AFRO CENTRIC INTEGRATED REPORT 2020

AfroCentric
GROUP

ABOUT AFROCENTRIC

AfroCentric is the most diversified healthcare company in Southern Africa.

We are committed to making healthcare more affordable and widely accessible. Our transformed and integrated service offerings enable us to do this by optimising the healthcare value chain. Recently, we have grown our business through acquisitions to position us as a sustainable and leading healthcare group. By completing the integration of new acquisitions into our business and leveraging the power of technology to transform client service, we are moving closer to achieving our ultimate goal of transforming healthcare.

Snapshot of our performance

3.8 MILLION
lives under **our management**
(2019: 3.7 million lives)

19
client medical schemes in Southern Africa
(2019: 18 client medical schemes)

21.6%
revenue growth
(2019: 25.7%)

5 693 EMPLOYEES
(2019: 5 923 employees)

14.7%
return on equity
(2019: 13.21%)

24.4%
increase in **operating profit**
(8.8% increase)

LEVEL 1
Broad-Based Black Economic Empowerment (**B-BBEE**) status

CONTENTS

NAVIGATION

The following icons are used for reference purposes:

Website Page Group Annual Financial Statements

Key terms and acronyms used in this report are provided in the glossary. 118

CREATING VALUE THROUGH PURPOSE

Our purpose is to enhance the quality of life for our stakeholders.

To achieve our purpose, we determine the **material matters** that are central to our business.

We do this by evaluating our external operating context 22, our stakeholder relationships 24 and the risks and opportunities arising from these (addressed in our material matter discussion).

Read about the material matters that are central to our business 27.

External environment

Stakeholder relationships

Risks and opportunities

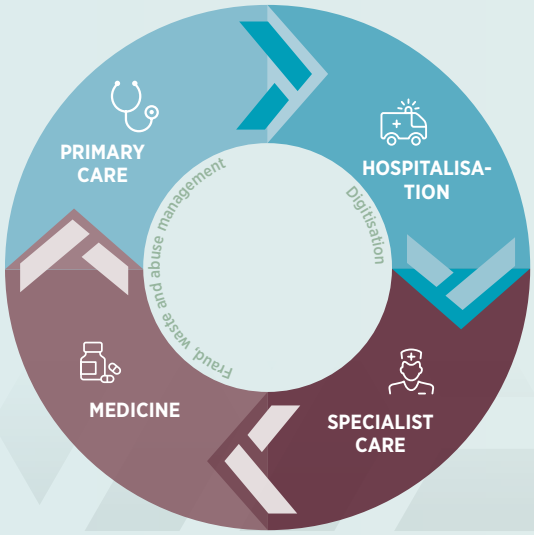
Material matters

We address these material matters through our chosen **strategy**.

Read about our strategy 40.

Our strategy informs our **business model** and the key performance indicators (**KPIs**) we use to monitor progress.

Read about our business model 14.



VALUE DELIVERED TO OUR STAKEHOLDERS

Shareholders

» Dividend yield **9.2%**

Clients

» Voice of the Customer Survey achieved a positive response of **81.82%**

» R3.2 billion managed care savings for medical schemes

Members

» **R1.5 billion** cost savings based on Insurance Fraud Manager (**IFM**) software

» **R228 million** fraud, waste and abuse (**FWA**) cases quantified; **R141 million** recovered

Society

» **Level 1** B-BBEE status

Employees

» **5 693 employee** complement

» **R4.5 million** invested in training spend

We deliver on our strategy through our

business clusters.

Read about our business clusters 62.

Group structure

Most diversified healthcare company in Southern Africa

Medical aid administration, risk management and technology

3.8 million lives under management

39% market share

Group – significant **membership growth**

Substantial **digital and technological advancement**

Pharmaceutical

Largest South African courier pharmacy

Full **medicine spend** can be managed

High impact on overall healthcare spend and savings for schemes

Oncology medicine management

Corporate solutions

Primary care

Occupational health

Fully integrated with **Wellness**

Our performance is underpinned by robust, value-enhancing governance and leadership.

Read about our governance and leadership 69.

Our Integrated Report (report or IR) provides information about AfroCentric Investment Corporation Limited (AfroCentric, the AfroCentric Group, the Company or the Group) for the year ended 30 June 2020.

The report is intended for current and prospective investors and interested stakeholders. It provides information on AfroCentric's governance, material risks and opportunities, performance against strategy, our impact on society and our prospects.

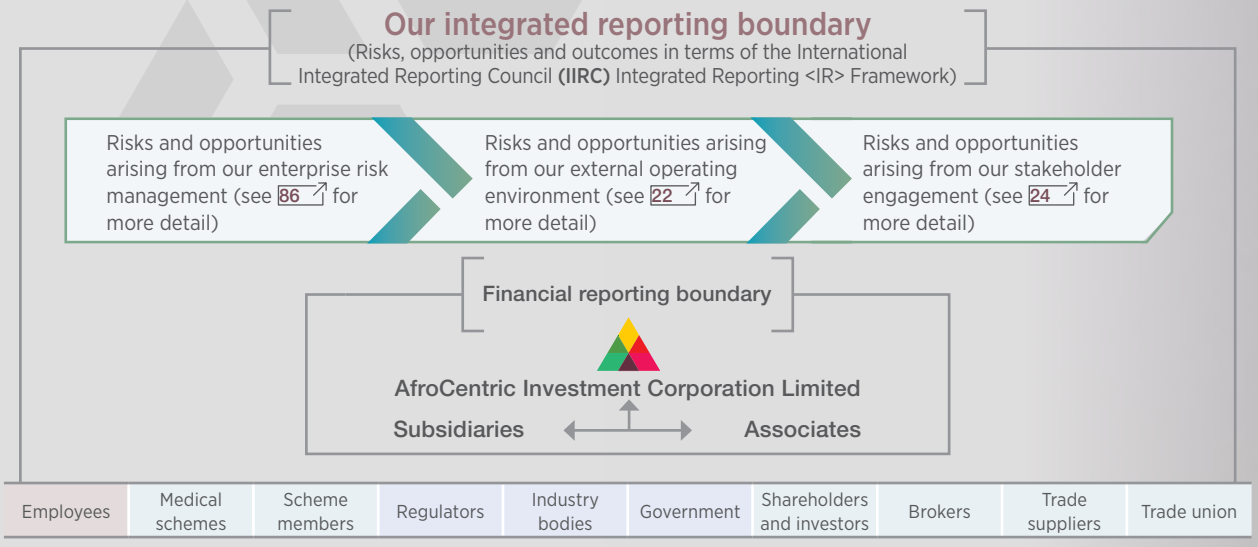
INTEGRATED THINKING

Through the careful consideration of the relationship between the capital resources that we use and affect, and the potential trade-offs inherent in our strategic choices, we manage our resources to provide integrated healthcare solutions to our clients and increase access to reliable, affordable and quality healthcare. This enables us to create value by maintaining financial returns and enhancing the lives of our stakeholders.

This year, we have changed the structure of our report in line with our constant pursuit of more deeply embedded integrated thinking. Recognising that the core of our business creates ongoing value by contributing to a sustainable future through the achievement of our central purpose, we have removed the separate discussion on socio-economic impact as this is integrated throughout our performance discussion.

REPORTING SCOPE AND BOUNDARY

Material events between the year-end and September 2020, when the Board approved the report, are also included. The scope, boundary and measurement methods of our reporting approach are materially similar as in 2020. Prior year figures for our Non-executive Directors' remuneration have been restated to exclude the VAT component to align with our internal reporting practices and Annual Financial Statements. Furthermore, certain restatements have been included with regard to our Executive Directors' remuneration, the details of which have been included in our remuneration report.



ABOUT THIS REPORT

REPORTING APPROACH

This report has been prepared to provide balanced, reliable, transparent and relevant information to our providers of financial capital and other interested stakeholders. We strive to demonstrate how we execute our strategy to create value using our chosen business model and taking into account the nature, quality and availability of the resources and relationships we rely on.

Only matters that are material to our value creation have been included in this report. We consider matters to be material if they have the potential to substantively affect our ability to create and sustain value for our stakeholders over the short, medium and long term (see 27 for more detail).

As a means of ensuring we supply relevant information to our various stakeholders, our approach to reporting includes the use of a suite of reports.

Reporting suite

We are committed to effectively communicating with our stakeholders. Our IR is supplemented by our full suite of reports accessible on our Group website at www.afrocentric.za.com.

Purpose

Our IR is primarily addressed to our providers of capital and other interested stakeholders. It details the Group's strategy, as well as our performance against the strategy, including demonstrating the Group's value creation journey.

Assurance

- Management and governance oversight
- Board oversight and approval
- B-BBEE verification (Mazars Consulting Services)

Note: No independent assurance was obtained on the report as a whole.

Purpose

The Group Annual Financial Statements (**AFS**) is a comprehensive report of the Group's audited financial statements, prepared in accordance with the International Financial Reporting Standards (**IFRS**).

Assurance

- Internal controls
- Management and governance oversight
- Internal audit
- Unmodified external audit opinion (PricewaterhouseCoopers Inc.)

Purpose

The Notice of Annual General Meeting (**AGM**) provides statutory information distributed to shareholders to convene the AGM. Proxies are attached for the voting of all resolutions tabled.

Assurance

- Management and governance oversight

Frameworks and compliance

- IIRC's International <IR> Framework
- Johannesburg Stock Exchange (**JSE**) Listings Requirements
- King Report on Corporate Governance™ for South Africa, 2016 (**King IV**)[1]
- Companies Act 71 of 2008, as amended (**Companies Act**)
- SAICA Financial Reporting Guides as issued by the Accounting Practices Committee
- Financial Pronouncements as issued by the Financial Reporting Standards Council
- International Financial Reporting Standards (**IFRS**)

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OUTLOOK

Outlook information is considered to be that which details the challenges, opportunities and uncertainties we are likely to encounter in pursuing our strategy, as well as the potential implications for our business model and future performance.

Outlook information can be found throughout this report; however, the majority of this information is detailed in the following sections:

Our material matters 27

Our business model 14

Chairman's review 20

Chief Executive Officer's (CEO's) review 37

Our operating context 6

Unpacking our performance 51

Chief Financial Officer's (CFO's) review 52

FORWARD-LOOKING STATEMENTS

Certain statements in this document may constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could result in the actual performance or achievements of AfroCentric and its subsidiaries being materially different from future results, performance or achievements expressed or implied by such forward-looking statements. The Group undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of publication of this report, or to reflect the occurrence of anticipated events. These have not been reviewed or reported on by the Group's auditors.

BOARD APPROVAL

The Board acknowledges its responsibility for the integrity of this report. The Board is of the opinion that this IR addresses all material matters, offering a balanced perspective of the Group's strategy and how it relates to AfroCentric's ability to create value in the short, medium and long term. The report addresses the use of and effects on the capital resources, and how the availability of these capital resources impacts the Group's strategy and business model. We, as the Board, believe that this report has been prepared in accordance with the International <IR> Framework. The Audit and Risk Committee, which has oversight and responsibility for integrated reporting, recommended the report for approval by the Board of Directors.

This report was approved for release on 10 September 2020.

Dr Anna Mokgokong

Chairman

Ahmed Banderker

Group CEO

Hannes Boonzaaier

Group CFO

Bruno Fernandes

Lead Independent Non-executive Director (Audit and Risk Committee Chairperson)

Feedback

We are committed to communicating effectively with our stakeholders, and we value feedback on this report. Any questions or requests for additional information relating to our report can be directed to Nosipho Phewa at investor-relations@afrocentric.za.com or telephonically at +27 (0)11 671 2475.

OUR BUSINESS

WHO WE ARE

AfroCentric is a black-owned JSE-listed investment holding company providing services and products to the healthcare sector. The Group was founded in 2008 on the core philosophy of promoting transformation and empowerment.

WHAT WE DO

Our business is focused on making a sustainable impact in the area we know best – healthcare. Through our operating subsidiaries, we increase access to sustainable, affordable and quality healthcare by providing health administration, health-risk management and a range of complementary solutions across the healthcare value chain to our medical scheme clients and their members. A primary lever in our strategy is to reduce the cost of healthcare.

Our purpose

Enhancing quality of life

Our vision

Transforming healthcare

Our mission

To innovate a new integrated model of sustainable healthcare that measurably improves access to quality healthcare

Our values

- Act with integrity and trust
- Go the extra mile
- Cultivate uniqueness
- Thrive together
- Make a positive difference

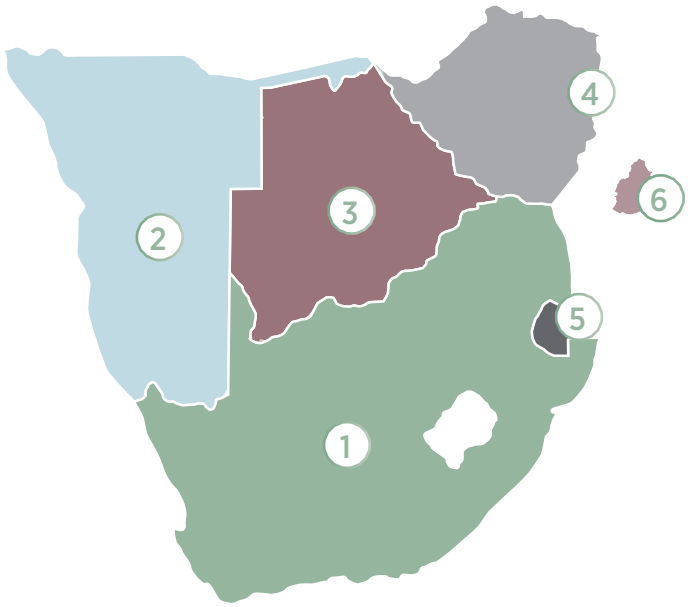
Executed through our strategy

To expand and diversify AfroCentric's presence in the broader healthcare industry to achieve our ultimate goal of transforming healthcare.

For more information, please see 40.

WHERE WE OPERATE

We operate in six Southern African countries through the following companies:



1. South Africa

- Medscheme South Africa
- Aid for AIDS
- AfroCentric Health Solutions
- Pharmacy Direct
- Curasana
- Activo Health
- Scriptpharm Risk Management
- MMed Distribution
- Allegra
- AfroCentric Technologies
- EssentialMed
- Klinikka
- Wellness Odyssey
- The Cheese Has Moved
- AfroCentric Distribution Services
- Tendahealth
- AfroCentric Integrated Corporate Solutions
- PHA
- DENIS (effective from 1 October 2020)

2. Namibia

- Medscheme Namibia

3. Botswana

- Associated Fund Administrators

4. Zimbabwe

- Medscheme Zimbabwe

5. Eswatini

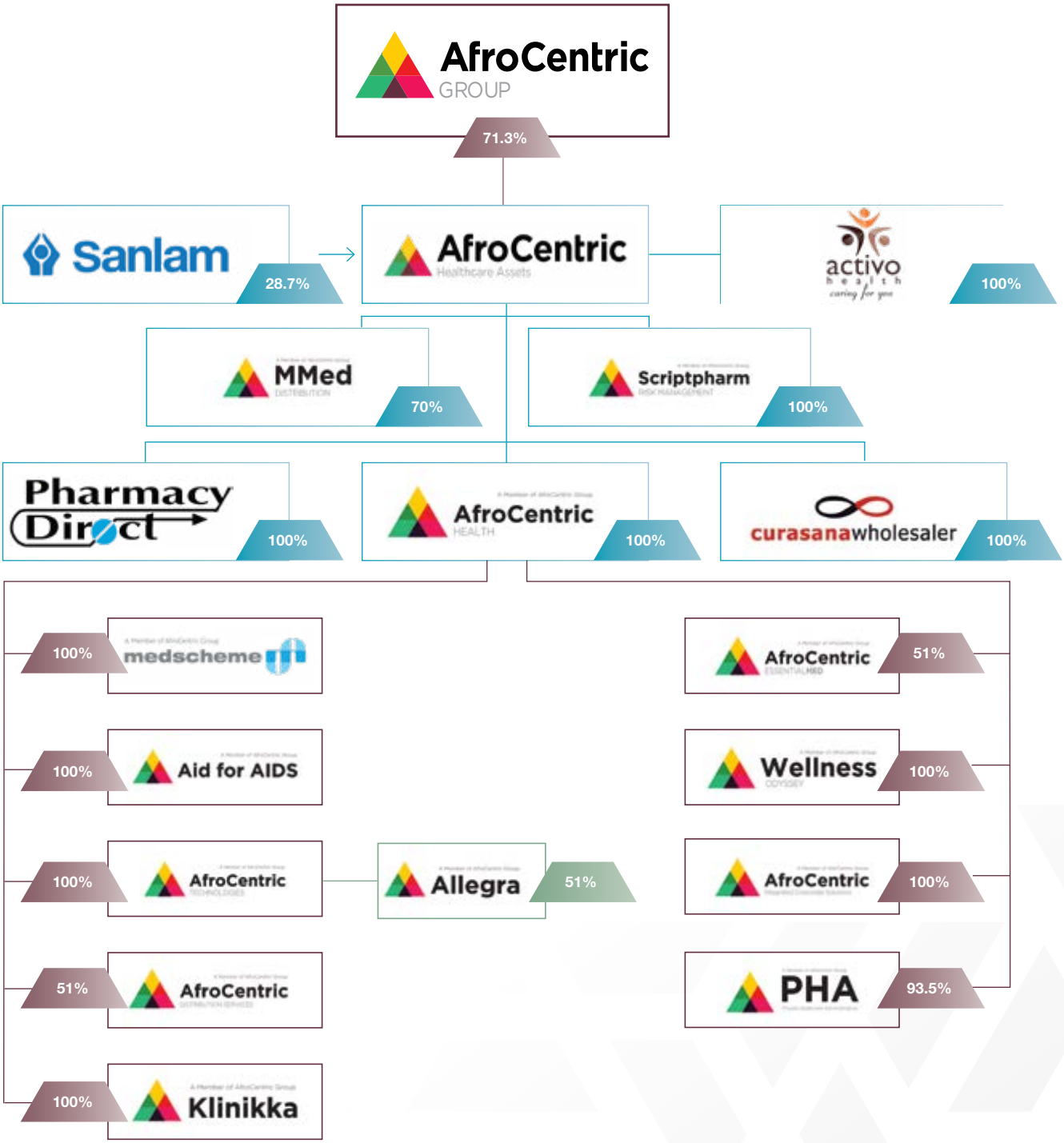
- Medscheme Administrators Eswatini
- Medscheme Health Insurance Eswatini

6. Mauritius

- Medscheme Mauritius
- Medscheme International

ORGANISATIONAL OVERVIEW

Group structure[1]



[1] *The full corporate/Group structure is included in our AFS* 10.

