



KING IV COMPLIANCE SUPPLEMENTARY REPORT 2017

Life

Well-being and quality
of life

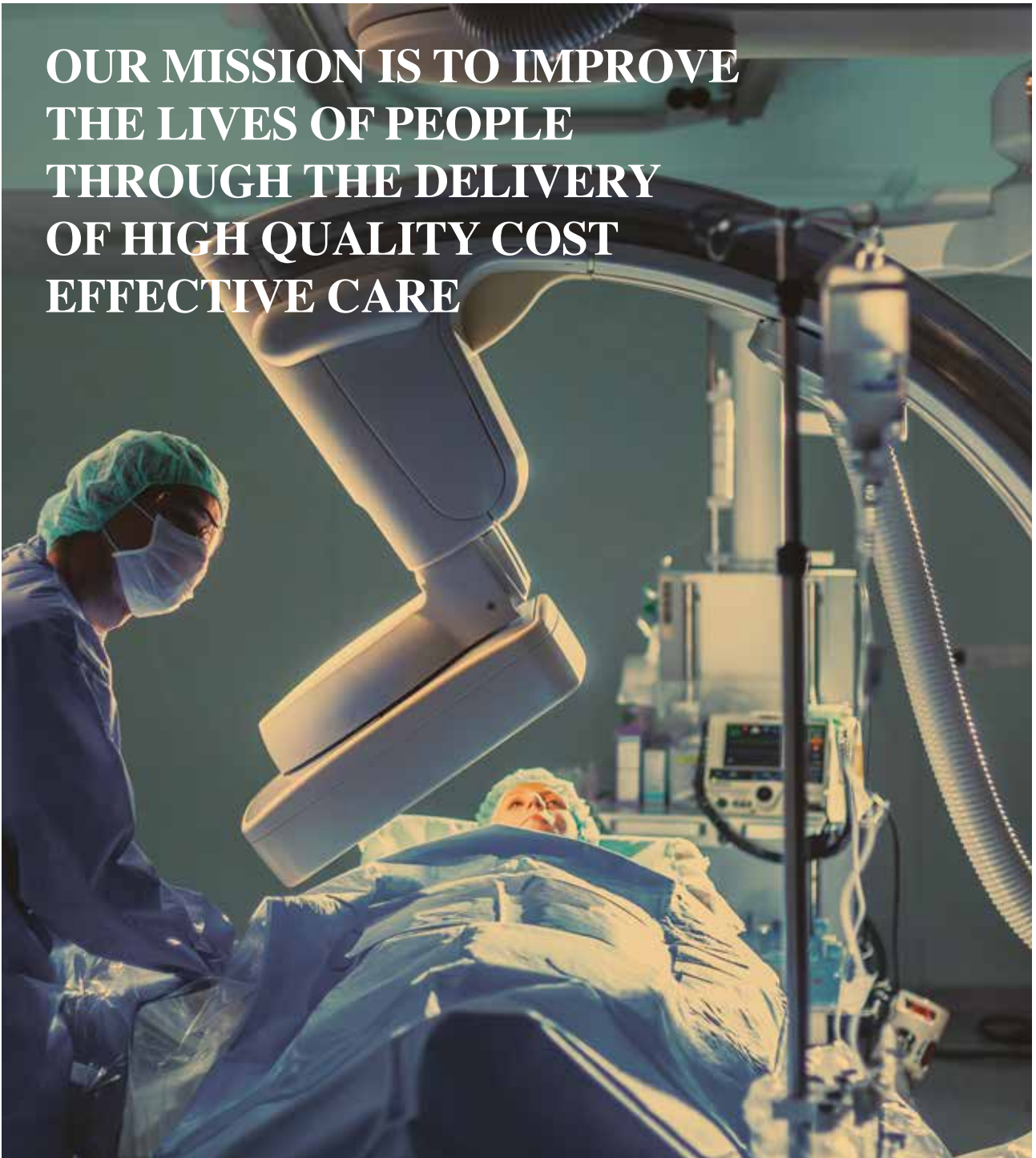
Health

Clinical excellence in world-class
facilities

Care

Quality, service, respect
and empathy for those entrusted
to our care

OUR MISSION IS TO IMPROVE
THE LIVES OF PEOPLE
THROUGH THE DELIVERY
OF HIGH QUALITY COST
EFFECTIVE CARE



This supplementary report is a supporting document for the 2017 integrated report. The integrated report is available at www.lifehealthcare.co.za



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>
<i>Principle 2</i>	<i>Organisational values and ethics</i>
The board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	<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>
<i>Principle 3</i>	<i>Responsible corporate citizenship</i>
The board should ensure that the organisation is and is seen to be a responsible corporate citizen.	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.

Principle	Application of the principle
Strategy, performance and reporting	
<i>Principle 4</i>	<i>Strategy, implementation and performance</i>
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>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>
<i>Principle 5</i>	<i>Reports and disclosure</i>
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>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>
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>

Principle	Application of the principle
<p><i>Principle 8</i></p> <p>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>	<p><i>Committees of the board</i></p> <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>
<p><i>Principle 9</i></p> <p>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.</p>	<p><i>Evaluations of the performance of the board</i></p> <p>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.</p>
<p><i>Principle 10</i></p> <p>The board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</p>	<p><i>Appointment and delegation to management</i></p> <p>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.</p>

Principle	Application of the principle
Governance of functional areas	
<i>Principle 11</i>	<i>Risk governance</i>
<p>The board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p>	<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>
<i>Principle 12</i>	<i>Technology and information governance</i>
<p>The board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</p>	<p>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.</p>
<i>Principle 13</i>	<i>Compliance governance</i>
<p>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>	<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>

Principle	Application of the principle
<i>Principle 14</i>	<i>Remuneration governance</i>
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>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>
<i>Principle 15</i>	<i>Assurance</i>
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>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	
<i>Principle 16</i>	<i>Stakeholders</i>
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>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>
Relationship within a Group of Companies	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.

online

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