4 027			25 109	812 519	595 083
	LTIP scheme	Share allocation	Offer price R	Performance shares		Adjustment to performance shares					Total number of shares	Allocation value R	Value based on 30 Sept 2017 share price R
	LTIP 2015 scheme	1 Sep 15	37.14	29 226		6 245			35 471	1 317 393	840 663		
		1 Jan 16	34.58	33 104		7 073			40 177	1 389 321	952 195		
		1 Jan 17	31.59	54 784		11 706			66 490	2 100 419	1 575 813		

		1 October 2016		Awards made during 2017			30 September 2017		
Long-term incentive scheme – C share		Number of shares	Issue price GBP	Number of shares	Date of issue	Issue price GBP	Value of dividends in respect of all plans	Number of shares	Final vesting date
Guy Blomfield		-	n/a	204 546 ¹	22 Nov 2016	0.003	n/a	204 546 ¹	30 Sept 2021

¹ C convertible shares