INVESTMENT CASE

Our diversified business model and growth strategy enable us to achieve sustainable growth and value creation across the healthcare sector by leveraging our competitive advantages.

Our strong investment case was demonstrated during the year through our agile response and resilience in the face of the coronavirus (**COVID-19**) pandemic. Despite the challenges faced, we were able to leverage our diversified business units to ensure we met our client service level agreements.

Strong market positioning

- One of the **largest health administration** businesses in the South African healthcare sector
- An established track record as a medical scheme administrator – **3.8 million lives under our care** (39.55% of market share)
- An **integrated healthcare business** and **market leader** in managed care
- The **largest distributor** of chronic medicine to public hospitals and clinics
- **Approximately 10 million scripts dispensed per annum** – public sector makes up 80% of the total prescriptions dispensed

(For more information, please see our business model 14 and the Group CEO's review 37)

Diversified across complementary healthcare services

- A diversified healthcare business with growing exposure across the healthcare value chain in South Africa – pharmaceutical business generates **49% of revenue**
- **Increased diversification** enables us to optimise our clients' healthcare costs
- A presence in other **Southern Africa countries**
- **Diversification** makes us more sustainable in a changing healthcare environment

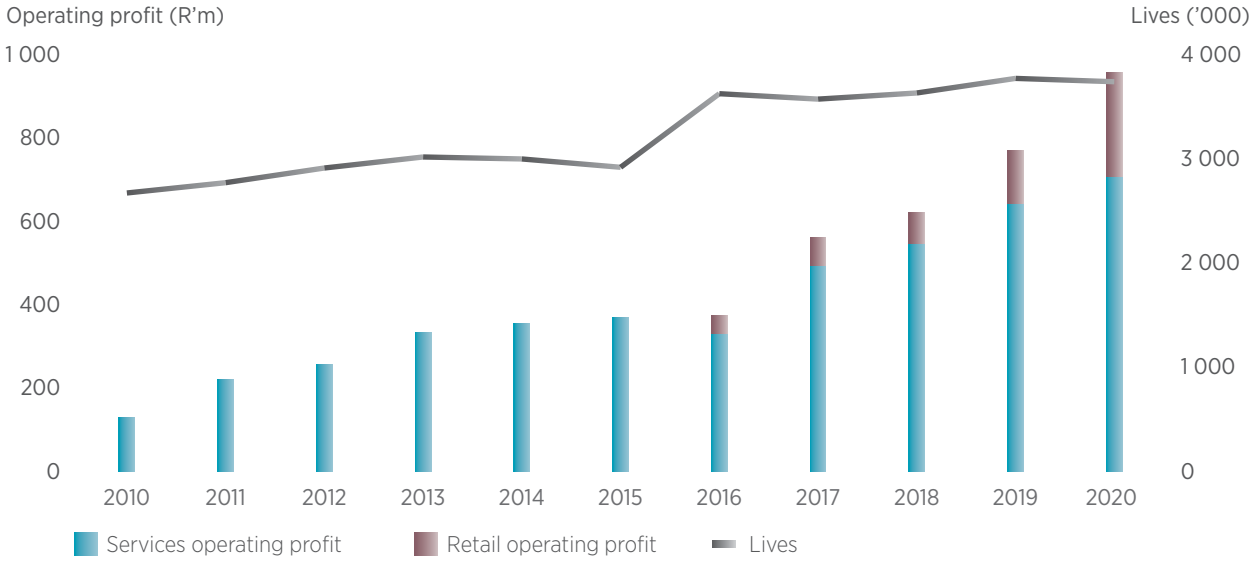
(For more information, please see our business model 14)

Multiple growth drivers

- Maximising value with our **new integrated business model**
- Optimising value chain to **enhance efficiencies** and **reduce** healthcare costs
- **Digitising** to improve client experience – one million claims processed by robotic process automation (**RPA**)
- Leveraging healthcare and financial services opportunities with **Sanlam partnership**
- Positioning for success in **National Health Insurance (NHI)** environment

(For more information, please see our business mode 14 and the Group CEO's review 37)

A track record of growth



Consistent financial performance

- Compound annual **revenue growth** of **25.4%** since 2016
- Normalised headline earnings **grew by 13.8%**
- Acquisitions are delivering expected value – **enhancing the Group's growth** in the pharmaceutical and retail clusters

(For more information, please see the Group CFO's review 52)

Competent and experienced management

- Experienced and **empowered leadership team** with healthcare expertise
- **Market-leading intellectual capital** with clinical, actuarial, data analytics and health intelligence competence and capabilities
- Data capabilities support our strategy to eliminate inefficiencies within the healthcare industry and **optimise the value chain**
- Long-term incentives are in place for **strategic employees**

(For more information, please see the Group CEO's review 37 and our strategy discussion 40)

Efficient capital allocation

- **Acquisitions** and **organic growth** mainly funded from internally generated cash
- **Debt-to-equity ratio** of 12.4% remains well within our acceptable risk tolerance

(For more information, please see the Group CFO's review 52)

OUR HISTORY

2008
AfroCentric incorporated (80% effective interest acquired) and listed on the JSE

2009
Acquired AfroCentric Health Group (80% effective interest)

2010
Increased effective interest in AfroCentric Health to 94.1%

2012
Helios IT Solutions acquired a 51% interest in Allegra

2014
Acquired South African licence of document-based care (**DBC**) back and neck rehabilitation programme

2016
- Acquired:
  - 100% of Pharmacy Direct – 100% of Curasana
  - 26% of Activo Health
- Sanlam acquired 28.7% of AfroCentric Healthcare Assets, a major subsidiary of AfroCentric Investment Corporation
- Awarded POLMED scheme contract

Health administration and risk management → Expansion across healthcare value chain

2017

- Acquired:
  - » 51% of The Cheese Has Moved (**TCHM**)
  - » 100% of Wellness Odyssey
- Amalgamation of Bonitas and Liberty added 125 000 lives to our care
- Pharmacy Direct secured further contracts for the delivery of chronic medicine to public sector patients, increasing footprint from five to seven South African provinces

2018

- Acquired:
  - » 51% of EssentialMed
  - » 80% of Scriptpharm Risk Management
  - » 70% of MMed Distribution
- ADS acquired 51% of Tendahealth
- COMMED merged with Bonitas
- Awarded Hosmed contract
- Pharmacy Direct awarded four of nine provinces in the new National Department of Health (**NDoH**) Central Chronic Medicine Dispensing and Distribution (**CCMDD**) contracts, increasing volumes from 50% to an estimated 80%

2019

- Acquired:
  - » Remaining 74% of Activo Health
  - » 82.8% of PHA
  - » 100% of Sanlam Health (renamed AfroCentric Integrated Health Administrators)
  - » Additional 25% of Associated Fund Administrators Botswana
- Medshield Hospital and Fraud Management Bonitas Actuarial Services
- Hosmed Medicine Management
- POLMED contracts Scriptpharm for Chronic Medicine Management

2020

- Acquired:
  - » Remaining 20% of Scriptpharm effective 1 August 2020
  - » Remaining 17.2% of PHA effective 1 October 2019
  - » Additional 17% of TCHM
  - » DENIS effective 1 October 2020
- Scriptpharm won Bonitas Chronic Medicine Management and POLMED HIV Chronic Medicine Management contracts
- Medscheme won a contract to administer MEDiPOS Medical Scheme

Wellness
TCHM

AfroCentric
Tenda
Scriptpharm
MMed

activo health
PHA

Scriptpharm
PHA
TCHM

● Corporate action ● Scheme merger ● Acquisition/disposal ● Contract award

OPERATIONS

AfroCentric is the most diversified healthcare company in Southern Africa. To leverage our integration model, our business is organised into three primary clusters, namely medical aid administration, risk management and technology, pharmaceutical, and our corporate solutions offerings.

Group structure

Most diversified healthcare company in Southern Africa

Medical aid administration, risk management and technology

3.8 million lives under management

39% market share

Group – significant **membership growth**

Substantial **digital and technological advancement**

Pharmaceutical

Largest South African courier pharmacy

Full **medicine spend** can be managed

High impact on overall healthcare spend and savings for schemes

Oncology medicine management

Corporate solutions

Primary care

Occupational health

Fully integrated with **Wellness**

To better understand the value delivered through our business clusters, please see 62.

Medical aid administration, risk management and technology

Medscheme
provides its established clients with a full spectrum of health administration and health-risk management services.

AfroCentric Technologies
is a market leader in technology-based products and services. Its systems connect millions of scheme members, schemes, doctors and hospitals internationally.

Pharmaceutical

Pharmacy Direct
distributes and delivers medicine to urban and rural areas for medical scheme clients and government's CCMDD programme.

Curasana
is a speciality pharmaceutical wholesaler, procures and supplies pharmaceutical products to Pharmacy Direct, Activo Health and other major wholesalers in Gauteng.

Corporate solutions

AfroCentric Integrated Corporate Solutions
combines newly acquired Sanlam Health, PHAs and FastPulse to provide integrated health and wellness solutions to the workplace.

Wellness Odyssey
provides people-centric wellness solutions that identify non-communicable clinical risk; promote awareness and supply educational material; refer designated high-risk members to established disease management programmes; and provide home-based care services to scheme members.

Medical aid administration, risk management and technology

AfroCentric Health Solutions
is the international cluster for AfroCentric Health, providing access to medical fund administration, health insurance administration, health risk management, medical fund and health insurance administration information technology (**IT**) platforms, practice management systems, medical claims switching solutions, wellness management software and programmes, as well as health provider network services.

Aid for AIDS
has been the industry leader in HIV/AIDS management since 1998. The business coordinates care between funders, doctors, pathology labs, pharmacies and patients. This includes designing, developing and delivering unique and encompassing programmes that help businesses care for and manage medical schemes for individuals with HIV/AIDS. The business seeks to design programmes that understand patients' needs and equip them with the treatment and tools needed to lead normal and fulfilled lives.

Klinikka
is licensed to offer DBC, an individualised, evidence-based, multi-disciplinary treatment approach to managing musculoskeletal disorders. Klinikka provides DBC equipment and administration services to 21 musculoskeletal treatment centres in Southern Africa.

AfroCentric Distribution Services
is a specialised marketing and sales company that offers a full suite of marketing services and comprehensive distribution channel management.

Allegra
is a tech-based contributor to the medical sector that empowers healthcare communities by providing access to information that enhances total individual care. Allegra strives to seamlessly gather and share vital information with appropriate healthcare providers, funders and other stakeholders, ultimately resulting in enhanced quality of life for patients.

Private Healthcare Administrators (PHA)
is a medical scheme administrator that leverages its technologically advanced systems to provide innovative healthcare solutions to its open and corporate scheme clients.

Pharmaceutical

Activo Health
specialises in importing and marketing pharmaceutical products and trades in all sectors of the pharmaceutical industry.

Scriptpharm
is a national pharmacy network that manages chronic and acute medicine through a capitation arrangement, where healthcare providers are paid a fixed amount per scheme member to incentivise efficiency, cost control and preventative care. The business provides drug utilisation reviews, and Scriptpharm medicine formulary is a list of medicines approved by medical schemes that are considered safe, clinically appropriate and cost-effective for the treatment of specific conditions.

MMed Distribution (MMed)
is a specialist procurer and distributor of affordable pharmaceutical, surgical and medical products and devices. It has distribution agreements with several multi-national manufacturers with a national footprint. MMed partners with private hospitals and improves their cost-efficiency by providing a fully outsourced stock supply and management service.

Corporate solutions

EssentialMed
provides comprehensive medical insurance cover with private medical facilities.

OUR BUSINESS MODEL

Inputs

Financial capital

The pool of funds (equity) the Group relies on:
- Funds reinvested in the Group
- Return on investments
- Revenue generated from services

Key inputs
- R3.1 billion net asset value
- R263 million reinvested funds

Intellectual capital

The knowledge-based intangible assets:
- Systems and processes
- Customised IT systems
- Licences
- Business and industry knowledge

Key inputs
- IT systems and relevant licences
- IFM software
- Medical administration

Manufactured capital

Our service platform, the Nexus IT system

Key inputs
- IT solutions
- Transactional switching
- Specialised disease management
- Back, neck and shoulder treatment
- Pharmaceutical wholesaling
- Pharmaceutical courier distribution
- Services

Human capital

Our employees and contractors' skills, wellness and motivation

Key inputs
- 5 693 employees

Social and relationship capital

The quality of AfroCentric's relationships with our material stakeholders

Key inputs
- Managing stakeholder relations
- Social licence to operate

Natural capital

Consumption of energy, water and paper to provide services

Activities

AfroCentric healthcare impact

Health administration and risk management

Administration and health risk management

AfroCentric primarily operates in administration and health risk management through Medscheme.

We provide efficient, client-centric administration services to leading medical schemes in Southern Africa.

We provide health risk management by identifying and managing clinical and financial risks for our client schemes in a coordinated manner to improve the consumer's clinical outcomes and contain cost.

Growth strategy

AfroCentric's growth strategy is to expand and diversify its presence in the broader healthcare industry to achieve its ultimate goal of transforming healthcare.

Coordinated day-to-day healthcare provided by, for example, a general practitioner (GP)

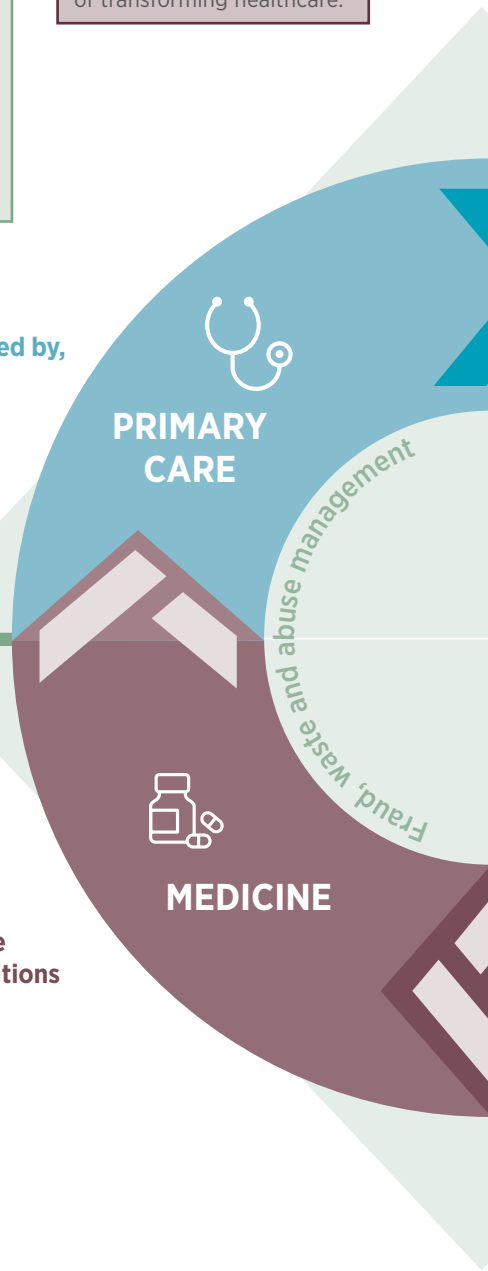
Allegra
AfroCentric
medscheme
AfroCentric

FWA MANAGEMENT

Curb unethical billing and claims behaviour and recover costs by using analytics

Drugs used to treat, prevent, manage and improve acute and chronic conditions

Pharmacy Direct
activo health
curasana wholesaler
Scriptpharm

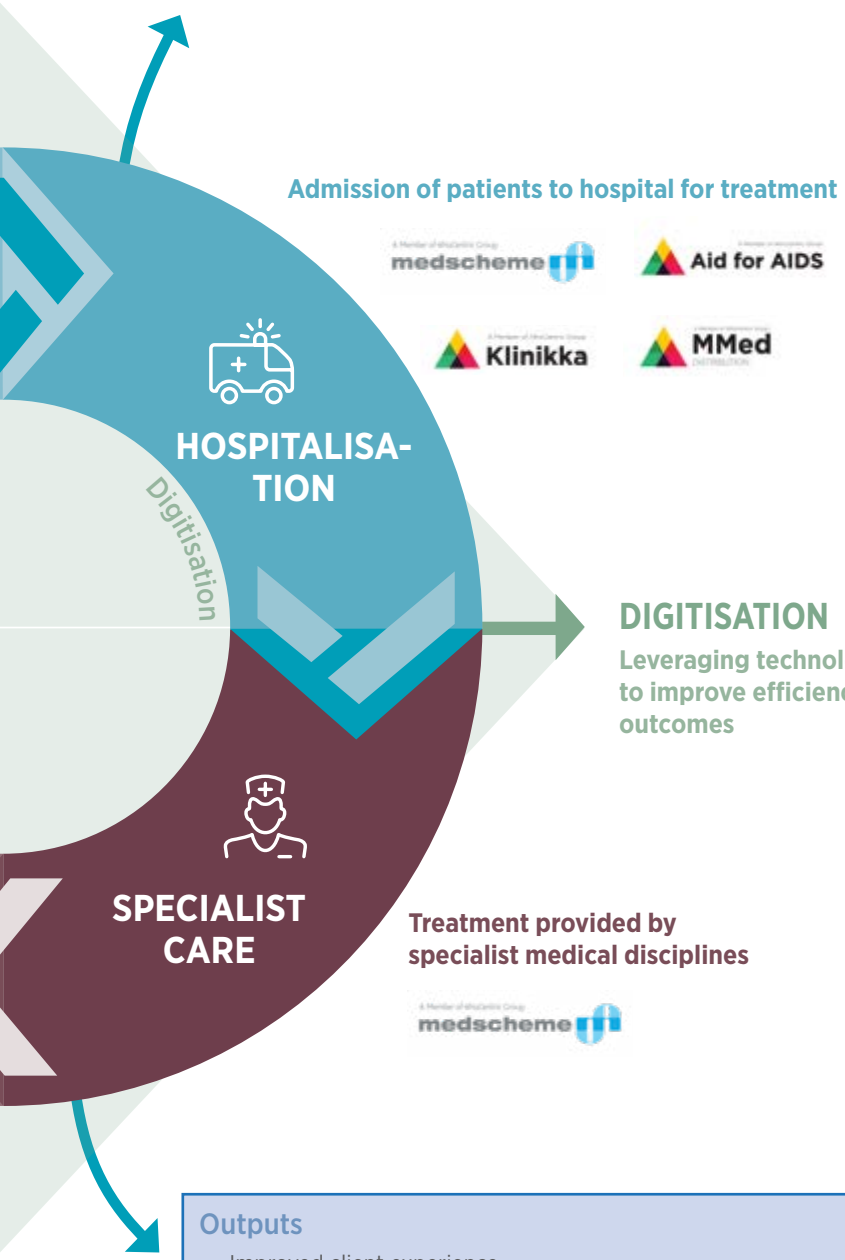


Outcomes

Complementary healthcare solutions

Complementary healthcare solutions

The healthcare value chain comprises primary care, medicine, specialist care and hospitalisation solutions. AfroCentric is broadening access to healthcare by expanding its presence, integrating its operations and optimising costs across the value chain to measurably improve access to quality healthcare.



Outputs

- Improved client experience
- Relentlessly driving that providers offer quality healthcare

Financial capital

Outcomes

- Normalised headline earnings per share 54.63 cents
- R177 million in cash reserves
- 9.2% dividend yield
- 25% decrease in share price
- Operating profit increased by 24.4%
- Total revenue increased by 21.6%

Intellectual capital

Outcomes

- Cost savings based on IFM – R1.5 billion
- Value of managed care savings for medical scheme clients – R3.2 billion

Manufactured capital

Outcomes

- 3.8 million lives under administration
- 19 client medical schemes in Southern Africa

Human capital

Outcomes

- R4.5 million invested in training employees
- R400 000 invested in bursaries
- Skilled and motivated workforce
- Training and developing skills

Social and relationship capital

Outcomes

- R2.8 million invested in enterprise development (**ED**)
- R6 million invested in supplier development (**SD**)
- R3.3 million invested in socioeconomic development (**SED**)

Natural capital

Outcomes

- Environmental impact monitoring and management
- Optimised energy, water and paper use
- Enhanced awareness communication Group-wide

UNDERSTANDING OUR INTEGRATED MODEL

We developed our integrated model to address our most material matters. The model focuses on the rising cost of healthcare. For most, medical cover has simply become unaffordable. Our mission is to innovate a new integrated model of sustainable healthcare that measurably improves access to quality healthcare. Recognising that we have the scale (with 3.8 million lives under management) and the capability necessary to transform the delivery of healthcare, we set about doing just that.

Over the past few years, the Group has invested significant intellectual capital into analysing the full healthcare spend, analysing the challenges and risk environment and developing or acquiring the necessary assets and capabilities to deliver the right solutions to achieve our mission.

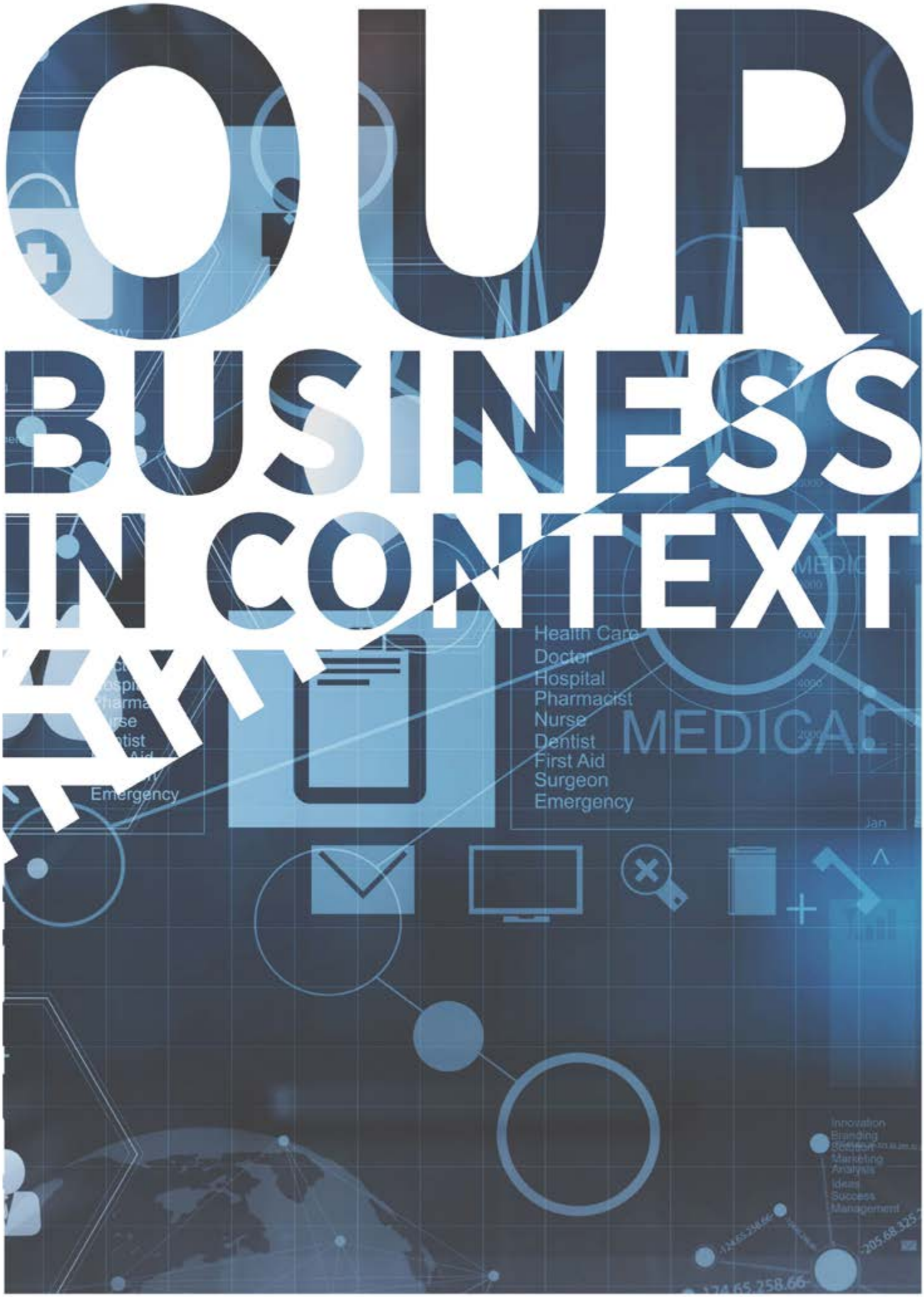
	Aim	Value-adding activity	Outcomes – How we're increasing the value of the healthcare spend
PRIMARY CARE	Shifting the focus of healthcare delivery to primary care and prevention or early detection to increase access to sustainable, affordable and quality healthcare.	At the core of AfroCentric's offering is **Medscheme**, who: » Coordinates care to expand primary care and reduce reliance on specialist care when not clinically indicated » Primary care providers (GPs) are incentivised to expand their care of high-risk patients to more effectively manage their chronic conditions » Applies various reimbursement models for healthcare providers and health facilities (including sharing risk in different ways) to incentivise cost optimisation	2.4% of scheme lives are responsible for 16% of scheme claims. Effective management of the care and lifestyle factors of these people is core to our strategy. Medscheme managed care pilots conducted by multi-disciplinary clinical teams for integrated chronic care, healthcare outcomes and value-linked reimbursement, resulted in: » Better clinical outcomes » Fewer hospital admissions » Less costly complications
		Allegra leverages technology to reduce cost and improve patient experience with: » Telemedicine (VirtualCare™) and e-scripting software » Primary care clinic software for health screenings, consultations with nurses, family planning, immunisations and maternal and child visits » A single system and integrated health information exchange that integrates financial data, primary healthcare, practice management and wellness management	Allegra's cost-saving healthcare technology has: » Reduced healthcare providers' costs by up to 30% » Enabled greater access to care to thousands of patients through VirtualCare™
		EssentialMed provides medical insurance focused on primary care that widens the range of affordable products available to employees and scheme members.	**EssentialMed's** products and services retain members who would otherwise not be able to afford medical aid.
		AfroCentric Integrated Corporate Solutions delivers integrated health and wellness solutions for the workplace.	Value delivered includes: » Client services that demonstrate value to the employer, employees and scheme members » Managed care that delivers on agreed clinical and financial outcomes to the benefit of schemes and their members while providing a positive impact on the employer's health investment » Employee wellness solutions that boost productivity, reduce absenteeism, tend to physical welfare and effectively revitalise employees' mental and financial wellbeing

	Aim	Value-adding activity	Outcomes – How we're increasing the value of the healthcare spend
MEDICINE AND MEDICAL PRODUCTS	Participating throughout the pharmaceutical value chain to reduce medicine and related costs.	**MMed** eliminates the need for third-party suppliers to hospitals. **Activo Health** acquires the rights to distribute affordable generic medicine for managing chronic and acute conditions. **Pharmacy Direct** increases access to healthcare and alleviates congestion in public hospitals and clinics by distributing chronic medicine to provincial hospitals countrywide (80% of public sector work). As a courier pharmacy, Pharmacy Direct also distributes chronic medication to medical scheme members. **Curasana** plays a pivotal role in managing the pharmaceutical value chain by ensuring that stock demands are met for its clients to ensure the continuation of chronic treatment for patients. **Scriptpharm** delivers a unique chronic medicine capitation solution through a network of over 2 000 retail pharmacies and has diversified into oncology and acute medicine where it reduces costs by increasing the use of generic medicine.	» MMed's model saves costs for high-volume member usage of pharmaceutical, surgical and medical products » Increased access to chronic medicine has improved treatment compliance, as demonstrated by a reduction in hospital admissions by: › 8.5% for diabetes patients » Increased use of generics reduces the cost of oncology medicine (33% of oncology medicines have generics) » Active generic substitution has been 99% on antiretrovirals (**ARVs**) and 92% on other chronic medication where generic equivalents are available, resulting in wallet-free member experience, free courier delivery and competitive dispensing fees » Medscheme Pharmacy Network Management has negotiated R263.4 million in reduced dispensing fees
SPECIALIST CARE AND HOSPITALISATION	Negotiating strategic purchasing arrangements to eliminate inefficiency and contain hospital costs. Negotiating arrangements to reduce the length of hospital stays and improve cost-efficiency of treatment, while ensuring quality patient care and appropriate remuneration for specialists.	**Medscheme** improves healthcare providers' efficiencies and reduces costs with: » Risk-based targeted interventions » Alternative pricing and payment models » Medicine cost management at all levels of the value chain » Clinical pathways, especially for non-communicable or chronic diseases, re-engineering the supply side of healthcare **Klinnika's** DBC for musculoskeletal disorders helps insurance providers and employers to make informed choices when evaluating scheme members with back and neck pain, reducing the cost of care by limiting unnecessary hospitalisation and surgery. **Aid for AIDS's** clinical guidelines achieve effective viral load suppression, resulting in fewer hospital admissions.	Containing the hospital costs by reducing the elements that drive costs (fewer people coming into hospital, staying in hospitals briefly and managing post-discharge care to prevent readmissions)

	2020 %	2019 %	2018 %
Admission rate per 1 000 lives	**-11.7**	-1.6	+6.8
Average length of stay	**+0.6**	+2.0	+0.9
Average cost per event	**+3.2**	+8.5	+7.3
Hospitalisation as % of total healthcare costs	**30.8**	34.3	38.2

	Aim	Value-adding activity	Outcomes – How we're increasing the value of the healthcare spend
ACROSS THE ENTIRE CARE CYCLE	Curbing FWA with analytics. Leveraging digital technology to enhance client experience.	**Medscheme** applies a fraud risk management system with sophisticated analytical measures to identify and curb unethical behaviour and reinforce the principles of ethical billing and claims behaviour in the provision of services to medical scheme members. These include: » Raising awareness about FWA of scheme members' benefits » Applying abuse prevention tactics » Using analytical software to identify outlier behaviour » Employing forensic resources to engage with outliers, conduct investigations if necessary, and manage fraud cases	FWA prevention as at 30 June 2020: » R228 million in FWA quantified » R1.5 billion saved in claims reduction » R141 million recovered
		Digital priorities for the Group include: » Customer journeys and process automation » Member, broker and corporate portals » Business intelligence and analysis	» Reduce the cost of healthcare » Create a functionally more simplified platform » Enhance member experience » Improve operational efficiencies

OUR BUSINESS IN CONTEXT



CHAIRMAN'S REVIEW

"The 2020 financial year has been a most challenging year for all, including our local and global counterparts in business. It is said that tragic events shape people and nations. COVID-19 is changing our destiny and the destiny of nations and communities forever."

DR ANNA MOKGOKONG

In response to the current crisis, as a Board, we believe that it is our responsibility to guide AfroCentric in leveraging its position as the most diversified healthcare group to support its stakeholders in the provision of affordable, accessible healthcare – an aim that is more important than ever.

The impact of COVID-19 is thus pushing us as a corporate citizen to rethink how we do business and how to adapt to the changing needs of our shareholders, clients, staff and other stakeholders. Indeed, employees have been heavily impacted by these challenging circumstances. However, our resilient and capable leadership, under the stewardship of our CEO, Ahmed Banderker, provided the necessary support to AfroCentric's employees during these uncertain times.

OPERATING FROM A PLACE OF PURPOSE

We find ourselves in a historic moment in time as our current crisis simultaneously touches every corner of the world. This has caused massive adverse economic impacts and may well result in significant demographic shifts. Furthermore, the pandemic has highlighted global inequalities, along with other alarming health and social challenges. As the pandemic continues to spread across the world in a unique and unprecedented manner, it would be foolhardy not to use the learnings gained from this extreme operating environment as an input for future planning. In this way, we ensure that AfroCentric is able to achieve its long-term ambitions of transforming healthcare for the benefit of all its stakeholders.

Many businesses had to halt their operations or adapt to entirely new business models to keep afloat. However, top of mind for AfroCentric was the challenge and consequence of remaining open to continue supporting the delivery of critical healthcare during this crisis. Although the pandemic has had limited impact on the Group's results, as most of our Group companies were classified as providers of essential services, the critical need to protect our people while adapting to new ways of working presented many challenges. However, driven by a focus on high-quality service during this time, AfroCentric has indeed risen to the challenge.

Truly, the Group's vision of transforming healthcare and its purpose of enhancing quality of life have never been more significant, or more deeply ingrained in each of our minds as we are called on to make strategic decisions at Board level. Having such a clear purpose for being, however, has been incredibly advantageous – enhancing our decision-making processes as the vision of the future we are striving towards is clear.

POSITIONING THE BUSINESS WITHIN A CHALLENGING CONTEXT – NOW AND FOR THE FUTURE

2020 was a year of consolidation following the Group's acquisitive journey over the past few years. The emphasis for the year was on mapping out the next strategic milestones, focusing on integration and leveraging the platform created to take yet another leap forward towards achieving AfroCentric's purpose.

Looking ahead, beyond the Group's medium-term strategy, longer-term ambitions are in place. The Group is working tirelessly to embed partnerships today that will benefit its stakeholders in years to come. That does not stop in a crisis. In fact, we believe that this crisis has created fertile ground for fostering and building value-enhancing partnerships.

Indeed, the magnitude of the challenges presented by COVID-19 should drive us towards more cooperativism – a process when an association of people voluntarily bond together for mutual economic, social and cultural upliftment. This is true in the healthcare sector as we band together to face this greatest of all tests.

Moreover, as the government becomes stretched out and stretched thin in these challenging times, struggling to do more with less to curb the pandemic, public-private cooperation is essential for our collective success. The challenges presented by the pandemic are confirmation that for the NHI to succeed in similar circumstances, in an inclusive way, we all need to work together with government for the benefit of all our citizens.

As a Group, AfroCentric will continue supporting the government in every way possible to fight fundamental healthcare challenges and to forge the path forward in realising our purpose and mission.

GOVERNANCE AND LEADERSHIP

Good governance and sustained value creation go hand in hand. As a Board, we recognise and embrace our responsibility to ensure ethical and effective leadership throughout the Group. We believe that the tireless pursuit of this aim has contributed to the ability of the organisation to respond efficiently and effectively, with a strong sense of purpose during this time of crisis.

I would, therefore, like to take the time to thank those who have been an integral part of this journey. To Lindani Dhlamini; who retired this year as a Lead Independent Non-executive Director and chairperson of the Audit and Risk Committee; Grathel Motau, who retired this year as an Independent Non-executive Director, and Ian Kirk, who retired as a Non-executive Director, thank you for your contribution to achieving AfroCentric's purpose. We also say farewell to Thinus Alsworth-Elvey and thank him for his contributions to the Group.

At the same time, I would like to welcome Gary Allen, Alice le Roux and Mmaboshadi Chauke, who were appointed as Non-executive Directors during the reporting period. I would also like to welcome Jurie Strydom, who was appointed as a Non-executive Director with effect from 1 August 2020. We look forward to your contributions in the years to come.

OUTLOOK

In light of the already dampened economic prospects, compounded by the significant economic impact of COVID-19, we anticipate a period of sustained economic weakness in 2021 and beyond, as South Africa strives to overcome the effects of the pandemic and reboot economic activity. As a healthcare Group, we remain committed to contributing positively to the government's efforts to fight the virus and to support economic recovery.

To ride out any storm effectively, one should be resourceful and resilient by anticipating problems and having possible solutions at the ready. In this endeavour, we will continue leveraging our diversified business model and the powerful benefits of technology to make AfroCentric more innovative and efficient as the Group implements its strategy and, in so doing, broadens access to sustainable, affordable and quality healthcare.

APPRECIATION

In the current crisis, for me, being of service to others and acting humanely is critical. I have seen this spirit embodied in my fellow Board members and the Executives. Thank you for demonstrating authentic, purpose-led leadership in challenging circumstances.

The Group had five mortalities due to COVID-19 and we are deeply saddened by the losses. Our heartfelt condolences are with their loved ones. May their souls rest in peace.

And lastly, to the Group's shareholders and broader stakeholders, thank you for your continued support.

There are trying times ahead for us all, but with continued cooperation and commitment, we can overcome. As a truly South African company, we have sought, at all times, to ensure that our COVID-19 response demonstrates our broader commitment to humanity and the valued citizens of our country.

Dr Anna Mokgokong
Chairman

EXTERNAL ENVIRONMENT

Megatrends that may impact the future of healthcare include:

Trend	Understanding the trend in our context	How we're responding strategically
COVID-19  **Understanding the global trend** The global spread of COVID-19 has impacted the lives of individuals from all walks of life. The severe and contagious nature of the disease has the potential to overwhelm health systems and trigger lasting geopolitical change. According to the International Monetary Fund, the global economy is facing its worst downturn since the Great Depression, and resultingly, Oxfam International warned that half a billion people could be pushed into poverty[1]. Globally, multi-tiered efforts are under way to contain the outbreak. COVID-19 has already had a noteworthy impact on consumer behaviour. One of the key elements of the crisis has been the way in which it has accelerated the pace of digital transformation.	On 15 March 2020, our State President, the honourable Cyril Ramaphosa, addressed the country and declared a National State of Disaster in terms of the Disaster Management Act. On 23 March 2020, a national lockdown was announced, starting on 26 March. The lockdown was introduced to flatten the curve of infections while bolstering healthcare interventions. On 23 April, it was announced that from 1 May a gradual and phased easing of the lockdown restrictions would begin by lowering the national alert level to level 4, which was part of a risk-adjusted strategy to reintroduce economic activity. At the time of publication, the nation had been moved to level 1. The advent of the COVID-19 pandemic and the subsequent lockdown had an adverse impact on the economic trajectory of the country. The downgrade of the country to junk status and the increased loss of jobs due to the lockdown exposes the business' clients to reduced membership, and this has a direct bearing on revenue streams. In this volatile context, constructive relationships with key regulators and policymakers are crucial to the short, medium and long-term interests of the Group. We see the COVID-19 triggered digital acceleration as an opportunity to increase access to care while reducing costs.	During this time, we focused on ensuring our people are kept safe and that we create capacity and accelerate the delivery of necessary care through simplifying processes and fast-tracking digital solutions, wherever possible. Our intention post-crisis is to harness the functional, value-adding changes made during this time and to assess learnings, applying them to our day-to-day operations to establish a new, more efficient 'normal'.
Ageing populations  **Understanding the global trend** As populations tend to live longer, while birth rates continue to decline, there has been a shift in global demographics. This is a pertinent trend for the healthcare sector as ageing populations face more complex healthcare issues. Investing intelligently as part of the healthcare value chain to support healthier ageing processes could help combat related health conditions, improve functional ability, and increase productivity[1].	It is expected that Africa's population of older adults will more than triple over the next 10 years, from 46 million in 2015 to 157 million by 2030. The World Health Organization's (**WHO**) report on ageing and health projects that the number of older adults in South Africa will increase to 15.4% of the population by 2050.	In light of these trends, we anticipate the demand for healthcare services to increase and change over time. As a diversified healthcare business with growing exposure across the healthcare value chain in South Africa, we are in a position to evaluate the entire value chain to better place ourselves to meet the complex needs of an older population.

[1] *World Economic Forum, Strategic Intelligence platform https://intelligence.weforum.org/*

Trend	Understanding the trend in our context	How we're responding strategically
Healthcare data and technology  **Understanding the global trend** In an era where advances in data collection and analysis are ever-expanding, these developments are driving better healthcare through evidence-informed healthcare strategies. New tools and technologies are curing previously fatal diseases and making chronic disease more manageable.	The proliferation of mobile devices used in South Africa allows the population to communicate with one another and with computers in new and ever-accelerating ways. This, combined with emerging technological advances, sets the scene for digital health to have a more significant contribution to our health and wellbeing. The development of the National Digital Health Strategy for South Africa, 2019 to 2024, launched in the context of the massive reorganisation of the healthcare system required for the NHI implementation, will see many changes to the way healthcare is delivered in our country.	To achieve our vision and remain competitive, AfroCentric is leveraging technology to innovate a new integrated model of sustainable healthcare solutions that measurably improves access to quality healthcare. Our growing data capabilities support our strategy to eliminate inefficiencies within the healthcare industry and optimise the value chain.
Access and affordability  Despite some improvement in facilitating global access to healthcare, inequalities remain. Of concern too, is the rising cost of healthcare globally. According to a report published in late 2017 by the World Bank and the WHO[1], at least half of the world's population cannot obtain essential health services, and large numbers of households are pushed into poverty every year because they have to pay for healthcare out of their own pockets.	The rising costs of healthcare continue to affect the affordability of medical scheme cover for millions of South Africans. There is a need to curb the overutilisation of services through innovative service delivery models that are linked to better reimbursement. Apart from the drive to make the products more easily understood by beneficiaries, there is a need for the industry to address governance inadequacies where they exist. The Competition Commission's Health Market Inquiry (**HMI**) identified many issues that contribute to the increasing costs of healthcare and impact the market forces at play within the private healthcare market. The NHI bill has come about to address universal access to healthcare in our country. To support this aim, the bill paves the way for the establishment of an NHI Fund, which will purchase services from accredited public and private healthcare providers.	Our mission is to innovate a new integrated model of sustainable healthcare that measurably improves access to quality healthcare. AfroCentric, therefore, supports the principle of universal healthcare and is positioning itself as a private sector partner with the expertise and experience to constructively participate in an evolving healthcare environment. We are confident that numerous opportunities will continue to exist for the development, testing and implementation of mutually beneficial and innovative healthcare delivery models and solutions through partnerships with National and Provincial Departments of Health. The Presidential Social Compact on Health details some of the action plans that the public and private sectors can work on collectively in meeting the health needs of the population through well designed and implemented partnerships in the areas of infrastructure funding, service provision and overall strengthening of the health system. Furthermore, our diversification strategy bodes well for our future in healthcare. Over the years, AfroCentric has been pursuing the diversification of its involvement in the health sector, and this places the Group in a strategic position to work with government on the NHI processes as implementation progresses. **AfroCentric is now the most diversified healthcare company in Southern Africa. We also adapted our strategies to align our business model to the government's health policy direction and have successfully demonstrated our abilities in these strategies. A number of our subsidiary entities are already working closely with government in delivering innovative and sustainable services, such as the provision of chronic medication to government clinic patients across four provinces.**

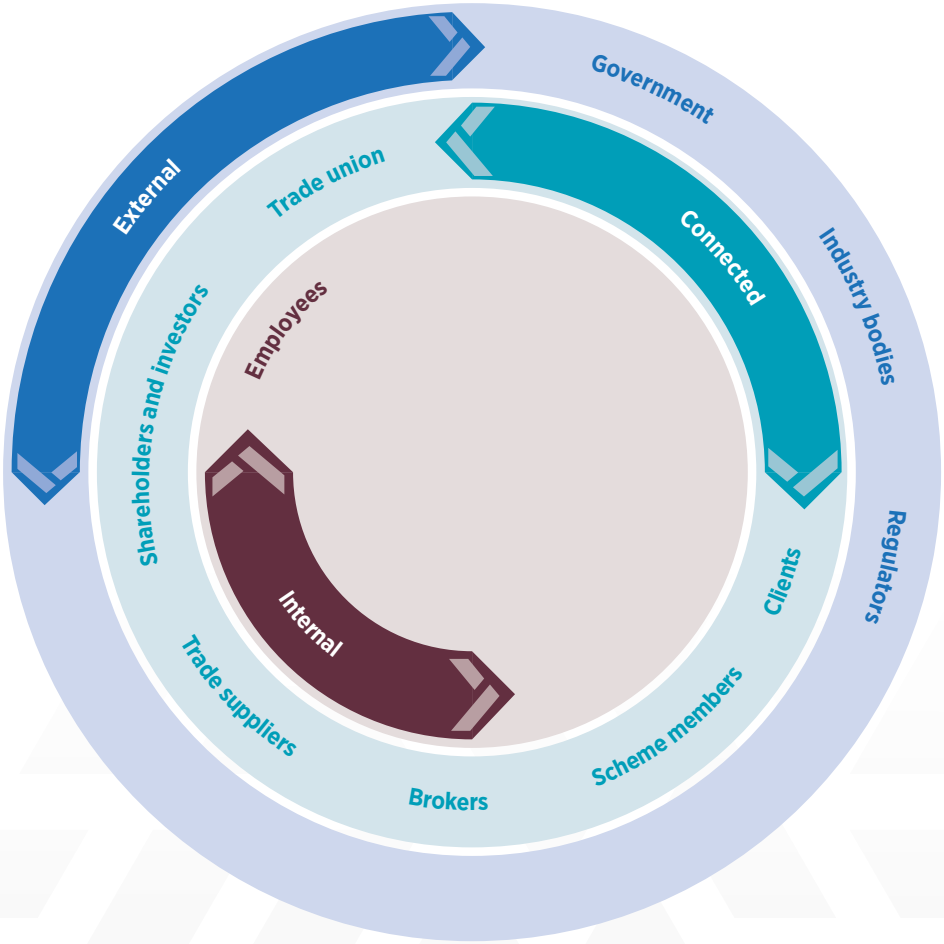
[1] *Tracking Universal Health Coverage: 2017 Global Monitoring Report.*

Reduce cost of healthcare	COVID-19
Improve efficiencies through cost consciousness	Uplift our people
Enhance shareholder value	Maximise growth opportunities
Deliver exceptional client service	

OUR STAKEHOLDERS

We exist to enhance the quality of our stakeholders' lives. Therefore, engaging meaningfully with our various stakeholders is critical to ensure we are meeting this aim.

AfroCentric considers its stakeholders as individuals and groups who have an interest in or who are affected by our activities. They range from our employees to the external bodies who influence us. They are connected by the groups that we regularly engage with. The approach of our Board and executive management to our stakeholders is inclusive – we engage our stakeholders responsively, constructively, collaboratively and transparently to address their material needs, interests and expectations and respond in a mutually beneficial manner. Our Social and Ethics Committee provides governance oversight to stakeholder engagement.



Government and regulators

Various levels of government determine the environment in which we operate.

Organisations that monitor and regulate our environment include:

- Council for Medical Schemes (**CMS**)
- Medicines Control Council
- South African Pharmacy Council
- The JSE
- Competition Commission
- Financial Sector Conduct Forum
- South African Revenue Service

How this relationship creates value

Policy and regulatory decisions directly impact AfroCentric and its subsidiary entities. By engaging with government and regulators, we are able to contribute to shaping an environment that supports our mission of innovating a new integrated model of sustainable healthcare that measurably improves access to quality healthcare. Furthermore, by seeking to support national and provincial spheres of government through delivering services that meet their mandate, we are able to develop sustainable revenue streams.

Key concerns raised

A critical recurring concern from both government (NDoH) and regulators (CMS) across the sector is the lack of material growth in the number of medical scheme members over the years.

CMS published a circular on low-cost benefit options (**LCBO**) and demarcation products and the need for them to be wound down by no later than March 2021. This position was based on the framework that had initially been utilised by CMS to issue exemptions to applicable products.

How we responded

We submitted technical commentary as an alternative to pursuing the summary decision to wind down demarcation and LCBO products in March 2021. We recommended that CMS undertake a more consultative approach.

For more information on this engagement, please see the unpacking our performance section 51.

Industry bodies

Bodies that oversee healthcare-related matters:

- Body of Healthcare Funders of Southern Africa
- Health Professions Council of South Africa
- Hospital Association of South Africa
- Doctor's Health Council
- Public Health Enhancement Forum

How this relationship creates value

Industry bodies provide vital opportunities to interact with broader industry players with regard to critical interests in the healthcare sector. In some instances, they open the channels of communication to government and regulators, particularly in instances where policymakers and regulators seek industry-wide positions. Through engagement with these bodies, we are able to contribute our technical expertise and in-depth knowledge to pertinent industry topics.

Key concerns raised

- The role of medical schemes within the NHI environment
- Legal challenges in the draft NHI bill as gazetted by parliament
- Medical scheme sustainability in the face of the COVID-19 pandemic
- The need for medical schemes and other industry players to support government in the COVID-19 pandemic response

How we responded

- Prepared detailed commentary on the draft NHI policy document and submitted these to the NDoH
- Prepared and submitted to parliament detailed technical inputs on the NHI bill
- Formally submitted a request to the Portfolio Committee on Health to make representations on the basis of the document submitted. Awaiting confirmation of when AfroCentric will be expected to present
- Ongoing engagements with government and regulators through various processes to understand strategies for COVID-19 and determine how best AfroCentric can participate and support, where possible
- Engagement with provinces to indicate capability to support and assist in the roll out of the COVID-19 pandemic response, e.g. liaising with private hospital groups on bed capacity and how providers (GPs, specialists and nurses, as well as pathology and radiology services) can be contracted to help with addressing the patient burden (especially for critical care)

Employees

How this relationship creates value

Motivated employees are critical to delivering exceptional client service.

Key concerns raised

- An employer who empowers their people and enables them to achieve their potential
- Leaders who are accountable and fair

How we responded

- Offered an industry-aligned employee value proposition
- ACT FIRST culture journey to help engage employees in Group purpose and enhance alignment
- The new AfroCentric leadership competency model was rolled out

Our shareholders and investors

These include institutional and individual investors.

How this relationship creates value

Our providers of capital enable us to diversify our revenue sources and grow our business.

Key concerns raised

- Sustainable value creation
- Consistent financial performance
- Sound investment returns

How we responded

With effective delivery against our growth strategy, we achieved:

- Compound annual growth rate (**CAGR**) of 25.4% revenue growth (2016 to 2020)
- Return on equity of 14.7%
- Dividend yield of 9.2%

Our clients – medical schemes

Our clients are also our direct link to the end-user of our services, which is the medical scheme members.

Our schemes include:

- Open schemes: Bonitas, Fedhealth, Medshield and Hosmed
- Closed schemes: AECI, Barloworld, GEMS, Horizon, MBMed, MEDiPOS, NedGroup, ParMed, POLMED, SABC, SAMWUMED and Sasolmed
- Schemes outside of South Africa: NAMMED, Namibia Health Plan and Sovereign Health

How this relationship creates value

Retaining and growing our medical scheme clients is critical to our sustainability.

Key concerns raised

- Member retention in the current context
- Maintaining service levels during the pandemic
- Addressing co-payments to address member concerns
- FWA
- Understanding our unique value proposition
- Sound claims management
- Technology innovations to reduce cost and improve service

How we responded

- ACT FIRST culture journey to support service excellence
- Leveraging the elements of our value chain to address the rise in healthcare costs and increase affordability
- Significant engagement around models of contracting with doctors and hospitals to address the issue of co-payments
- Supplemented administration and managed care services with additional contracts
- Established claims excellence forum to address claims underperformance
- Implemented decision rules management system to improve claims efficiency

OUR MATERIAL MATTERS

DETERMINING OUR MATERIAL MATTERS

Our external environment influences our ability to create value and achieve our strategic objectives 40, our relationships with our stakeholders 24 and the risks and opportunities derived from these contexts.

We determine material matters by assessing these factors and aligning them to our strategy.

To ensure our strategy is both responsive and progressive, a robust understanding of our material matters is critical. We ensure our strategy incorporates matters that have the potential to influence our ability to create value in the short, medium and long term.

Our operating environment is dynamic and ever-changing. The Group's ability to monitor, assess and respond to the external environment and our material matters determines the Group's sustainability.

Quality stakeholder engagement is a key component of our ability to create value. Effective feedback and communication channels enable the Group to identify and address risks and opportunities. Stakeholder engagement also informs our material matters and our strategic response.

Our materiality assessments are based on matters identified as key risks and opportunities, as management continues to align its strategic approach with critical factors in our operating environment. All assessments are aligned to our strategic, financial, reporting, IT, compliance, reputational and operational risks.

The materiality determination process ranks our material matters based on relevance and impact on our ability to create value for our stakeholders.

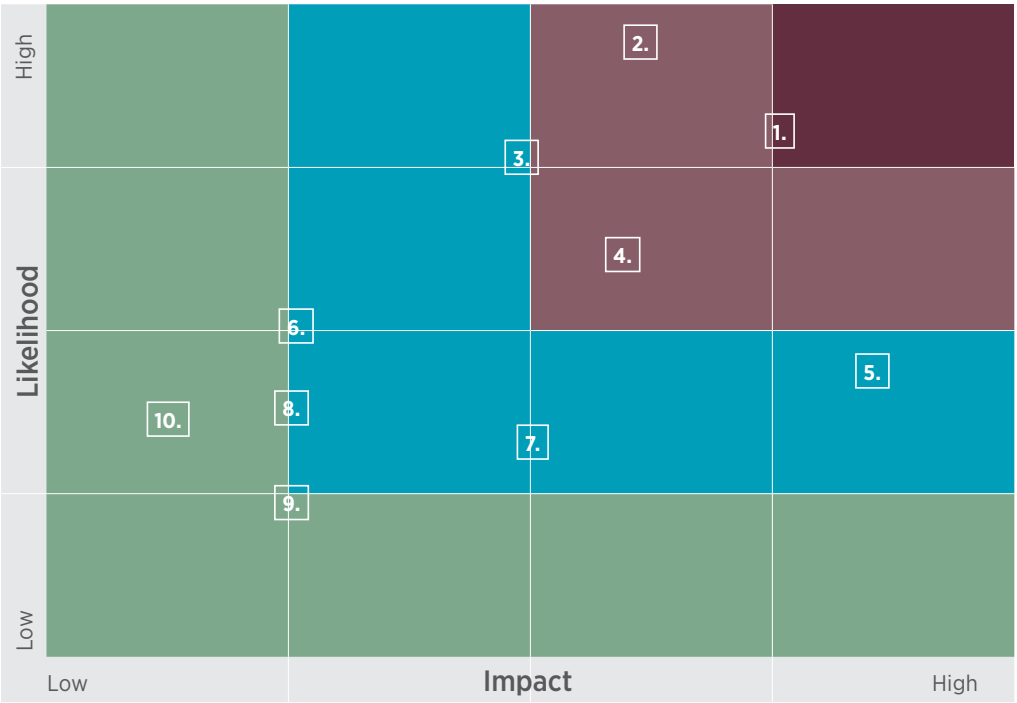
Our enterprise risk management process evaluates the external environment and our stakeholders' expectations. We then outline the risks and opportunities that can considerably influence our ability to create value.

The Group considers the likelihood and the potential impact of the risks and opportunities within defined quantitative and qualitative parameters.

Executives review material matters annually to determine if there has been a change in the likelihood or magnitude of their effect on our business, or if new material matters have emerged.

The heat map below depicts how these material matters were evaluated and prioritised based on their impact and likelihood.

MATERIALITY MATRIX



1. Escalating healthcare costs
2. Member retention for clients
3. COVID-19
4. Cybercrime and data security
5. IT dependency
6. Loss of critical skills
7. Technological innovation
8. Political and regulatory uncertainty
9. Transformation
10. FWA

1. Escalating healthcare costs

Trend

Why is it material to our business?

Rising healthcare costs make private medical insurance less affordable. This results in medical scheme membership losses and shifts to less costly scheme options which, in turn, impacts AfroCentric's revenue.

Related risk

- Declining membership and the shift to less costly options threaten the sustainability of the private healthcare sector

Related opportunities

- Disruptive strategies to reduce inefficiencies
- Strategic purchasing of healthcare services throughout the value chain
- New acquisitions increase capacity to reduce healthcare costs

Our response

- Successful tariff negotiations to drive down pathology costs and hospital costs, and for more cost-effective products
- Implemented provider networks at reduced rates, e.g. hospital, day clinic, mental health and substance abuse facility networks and renal dialysis networks
- Management of supplier-induced demand using risk-sharing reimbursement models, in-hospital case managers, monitoring casualty conversion rates, and negotiating volume-based discounts
- FWA initiatives
- Initiated alternatives to hospitalisation, including encouraging in-rooms procedures, use of day clinics, step-down to subacute facilities and home-based care
- Implemented back and neck rehabilitation programmes to reduce costly back surgery
- Focused management of specific conditions to reduce the length of stay in hospital

Our response

- Implemented disruptive strategies to eliminate inefficiencies in the healthcare value chain
- Adopted technology and other initiatives to curtail pharmaceutical, specialist and hospital costs, including supplier agreements, e.g. for cardiac devices
- Collective bargaining
- Alternative reimbursement models with risk-sharing agreements
- Implement provider networks with a focus on cost containment, quality and outcomes
- Focus on provider profiling with remedial plans agreed and penalties for non-improvement
- In-hospital case managers onsite at outlier hospitals

Outlook

- Integrating acquisitions into the Group to achieve planned strategic value
- Maintaining the momentum of disruptive strategies
- Leveraging collective negotiation opportunities
- Focusing on value-based reimbursement models

Key stakeholders impacted

- Shareholders and investors
- Our clients – medical schemes
- Providers and suppliers of healthcare
- Regulators

Links to forward-looking strategy

- Technical and data analysis
- Pharmaceutical
- Cost efficiencies
- Value chain optimisation
- Disruptive models
- Primary care/health insurance

No movement Moved up Moved down

2. Member retention for clients

Trend 

Why is it material to our business?

The heightened economic challenges faced by many due to the COVID-19 pandemic and its effects on businesses increased the need for affordable healthcare.

Related risks

- Increased economic pressure may result in members opting out of their medical aid schemes
- Failure to help medical scheme clients retain their members by providing cost-effective service could result in losing clients
- Poor-quality service experienced by scheme members may also impact retention

Related opportunities

- Instilling a culture of quality client service
- Leveraging our integrated model to reduce costs to medical schemes while providing affordable, quality healthcare services
- Excellent service in times of crisis enhance customer loyalty
- Leveraging data analytics to identify ways of reducing member health risks and to better understand their needs

Our response

- Provided easy access to digital self-service on clients' websites and members' smartphones, including the addition of a WhatsApp functionality for enhanced client service
- Designed innovative scheme products and interventions to address declining affordability
- Enhanced our actuarial and analytics capability to understand our scheme lives and develop products and services to delight and assist members
- Partnered with various institutions, including Sanlam, to develop value-added products to assist with other elements of financial constraints for members
- Focused on improving call centre productivity
- Created specific teams to address retention for members, either directly or as service consultants for brokers

Our response

- ACT FIRST culture journey to instil a culture of quality healthcare
- Focused on providing innovative digital solutions to meet member needs and enhance efficiencies

Outlook

- Looking at further digital customer experience processes and channels, revised service model and more digital healthcare delivery models
- Saving money for our medical scheme members by reducing inefficiencies in the healthcare value chain and creating bespoke scheme options for specific member segments

Key stakeholders impacted

- Our clients – medical schemes
- Scheme members
- AfroCentric employees
- Brokers

Links to forward-looking strategy

- Technical and data analysis
- Client experience and membership growth
- Cost efficiencies
- Value chain optimisation
- Disruptive models
- Primary care/health insurance

3. COVID-19

Trend (new matter)

Why is it material to our business?

Traditional administration and managed care businesses rely on revenues generated from the membership of client medical schemes. In the current context, there is a risk of reduced revenue due to potential membership losses as a consequence of the economic downturn.

Related risks

- Medical schemes face additional expenditure due to the cost of COVID-19 testing, personal protective equipment (**PPE**) and hospitalisation
- Scheme reserves were initially under pressure due to poor investment returns. Although markets have subsequently improved, returns from medical scheme investments will likely remain volatile
- Although it is difficult to accurately quantify the impact of COVID-19 on client medical scheme membership, it is likely that the economic consequences of job losses and upward pressure on contributions could result in membership terminations and buy-downs
- In addition, remaining membership profiles are likely to deteriorate, which will place further pressure on contributions

Related opportunities

- The COVID-19 pandemic will likely change the trajectory for healthcare delivery in South Africa, and AfroCentric is well positioned to capitalise on these opportunities
- Specific opportunities include:
  - Increasing the use of technology to enable social distancing, for example, virtual consultations
  - Building public-private partnerships as the state sector capacity is overwhelmed by the pandemic
  - Fast-tracking opportunities to build on managed care interventions that channel beneficiaries to day surgery facilities and alternatives to hospitalisation
  - Creating opportunities to increase the utilisation of AfroCentric companies in the healthcare value chain to lower the cost of care while maintaining or improving quality
  - Opportunities are created in the corporate workspace, especially as employees return to work

Our response

- Medscheme played a vital role in negotiating the pathology tariff for the COVID-19 PCR test, which resulted in a substantial price reduction
- Implementing risk management interventions, including developing digital solutions to ensure COVID-19 testing is funded as per the National Institute for Communicable Diseases (**NICD**) guidelines
- Ongoing negotiations with hospital groups for PPE to optimise the additional costs these incur
- Implementing a COVID-19-specific rapid response call centre
- Working with clients on new benefit design options for 2021 that will enable more affordable contributions while still providing access to quality healthcare

Our response

- Launching a digital platform to enable virtual consultations
- Using the digital platform to assist members with COVID-19 screening
- Engagements with the provincial government on providing administrative support for public patients being admitted to private hospitals contracted to the NDoH
- Managed care solutions to channel members to day surgery and alternatives to hospitalisation are being developed
- Disease management is being re-engineered to drive clinical outcomes
- Evolving new solutions that incorporate Group companies in the healthcare value chain that will lower the cost of healthcare
- AfroCentric Integrated Corporate Solutions and Wellness Odyssey are providing COVID-19 screening, occupational health and employee assistance programme solutions to corporate pay points of client medical schemes

Outlook

While the COVID-19 pandemic has produced many challenges for the healthcare sector, it also created several opportunities threatening to disrupt the current healthcare delivery model. This changes the playing field in the private healthcare sector and AfroCentric, as the largest diversified healthcare company in Southern Africa, is well positioned to leverage these opportunities.

Key stakeholders impacted

- AfroCentric employees
- Our clients – medical schemes
- Government
- Regulators
- Providers and suppliers of healthcare

Links to forward-looking strategy

- Pharmaceutical
- People
- Client experience and membership growth
- Disruptive models
- Primary care/health insurance

4. Cybercrime and data security

Trend 

Why is it material to our business?

With advanced technology comes the increased threat of cybercrime. Inadequate investment in cybercrime detection and prevention makes businesses vulnerable to cyberattacks.

Related risk

» Cybersecurity breaches expose our intellectual property and client data to the risk of leaks or compromise. This could damage our client relationships and reputation

Related opportunities

» Advanced threat analytics technology strengthens the security of our systems

» Cybersecurity strategy review ensures continuous updating of systems, including web application firewalls

Our response

» Applied a proactive approach with improved evaluation and analysis of cybercrime and data security risks

» Enabled faster detection and response to rapidly evolving cyber threats

» Implementing Privilege Account Manager which is a supervisory tool to track activities and changes by privileged users

Our response

» Reviewed our cybersecurity strategy

Outlook

» Continuously investing in identification, detection and prevention technologies to mitigate risk and keep dwell time below 60 days

» Ensuring ongoing user awareness of cyber threats and vulnerabilities

Key stakeholders impacted

» Trade suppliers

» Our clients – medical schemes

» AfroCentric employees

Links to forward-looking strategy

» Technical and data analysis

» Client experience and membership growth

5. IT dependency

Trend 

Why is it material to our business?

Our IT architecture forms the core of our operations. Stable IT systems and adopting digital technology support operational efficiency and customer service during a period of business growth and market consolidation.

Related risk

» IT system instability exposes the Group to the risk of business interruption, while failure to respond to disruptive technologies may impact our competitive advantages

Related opportunities

» Adopting artificial intelligence (**AI**) and RPA

» Enterprise architecture and IT

» Technology operating model

Our response

» Establish an architecture oversight and governance structure to improve efficiency and service

Our response

» Reviewed our digital strategy to strengthen innovation focus

Outlook

» Continuously improving IT architecture is expected to improve service and reduce costs

Key stakeholders impacted

» AfroCentric employees

» Our clients – medical schemes

» Trade suppliers

Links to forward-looking strategy

» Technical and data analysis

» Client experience and membership growth

» Disruptive models

6. Loss of critical skills

Trend

Why is it material to our business?

AfroCentric competes for skilled and experienced employees in the global and local healthcare sector. Retention of intellectual capital, particularly of actuarial, IT and medical specialists, is imperative.

Related risk

» A shortage of critical skills in the domestic healthcare sector necessitates retaining existing skills and attracting new skills

Related opportunities

» Succession planning and short-term and long-term incentives attract and retain critical skills

» Training and development support retention plans

Our response

» Building an external pipeline of critical talent and an internal pipeline of successors for critical roles

» Implemented a leadership competency model to create common leadership behaviour that promotes employee engagement

» Implemented a scarce skills retention strategy

Our response

» Undertook numerous training and development initiatives

» Developed internal talent pipelines for critical roles in progress

» Reviewed short-term and long-term incentives

Outlook

» Mitigating risk of losing critical skills by implementing retention and succession strategies

» Implementing a culture shift programme to help employees adapt to a culture of innovation

Key stakeholders impacted

» Employees

Links to forward-looking strategy

» People

7. Technological innovation

Trend

Why is it material to our business?

Technological innovation enhances cost-efficiency and enables the Group to remain relevant to clients. In a rapidly evolving digital environment, increased digitisation improves client experience and is a competitive advantage. Furthermore, COVID-19 and the resultant lockdown amplified the need for digital solutions and accelerated the uptake of digital means of engaging with and delivering services to clients and scheme members.

Related risk

» Not staying abreast of technological advances limits the Group's ability to implement its strategy effectively

Related opportunities

» Leveraging current digital capabilities to reduce cost, improve client experience and drive member growth and retention with value-added products and services

Our response

» Adopted a Group digital strategy

» Expanded RPA to one million transactions

» Implemented an innovative, new benefit design for scheme members and upgraded schemes' digital self-service facilities

» Implemented electronic health record systems for high-risk patients

Our response

» Currently leveraging digital capabilities to the value of R35 million that improve client experience and drive member growth and retention with value-added products and services

Outlook

» Continue the rapid migration to digital technologies driven by the pandemic

» Continue reducing healthcare costs and improving client experience

» Identifying and implementing new products and services to maximise growth objectives

Key stakeholders impacted

» Medical schemes

» Medical scheme members

» Brokers

» Employees

Links to forward-looking strategy

» Technical and data analysis

» Client experience and membership growth

» Cost efficiencies

» Disruptive models

8. Political and regulatory uncertainty

Trend

Why is it material to our business?

The healthcare sector is experiencing policy uncertainty related to the NHI bill and other healthcare legislation. Challenging economic conditions, exacerbated by political uncertainty, contribute to a decline in medical scheme memberships.

Related risks

- The draft NHI and Medical Scheme Amendment (**MSA**) bills propose changes to the roles of healthcare businesses and will impact the future of the private healthcare sector
- Failure to comply with legislative requirements can harm financial, reputational or business sustainability
- COVID-19 and the resultant lockdown contributed to a potential negative impact on the business and its revenue streams. For example, client medical schemes may experience a decline in membership numbers which will impact them financially due to a decline in contributions and healthcare utilisation costs

Related opportunities

- Position as a diversified healthcare partner in the delivery of healthcare for all in South Africa
- Participate in public-private partnerships to demonstrate this capacity

Our response

- Diversified revenue sources and service and product offerings
- Partnered with government to drive universal healthcare agenda
- Promoted transformation
- Engagement with government via Business Unity South Africa and Board of Healthcare Funders to pledge support, offer solutions and identify opportunities for private sector involvement in the COVID-19 pandemic response

Our response

- Leverage existing contractual arrangements with National and Provincial Departments of Health (**DoH**). For example, CCMDD to roll out COVID-19 pandemic responses
- Leverage existing relationships with private hospital groups to design and implement interventions to support National and Provincial DoH in dealing with projected increased numbers of COVID-19 related infections

Outlook

- Continue positioning AfroCentric as a diversified healthcare partner in the delivery of healthcare for all in South Africa

Key stakeholders impacted

- AfroCentric businesses
- AfroCentric employees
- Our clients – medical schemes
- Government – national and provincial
- Regulators

Links to forward-looking strategy

- Cost efficiencies
- Value chain optimisation

9. Transformation

Trend

Why is it material to our business?

AfroCentric is an empowered business committed to South Africa's transformation agenda. Transformation is a strategic objective, and we aim to comply with the B-BBEE codes and other relevant legislation.

Related risks

- Poor transformation performance impacts the Group's ability to secure new work and would hinder the Group's ability to have a positive impact on its operating communities
- There is a potential loss of business with no B-BBEE certificate
- With government business, dependent on the size of the tender, B-BBEE accounts for 10% to 20% of the price differential
- The B-BBEE Act makes implementation compulsory for the state and its associated enterprises
- Section 10 of the B-BBEE Act requires government to consider your B-BBEE status when granting licences and concessions
- The B-BBEE Act makes it compulsory for JSE-listed companies to comply and report to the B-BBEE Commission

Related opportunities

- Our level 1 B-BBEE status favourably positions the Group to win tenders in the public and private sectors
- Our B-BBEE status demonstrates our commitment to transformation
- Opportunity to empower staff through retention and skills development and suppliers and small business through preferential procurement and enterprise and supplier development
- Opportunity to impact the greater community positively through SED
- Companies use our B-BBEE certificate to make their purchasing decisions

Our response

- Improved AfroCentric's black ownership to 57%
- Integrated businesses with B-BBEE requirements
- Consistently applied preferential procurement practices across the Group
- Improved reporting and measurement
- Significant improvements in the integration of business processes with B-BBEE requirements
- Formulated Group policies and procedures with regard to the five B-BBEE elements in place
- Formulated and implemented preferential procurement practices that align procurement to B-BBEE imperatives in a consistent manner across the Group has improved
- Made substantial improvements to the AfroCentric Health (RF) Proprietary Limited (**AHL**) B-BBEE reporting and monitoring framework. This ensured alignment and consistency in reporting and enabled measurement of performance and the ultimate impact of B-BBEE activities

Our response

- Maintained our B-BBEE status at level 1 (this status is valid from 30 November 2019 to 29 November 2020)
- B-BBEE level result is aligned with the transformation and empowerment requirements as specified by current and prospective clients
- There are increased partnerships within the Group to achieve B-BBEE priority objectives, emphasising skills development, enterprise and supplier development and ownership
- Facilitate Black Economic Empowerment (**BEE**) through targeted interventions to achieve more inclusive growth
- Create an environment enabling transformational development in an equitable and socially responsible manner
- Provide trend and other in-depth analysis in easy to read formats to measure the transformation gains across the Group
- Extend relationships with critical stakeholders for the betterment of the organisation in relation to B-BBEE
- Promote a professional, ethical, dynamic competitive and customer-focused environment with regard to BEE
- Ensure all stakeholders are aware of the purpose of the B-BBEE Act
- Increase visibility by providing activities, education and information and resources

Outlook

- Maintaining level 1 B-BBEE status
- Improving performance in skills development and employment equity

Key stakeholders impacted

- Employees
- Our clients – medical schemes
- Trade suppliers

Links to forward-looking strategy

- People

10. Fraud, waste and abuse (FWA)

Trend 

Why is it material to our business?

Losses are incurred, and healthcare costs escalate when third parties defraud our client schemes and/or our employees through unauthorised, fraudulent and wasteful activities.

Related risk

» Fraudulent and wasteful claims severely impact the financial sustainability of medical schemes; contributing to increased membership costs, which may result in membership losses and solvency challenges

Related opportunities

» FWA management and data analysis by forensics enable quantification, reduction and, in some cases, recovery of funds

» More importantly, it creates the necessary awareness and oversight in terms of claims monitoring and payment

» Intensive intervention improves billing patterns and claims behaviour

Our response

» Reviewed and enhanced FWA processes, communication templates and strategies

» Introduced additional quality standards for provider communications

» Enhanced and improved analytics and reporting capabilities on the forensic system

» Claims behaviour monitoring

» Increased intelligence and industry collaboration

Our response

» Leverage benefits presented by the growing consortium of schemes that we provide forensic services to

» Continuous and enhanced FWA responses

» Communication, awareness and training for our stakeholders

» Changing billing behaviour and ensuring rehabilitation

» Highest per member recovery rate in the industry

» Maximising value to the client by improving the schemes' financial health and stability

» Market differentiator for current and new clients

» Effective FWA programme that adds value to the healthcare administration and managed care strategy by continuously highlighting emerging FWA trends/patterns and recommended mitigations

Outlook

» Identifying and addressing process gaps in FWA management

» Staying abreast with latest FWA trends and modus operandi

» Continuously investing in technology resources and innovations to ensure only valid and legitimate claims are paid

» Recovery of funds obtained through FWA

Key stakeholders impacted

» Our clients – medical schemes

» Medical scheme members

» Potential clients

» Employees

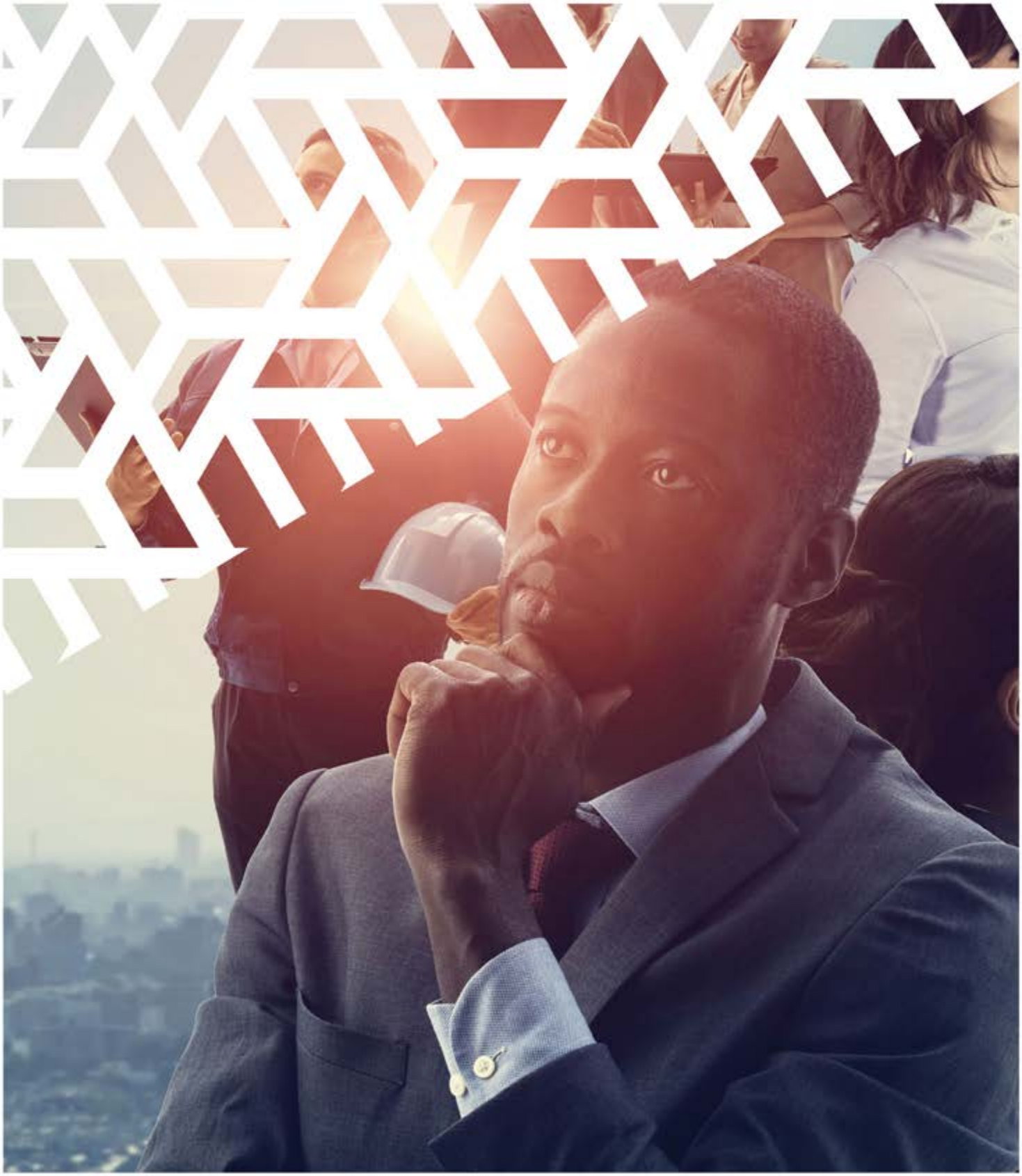
» Group subsidiaries

Links to forward-looking strategy

» Technical and data analysis

» Client experience and membership growth

RESPONDING STRATEGICALLY



CEO'S REVIEW

"We are operating in an environment so drastically different from 2019 that comparison seems somewhat impossible. However, within this context, our products and services – moreover, our vision and purpose – have never been more critical."

AHMED BANDERKER

A year like no other

2020 represented my first full year as Group CEO, and what a year it has been. In August 2019, the NHI bill was tabled at parliament. This represented a significant step towards achieving universal healthcare – the need for which has been starkly highlighted in the face of the COVID-19 pandemic.

Since then, as individuals and as a country, we have faced challenges beyond what we could have believed possible. The truth of the matter, however, is that difficult times test our mettle, revealing strengths and weaknesses that may be concealed in more prosperous periods.

Having come through this year and had the opportunity to reflect, not only on our financial results but the human stories behind them, I can say with confidence that I am proud to be a part of an organisation that lives and breathes its purpose. Despite the challenges they have faced at every turn, our people have dug deep and placed the needs of the members of our schemes and the end-users of our critical healthcare services at the forefront of their everyday endeavours.

Responding strategically to transform healthcare

Despite the context in which we find ourselves, we made great strides towards achieving our ambitions during the year. It is pleasing to note that our diversification strategy has enhanced our business resilience, as our numerous business units have been impacted to differing degrees by the pandemic and resultant lockdown. Moreover, our pharmaceutical cluster showed significant growth and delivered considerable value in meeting stakeholder needs during this time.

For me, a central highlight for the year was completing our strategic review. This process has helped define the path for the business for the next three years within the broader context of our long-term strategic ambition – to innovate a new integrated model that transforms healthcare. As we are all too aware, the status quo cannot remain.

Our strategic review process has also enabled the Board and management to apply a focused lens to the Group's experience and skills requirements, as well as the structure necessary to execute on this next phase of our strategy. These structural and leadership changes were made during the year to support our ongoing growth.

During this next phase of our strategy, our focus will be on integrating the building blocks we acquired over previous years. In this way, we are seeking to maximise the purchasing power of every healthcare spend.

Strategy in action

Recently acquired entities were profitably integrated into our operations during the year. We are pleased to announce that, post year-end, we concluded our acquisition of 100% of DENIS, effective October 2020. DENIS specialises in dental benefits management. The transaction enables the Group to focus on innovation and efficiency management in dental treatment offerings to all South African medical schemes and their members.

Medscheme demonstrated a robust performance in a challenging context and continues to reap the benefits of the acquisitions made throughout the value chain. Further highlights included securing two critical contracts for efficient chronic medical and HIV management, and securing the contract to administer the MEDiPOS Medical Scheme.

Unfortunately, Sasolmed gave notice during the year, with effect from December 2020. Moreover, given the challenges faced in our operations in Zimbabwe and Eswatini, a strategic decision has been taken to exit these areas.

The growth of the pharmaceutical cluster is yet another highlight. MMed turned a profit and Scriptpharm continued to show strong performance. Post year-end, we acquired the remaining 20% of Scriptpharm, effective 1 August 2020. Furthermore, Activo Health registered new dossiers, and we are pleased with the business's growth and prospects.

Throughout the Group, we focused on applying innovative digital applications to drive greater efficiencies to improve the quality of services rendered to our customers, our clients and their medical scheme members. Moreover, the COVID-19 pandemic has amplified the need for digital solutions and accelerated the development of many planned initiatives.

Our prior investment in systems development and increased IT capacity continues to contribute favourably towards our operating results, achieving beneficial cost savings through greater scale and procedural efficiencies. These investments could not have been more timely, considering the necessity for a digital operating model during lockdown and the subsequent restrictions.

Protecting our customers, colleagues and communities

We recognise that our achievements are the product of the people on whom our business depends. Protecting our people is, and will remain, a top-of-mind priority. We are working tirelessly to safeguard our colleagues from the spread of COVID-19 while also providing exceptional service to our clients and supporting the communities in which we operate.

Protecting our colleagues

The pandemic has demonstrated the tremendous endurance of our people and their ability to respond to the challenge of change without resistance but, rather, with resolution and determination. Truly, the fruits of our ACT FIRST culture journey have been aptly demonstrated this year at all levels of the business. For us, ACT FIRST simply means that we must act to enhance the quality of life of our stakeholders and act to transform healthcare in everything we do. I believe the Group's performance in this context is a testament to the people at the heart of our business who live our purpose at every turn.

Creating a safe working environment, whether employees work from home or the office, remains a top priority. It is, therefore, with a heavy heart that I report that in July, August and September 2020, we lost five of our colleagues due to COVID-19-related causes. While we all see the number of infections reported in the news daily, it is the loss of one of our own that brings the impacts of the pandemic home.

To remain responsive, we have a dedicated team in place to offer support in terms of tracking, monitoring and advising the Group on issues around COVID-19. We continually assess the Group's operational situation to ensure that our people's safety is maintained at all times, and that the necessary continuity plans are in place to ensure the services we provide to our clients are not materially impacted.

We are pleased to report that, despite the seemingly sudden nature of the lockdown, our preparation commenced ahead of time when we first anticipated the risk of the virus spreading to South Africa. As a result, we were able to transition the vast majority of our workforce to a work-from-home environment without compromising critical service levels. Furthermore, to support our staff as they made the necessary plans and provisions for lockdown, we provided a once-off gratuity payment to our staff at the end of March.

To date, none of our 5 693 colleagues have been retrenched or furloughed. We are in constant communication with our people concerning critical developments and the way forward for the business within this volatile context.

With the change in restrictions, we will begin moving a small number of employees back to the office environment within the limitations of their childcare and eldercare obligations from October 2020. Initiatives were put in place to protect the health and wellbeing of our staff as we undergo this transition.

Supporting clients

Delivering excellent customer service, despite the challenge of working from home, remained a top priority. We also maintained a high standard of service and customer satisfaction during this time.

Protecting our people, as discussed, was the starting point in ensuring continued service delivery, recognising that our employees are critical to the support system for members and providers.

Another essential focus was on promoting digital access and simplifying processes to ensure access to care is as seamless as possible. One such example includes rolling out

a new mobile app that provides a member-focused digital platform to enhance member interaction with their scheme.

Our VirtualCare™ solution is yet another innovation focused on supporting our clients and their members. The solution allows healthcare providers to connect with patients using a telehealth platform. Furthermore, in response to COVID-19, AfroCentric Technologies developed a WhatsApp solution as an additional communication and self-help platform to educate members and update them on the current status of the COVID-19 situation.

Bolstering communities

As a healthcare business, we have sought to support the healthcare industry and government in fighting the virus on every front. We are working closely with the NDoH and the NICD and continue engaging with them on effective strategies to manage the pandemic.

During the year, in our efforts to support communities who may not have access to telemedicine services, we offered free virtual medical consultations to all South Africans via the Bonitas mobile app. This facility included medical advice about COVID-19, other medical problems, the writing of prescriptions where necessary, and free delivery of chronic medication.

Our business units have also sought ways in which they can adapt to help fight the pandemic. Our MMed business, for example, launched a three-ply disposable surgical mask manufacturing operation during the first week of the COVID-19 lockdown. MMed quickly created capacity by using contract workers within the textile industry, as well as sourcing raw materials internally. The business was able to produce approximately 200 000 three-ply surgical masks weekly and employed over 400 contract workers during a time where many companies had to retrench employees.

Collaboration and partnership

As COVID-19 continues to spread across the world in a unique and unprecedented manner, it has presented a hard-hitting case study for the desperate need to create access to quality healthcare for the most vulnerable in our society.

However, our current context also sets the stage for the massive challenges faced in implementing a system that would achieve the objectives of the NHI. Undoubtedly, dealing with the COVID-19 pandemic would have been the most significant single challenge the NHI would have to have faced were it currently in place, and this amid existing difficulties in the public healthcare sector in areas such as infrastructure funding, service provision and overall health system strengthening.

It is encouraging, however, to see the collaboration that has taken place between the public and private sectors. In fact, should COVID-19 infections spike to unprecedented levels, the NDoH is currently looking at private hospitals to provide the extra beds that may be required if there is a shortfall in the public sector. Indeed, COVID-19 has proven to be a good test for private-public partnerships and the development, testing and implementation of mutually beneficial and innovative healthcare delivery models and solutions.

As a Group, before the current crisis, we had adapted our strategies to align our business model to the government's health policy direction and have successfully demonstrated our abilities in these strategies. A number of our subsidiary entities are already working closely with the government in delivering innovative and sustainable services, such as providing chronic medication to government clinic patients across four provinces. We believe this partnership demonstrated the value AfroCentric can offer in assisting the government in achieving its aims.

There is a saying that one should never let a crisis go to waste. The learnings gained over this time can be applied during the full implementation of NHI after we have defeated COVID-19, serving as a true test for the power of collaboration and the possibility that the two systems could coexist and result in reduced costs and improved quality of care for those who need it most.

Outlook

We are operating in uncertain times, and that requires us to actively and agilely manage risks and capture opportunities as they arise. A key focus for the Group going forward will be on supporting our staff to navigate this uncertainty while adapting to the rapid change required of us all.

We recognise that the full impact of COVID-19 on our economy is not yet known. However, it is clear the unemployment rate will rise in response to the challenges businesses faced during this time, which will likely have an impact on scheme membership.

Given the significant level and range of uncertainty, we are preparing for various scenarios and implementing risk mitigating activities across the Group. Critical to our focus going forward, therefore, will be a continued emphasis on delivering further efficiencies along with stringent capital management strategies. In line with this, non-critical, large capital expenditure (**capex**) projects will be delayed where possible until we have a clearer picture concerning the full impacts of the pandemic on our business.

COVID-19 has already had a noteworthy impact on consumer behaviour. One of the key elements of the crisis has been the way in which it has accelerated the pace of digital transformation. We see this as an opportunity to further reduce costs going forward, as well as a source of competitive advantage through digital infrastructure already in place.

Our future focus will be on assimilating the elements of the Group's businesses to leverage the full benefits of being the most diversified healthcare group in Southern Africa. Through these efforts, we will make significant progress towards achieving our vision of transforming healthcare.

Appreciation

In this, my first year as CEO, I want to take the opportunity to applaud our people for the way in which they have gone above and beyond. I could not be prouder to be part of the AfroCentric team.

I would also like to thank the members of the Board for their purpose-driven leadership and informed oversight, which has made navigating these uncertain and unprecedented waters possible. Likewise, I extend my thanks to the executive team for their grounded and agile leadership during this time.

Finally, to our shareholders and other stakeholders, thank you for your continued support as we strive tirelessly to deliver on our purpose of enhancing the quality of life.

In the coming months, we will continue working closely with the NDoH in addressing the country's challenges, with the clear understanding that we are in this together. Through the power of collaboration, we will prevail.

Ahmed Banderker
Group CEO

UNPACKING OUR STRATEGY AND APPROACH

Our strategy aims to expand and diversify our presence in the broader healthcare industry to achieve our ultimate goal of transforming healthcare.

Introduction

AfroCentric is transforming healthcare by making quality healthcare more accessible and affordable to millions of people. We are doing this by expanding the Group's presence in the broader healthcare industry.

During 2020, we achieved key strategic milestones that took us closer to our goals. We have now completed the phase of our strategy largely focused on putting in place the necessary building blocks to achieve our aims. While we remain opportunistic in seeking our acquisitions that will further our endeavours, going forward we are entering the next phase of our strategy.

In this next phase, our focus will primarily be on assimilating the elements of our value chain to leverage the full benefits of being the most diversified healthcare group in Southern Africa. In this way, we believe we will be able to make significant progress towards achieving our vision of transforming healthcare.

PHASE ONE

Acquisition of building blocks

Strategic priorities

(please see 43 for our performance against our objectives)

- Enhancing shareholder value
- Maximising growth opportunities
- Reducing healthcare costs
- Improving efficiencies through cost consciousness
- Diversifying revenue sources
- Client experience and membership growth
- Promoting transformation
- Uplifting our people

PHASE TWO

Integration

Strategic priorities

(please see 38 for more detail on our phase two strategy going forward)

- Technical and data analysis
- Pharmaceutical
- People
- Client experience and membership growth
- Cost efficiencies
- Value chain optimisation
- Disruptive models
- Primary care/health insurance

Overview of progress against our strategic objectives

In 2020, our phase one strategic objectives continued to guide our actions within a challenging context.

Our phase one strategy was driven by the following strategic objectives and measured against clear KPIs:

Strategic objective

Enhancing shareholder value

What this means for AfroCentric

We create value for shareholders by capturing appropriate growth opportunities, diversifying our revenue sources across the healthcare industry and extracting the synergies by integrating our businesses.

To sustain value creation over the long term, we aim to remain relevant to our medical scheme clients and their members by providing value in a changing healthcare environment.

Performance during 2020

- The Group's financial position remains sound, cash reserves were applied to working capital needs when necessary and the early repayment of debt resulting in a 21.4% reduction in debt during the year
- The profits arising from the Group's expanded trading base, including the improved earnings from the Group's established underlying businesses, contributed satisfactorily to the financial results during this period under review
- The financial performance for the period presents the benefits of the Group's deliberate diversification strategy, revealing the solid growth in the maturing pharmaceutical cluster
- Achieved headline earnings growth of 15.6%
- Increase in cash earnings per share of 38.3%

KPIs and targets

KPIs	2021 Target	2020 Target	2020 Actual	2019 Actual	Link to executive remuneration
Headline earnings per share (cents)	55	53	**53.42**	47.29	✓
Dividend yield (%)	4 – 5	4 – 5	**9.2**	6.9	✗
Share price (cents)	>600	>600	**369**	495	✗
Normalised headline earnings per share (cents)	55	53	**54.63**	49.13	✓
Return on equity	15	15	**14.7**	13.21	✓

Looking ahead

While mindful of the potential difficulties that could lie ahead due to the uncertain impact of Covid-19, the Group is cautiously confident in the future of current Group operations, hopefully to be enhanced going forward by the additional contributions of recent developments and the acquisition of the DENIS Group.

The financial position of the Group remains sound, and the Group is sufficiently capitalised for its immediate needs and management will continue in the normal course to promote organic growth and consider compatible bolt-on opportunities for acquisition. The impact and industry consequences of Covid-19 will be closely monitored, and the Group will naturally consider any changes to its plans in response to any such events.

Strategic objective — Maximising growth opportunities

What this means for AfroCentric

We increase our revenue through acquisitions, scheme consolidation, public-private partnerships with government and organic growth.

The Group acquires businesses that contribute to our value chain and grow our client base. By integrating them into our organisation, we create opportunities for new acquisitions to grow and decrease healthcare costs.

Performance during 2020

- MMed, Scriptpharm and Pharmacy Direct experienced strong growth by securing major contracts or expanding into new markets facilitated by AfroCentric
- We acquired the remaining 20% of Scriptpharm, effective 1 August 2020
- Acquisition of 100% of DENIS, which specialises in dental benefits management
- Two important contracts were secured for efficient Chronic Medical and HIV management
- Medscheme secured the contract to administer the MEDiPOS Medical Scheme
- Challenges included retaining closed scheme clients in a challenging environment

KPIs and targets

KPIs	2021 Target	2020 Target	2020 Actual	2019 Actual	Link to executive remuneration
Number of lives administered (million)	3.8	3.7	**3.8**	3.7	✓
Revenue growth (%)	15	18	**21.6**	25.7	✓
Business acquisitions (number)	n/a	1	**0**	4	✗
Business acquisitions revenue contribution (%)	n/a	–	**–**	5.55	✗

Looking ahead

The high risk of buy-downs and member resignations present a challenge to revenue growth. However, we will continue leveraging our diversified offering to grow member value. Furthermore, management continues to assess plans for organic growth and selective acquisition opportunities to complement existing Group trading and service offerings.

Strategic objective — Reducing healthcare costs

What this means for AfroCentric

Achieving healthcare for all in an environment of rising healthcare costs requires a singular focus on cost reduction for our clients and their members. In this regard, aligning medical scheme inflation with consumer price index inflation remains a challenge. Most of our strategic objectives serve the purpose of reducing healthcare costs, and our integrated model is an essential component of the strategy.

Performance during 2020

- Successful tariff negotiations to drive down pathology tests, hospital tests and product prices
- Achieved further integration across the value chain to enhance cost efficiencies
- Through MMed, secured drastically reduced prices for pharmaceutical, surgical and medical products and devices for scheme members
- Cost savings achieved through our Scriptpharm contract with an overall 5% reduction in chronic spend by POLMED and Bonitas schemes since the capitation arrangement was implemented
- Challenges included the ongoing FWA trials

KPIs and targets

KPIs	2021 Target	2020 Target	2020 Actual	2019 Actual	Link to executive remuneration
Weighted scheme solvency (%)	>25	>25	**36**	32	✗
Average scheme contribution increase (%)	CPI+1	CPI+1	**3.45**	5.18	✗
Cost savings based on IFM (R'm)	>500	>500	**1 500**	1 000	✗

Looking ahead

In the current context, managing the impacts of COVID-19 in terms of the pressure placed on healthcare services and the impact this may have on future costs will be of primary importance.

Unlocking the opportunities for efficiencies and cost reduction in telemedicine and virtual care will be an ongoing focus. Furthermore, due to oncology spend and dialyses experiencing cost increases, these areas will be a focus in the year ahead.

Diabetes treatment management has seen significant advances; however, these treatments may have cost implications that will need to be carefully assessed and managed going forward to deliver affordable, quality healthcare.

Strategic objective

Improving efficiencies through cost consciousness

What this means for AfroCentric

We are committed to making AfroCentric more efficient. We deploy resources appropriately while optimising our costs and maintaining quality client service. By integrating our systems and services and leveraging technology innovations, we improve our efficiencies and those of our clients.

Performance during 2020

- Reduced member to staff ratios due to efficiencies
- Deployed RPA to reduce costs and enhance efficiencies
- Over a 36-month period, our operating margins in the pharmaceutical business improved as a result of cost efficiencies achieved in the delivery model

KPIs and targets

KPIs	2021 Target	2020 Target	2020 Actual	2019 Actual	Link to executive remuneration
Percentage of operating profit growth (%)	22	35	**29.1**	8.8	✓

Looking ahead

We believe certain aspects of the COVID-19 pandemic have highlighted areas for improved cost efficiencies, such as the opportunity for certain staff to work remotely. It also accelerated the adoption of digital means of engagement that will improve efficiencies going forward.

Strategic objective

Diversifying revenue sources

What this means for AfroCentric

AfroCentric's non-health administration and health risk management-related services continue generating a significant portion of revenue. Furthermore, the strategy to diversify revenue sources is increasing the Group's presence in the broader healthcare industry.

Performance during 2020

- Solid growth in the maturing pharmaceutical cluster, delivering 49% of Group revenue
- Diversification of membership within Medscheme, including open schemes and closed schemes

KPIs and targets

KPIs	2021 Target	2020 Target	2020 Actual	2019 Actual	Link to executive remuneration
Non-health administration and health risk management-related revenue (%)	28	35	**28**	34	✓
Pharmaceutical revenue (%)	52	40	**49**	38	✗

Looking ahead

The private sector segment of the healthcare industry is expected to contract due to the existing poor economic conditions, which were exacerbated by the COVID-19 pandemic. A continued focus on diversification of revenue sources, therefore, remains key, with the aim of growing our non-medical scheme business above 50% of the Group's operating profit.

Strategic objective

Client experience and membership growth

What this means for AfroCentric

AfroCentric is committed to exceptional client service and continuous improvement in our service offerings.

Performance during 2020

- Retention and growth of medical scheme membership remained a challenge, especially amid a challenging economic context
- Rolling out our VirtualCare™ application
- WhatsApp member functionality to enhance engagement and member experience
- Use of chatbots and AI to increase efficiencies and enhance member experience
- We were challenged by the need for a speedy transition of employees to a work-from-home environment. Despite this, we were able to maintain service levels during and following transition
- We were able to redeploy staff no longer needed in certain areas of the business due to lockdown restrictions into other areas to enhance service delivery in the most critical areas during that time

KPIs and targets

KPIs	2021 Target	2020 Target	2020 Actual	2019 Actual	Link to executive remuneration
Voice of the Customer Survey (%)	90	90	**81.82**	82.24	✗
Total scheme membership growth (%)	2% volume growth	2% volume growth	**1.6**	1.4	✓
Retention of clients (%)	100	100	**100**	100	✓

Looking ahead

Given the significant level and range of uncertainty, our focus going forward, therefore, will be a continued emphasis on delivering further efficiencies through an accelerated the pace of

digital transformation. We see this as an opportunity to further reduce costs going forward, as well as a source of competitive advantage through digital infrastructure already in place. Our future focus will be on assimilating the elements of the Group businesses to leverage the full benefits of being the most diversified healthcare Group in Southern Africa.

Strategic objective

Promoting transformation

What this means for AfroCentric

Transformation is a strategic enabler for AfroCentric to achieve its vision of creating sustainable healthcare. Our commitment to transformation enables us to drive sustainability for all our stakeholders which is central to our value creation story.

Performance during 2020

- We maintained a level 1 B-BBEE score during 2020, demonstrating our commitment to driving transformation within the Group and how we do business
- Significant improvements in the integration of business processes with B-BBEE requirements
- The formulation of Group policies and procedures with regard to the five B-BBEE elements in place
- The formulation and implementation of preferential procurement practices that consistently align procurement to B-BBEE imperatives across the Group has improved
- Increased collaboration and partnership within the Group to achieve B-BBEE priority objectives, emphasising skills development, enterprise and supplier development and ownership
- Areas for improvement include black female representation in executive management, as well as enhancing subsidiary integration and reporting alignment

KPIs and targets

KPIs	2021 Target	2020 Target	2020 Actual	2019 Actual	Link to executive remuneration
B-BBEE level	1	1	**1**	1	✓ ✗
ED spend (R'm)	3.8	4.2	**2.8**	3.5	✓ ✗
SED spend (R'm)	8	3.7	**3.3**	3.5	✓ ✗
SD spend (R'm)	7.6	8.3	**6**	7	✓ ✗

Looking ahead

Education and awareness remain a key objective in ensuring that B-BBEE activities are conducted in a manner that promotes transparency, equity, sustainability and transformation within the Group. Our B-BBEE strategy, which addresses our transformation agenda, is closely monitored and adjusted, with effective controls put in place to assist in the implementation thereof. This strategy is under review with a focus on closing any gaps identified and aligning it closer to the Group strategy.

Transformation and B-BBEE in focus

We are committed to corporate citizenship, driving transformation and upholding our social licence to operate.

AfroCentric was established with the philosophy of promoting transformation and empowerment. We are a black-owned company and the most transformed health-related business listed in South Africa. The Group invests in healthcare-related businesses and our contribution to healthcare extends beyond our products and services.

We invest in people, support transformation, benefit society, provide health management to our members, and make healthcare more accessible to all South Africans. Our social impact starts within the Group and extends to the suppliers and communities we directly impact and the broader society impacted by our health management initiatives.

Transformation

The Group's transformation framework supports both national strategic priorities as well as our purpose of creating sustainable health solutions to do good for all stakeholders.

Our commitment to diversity and transformation is demonstrated by managing employment equity (**EE**) through several divisional EE forums and the National EE Forum. These forums provide a platform for the Group to monitor EE progress and debate related matters. Our EE policy, EE plan and transformation strategy drive the implementation of EE within our business.

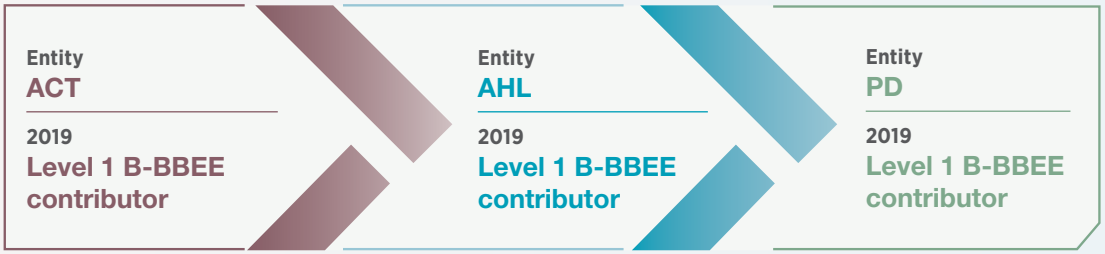
Our EE plan can be viewed on our website: https://www.afrocentric-online.co.za/reports/afrocentric-ar2020/pdf/employment-equity-plan.pdf

Our EE policy can be viewed on our website: https://www.afrocentric-online.co.za/reports/afrocentric-ar2020/pdf/employmentequity-policy.pdf

B-BBEE

There are a number of societal issues in South Africa such as imbalances in career, educational and economic opportunities. B-BBEE directly addresses economic transformation in South Africa by increasing the number of black people who manage, own and control the country's economy.

Our level of compliance with the B-BBEE scorecard demonstrates our commitment to driving transformation within the Group and in how we do business.



Element	Weighting	2019[1]	2018	2017
Equity ownership	25	**25.00**	25.00	25.00
Management control	19	**12.69**	12.79	11.48
Skills development	20	**20.10**	18.24	15.83
Enterprise and supplier development	40	**39.28**	33.76	31.73
Socio-economic development	5	**5**	4.53	5
	109	**102.07**	94.32	89.04
Total and B-BBEE level		**Level 1**	Level 3	Level 4

[1] *The 2019 B-BBEE verification certificate issued on 6 February 2020 is valid until 29 November 2020.*

ACT ownership profile (June 2020)	2019/2020	2018/2019
Black exercisable voting rights that flow through to AHL	**45.72%**	57.41%
Black exercisable voting rights by black women	**11.05%**	11.38%
Black entitlement to economic interest that flows through to AHL	**45.72%**	57.38%
Entitlement to economic interest by black women	**11.05%**	11.43%
Economic interest that flows through to black designated groups	**4.97%**	4.39%
Involvement of ownership of the Enterprise of black new entrants	**2.14**	2.08%

Strategic objective

Uplifting our people

What this means for AfroCentric

At AfroCentric, we are committed to empowering our people by investing in training to meet current and future business needs. Uplifting our people is critical in addressing the skills gap within the Company through careful recruitment, as well as providing learning and development opportunities for employees within the Group. We believe that highly skilled and motivated employees are key to delivering on the Group's strategy and in championing our brand.

Performance during 2020

- Launched our talent pipeline programme
- The new AfroCentric leadership competency model was rolled out
- COVID-19 pandemic required a completely new mode of functioning

KPIs and targets

KPIs	2021 Target	2020 Target	2020 Actual	2019 Actual	Link to executive remuneration
Total employees (number)	5 595	6 115	**5 693**	5 923	✓ ✗
Training spend (R'm)	5.6	10.5	**4.5**	7.6	✓ ✗
Bursary spend (R'000)	400	400	**400**	650	✓ ✗

Looking ahead

The pandemic has forced us to work differently. It has shown us the need to equip our employees with different types of competencies. Developing our new competency model, aligned to our strategy and new way of work, will be a top priority going forward.

Our people in focus

Our people are a key differentiator. We are committed to developing them and promoting a high-performance culture that supports achieving our strategic objectives. The Group provides comprehensive learning and development opportunities, an employee wellness programme and other upliftment opportunities.

5 178
permanent employees

515
non-permanent employees

Developing our people

Online learning

185
online courses

The AfroCentric Online Academy offers online training. Employees have constant virtual access to legislative courses, Company policies and functional training courses. During 2020, 185 online courses were undertaken by 3 725 employees. This represents 11 992 course enrolments of which 52.25% (6 267) were successfully completed.

Skills development

45
employees benefited from the Sector Education and Training Authority (SETA) internship and learnership initiatives

The Group implemented various SETA accredited learnership programmes, which comply with sector requirements and provide accelerated and practical work experience for school-leavers, graduates and unemployed people. The Group employed 45 unemployed school-leavers and graduates on learnership programmes during the year.

Our people in focus (continued)

Short courses, skills programmes and internal training

R4.5 MILLION
spent on external training providers

R4.5 million was spent on external training providers for developing essential skills required by employees in their current roles. This was in addition to 13 curricula (129 modules) offered internally by the AfroCentric Training Academy.

We identified, and will continue identifying, those employees within the business with skills that are difficult to find and critical to our business. The aim of our scarce skills project is to embed the relevant measures to retain these employees and to put in place skill transfer plans to mitigate the risk of losing such employees.

Leadership development

TWO
programmes

AfroCentric's leadership competencies assist the business in implementing relevant leadership development programmes. These programmes are tailored to the Group's objectives. We believe that leadership is not what you do, but how you do it. Our leaders are groomed to display the behaviours and skills that inspire and engage our employees.

The new AfroCentric leadership competency model was rolled out in the current financial year, and all leaders – from team leaders and higher – attended training sessions.

Leadership, team leaders and operational managers' curricula are offered twice a year, with approximately 12 enrolments per intake. The curricula for middle and top management are being rolled out in 2020.

In March 2020, we commenced with our talent pipeline programme. This is a first for our business and will allow us to identify employees who have the potential to be developed for certain key roles. We believe this initiative will be a significant contributor toward employee engagement and to our culture transformation journey.

Study assistance programme

Sponsored study assistance

Many employees are unable to pursue further studies due to financial constraints. AfroCentric's study assistance programme sponsors selected employees for approved courses. The study assistance programme is aligned with our business strategy and priorities. During 2020, an amount of R400 000 was approved, which enabled AfroCentric to support seven employees. A further nine employees received financial aid from the Insurance SETA (**INSETA**), amounting to R115 212.50, to pursue tertiary qualifications.

Differently-abled employees

118
differently-abled employees

In the current financial year, there was no new intake of differently-abled employees. However, on the learnership intake in February 2020, eight people with disabilities were included. In total, R100 000 was invested in learning and development opportunities for differently-abled employees.

Bursaries

R709 663
spent on bursaries

AfroCentric's bursaries for medical doctors reduce the skills shortage in the private and public healthcare sectors. Bursary recipients are selected based on academic excellence and financial needs.

In 2020, we invested R709 663 in bursaries for four black female scholars. One student is currently undertaking her fourth year of studies and the other two are undertaking their third year of studies. We are proud of their performance and our contribution towards developing talent in South Africa.

Learnership programmes

125
employees and
111 unemployed participated in learnership programmes

The Learning and Performance Academy implemented several learnership programmes for AfroCentric employees and unemployed individuals. The programmes help candidates earn qualifications and gain valuable working experience.

COVID-19 – Our people in focus

Creating a safe working environment, whether employees work from home or the office, remains top of mind.

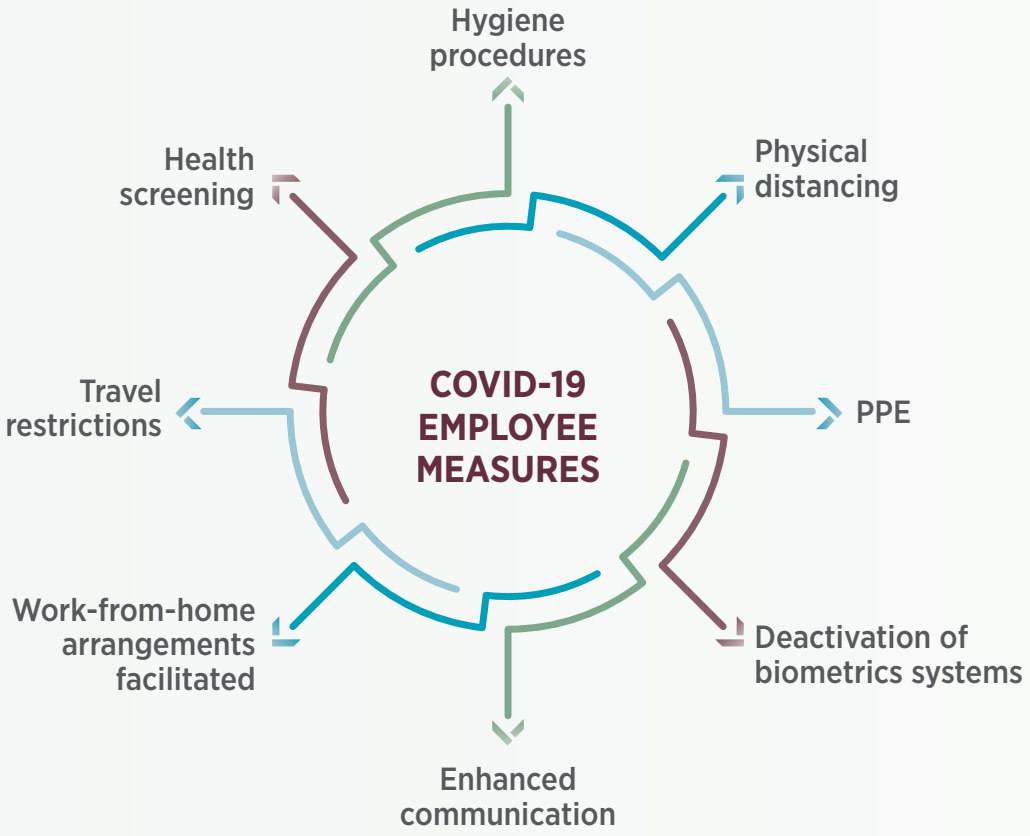
We have a dedicated team in place to offer support in terms of tracking, monitoring and advising the Group on issues around COVID-19. We continually assess the Group's operational situation to ensure our people's safety is maintained at all times and the necessary continuity plans are in place to ensure the services we provide to our clients are not materially impacted.

Extensive educational initiatives were also undertaken to combat the virus, such as the constant use of hand sanitiser and handwashing, how an employee can recognise COVID-19 symptoms, and what do to in the event that they believe they may have contracted the virus or came into contact with someone who tested positive.

To protect employees returning to the office, increased comprehensive disinfecting cleans were implemented, as well as rotational work schedules, to facilitate social distancing. We also furnished employees with necessary PPE. The Group provided additional onsite nurses where staff can get attention when they are not feeling well.

We also launched and made extensive use of our COVID-19 Employee Health Assessment app. Security officers at our buildings physically record an employee's temperature on the app and can see whether the employee completed his/her health assessment prior to attempting to enter the premises. The actual employee temperature and health assessment result determines whether access may be granted.

A COVID-19 Employee Communications Survey was conducted to understand and directly address employee concerns around the virus and implications for their work and daily lives.



UNDERSTANDING OUR STRATEGIC TRADE-OFFS TO ENHANCE BUSINESS RESILIENCE

In our current context, we have had to make swift decisions to support our stakeholders and protect our business. Given this, operating from a place of embedded purpose was deeply advantageous, enabling us to measure each decision against our long-term objectives.

We recognise that, in pursuing these objectives, trade-offs between capitals must be made. That is, in the process of improving access to quality healthcare, value is created, preserved or retracted across the six capitals. Deciding which trade-offs to pursue and which to avoid involves robust strategic decision-making processes, especially when these decisions may negatively impact certain stakeholder groups while enabling sustained value creation for others.

Below we have listed some of the trade-offs made during the year, as well as the rationale behind these decisions.

Balancing our long-term growth ambitions within a depressed operating environment

Unpacking the trade-off

While we have all been impacted by COVID-19, the full impact of the pandemic on our economy is not yet known. It is clear, however, that in the short- to medium-term the unemployment rate will rise sharply in response to the challenges faced by businesses both large and small, which will likely have an adverse impact on scheme membership.

Considering our cash position and available credit lines from a liquidity standpoint, we are well-positioned. Moreover, we believe that given we are facing a health crisis, members will strive to retain their medical aid memberships to the extent that they are able.

However, without a full picture of the pandemic's impact on membership, a prudent course of action is required. In response to this, we took steps to conserve cash, including reductions in planned capex and project spending, focusing investment on opportunities to enhance digitalisation and improve efficiencies. In this regard, our significant investments in IT infrastructure and digitalisation in prior years served us well during this time where much of our communication and business was conducted using these platforms.

We recognise that large-scale capex projects enable broader job creation, which is critical to the economy at this time. However, at present, these projects are being deferred and not terminated. Our short-term priority is to support our current staff in meeting the immediate needs of the members of our schemes during this critical time.

Outcomes

- R7 million redirected to COVID-19 related expenditures

Related material matters

- COVID-19
- Member retention for clients
- Technological innovation
- IT dependency

Positive impact

- Financial capital preserved
- Short- to medium-term initiatives prioritised

Negative impact

- Human capital (external)
- Capex to support long-term ambitions deferred

Increased spend on human resources during a time of broader financial uncertainty

Unpacking the trade-off

In challenging times, it can seem prudent to aggressively cut discretionary spend on human resources, conserving cash in the short term with potentially negative long-term consequences.

Our employees are our most important stakeholder and function as our ambassadors. We recognise that transitioning our employees to a work-from-home environment, for many, created added pressure as they sought to balance work with childcare or eldercare responsibilities. At the same time, the crisis only heightened the responsibility of our staff to deliver critical healthcare services

Understanding this challenging context, we made it a priority to focus efforts and financial resources in supporting our employees. In this endeavour, we provided a once-off gratuity payment to our staff at the end of March to support them as they made the necessary plans and provisions for lockdown. We also focused significant internal resources on ensuring our employees were facilitated in delivering critical services and received the necessary information at each juncture.

Outcomes

- R7.2 million investment in staff as part of a once-off gratuity payment
- Increased frequency of employee communications around COVID-19

Related material matters

- COVID-19
- Loss of critical skills
- Member retention for clients

Positive impact

- Human capital preserved

Negative impact

- Financial capital impacted

UNPACKING OUR PERFORMANCE

CFO'S REVIEW

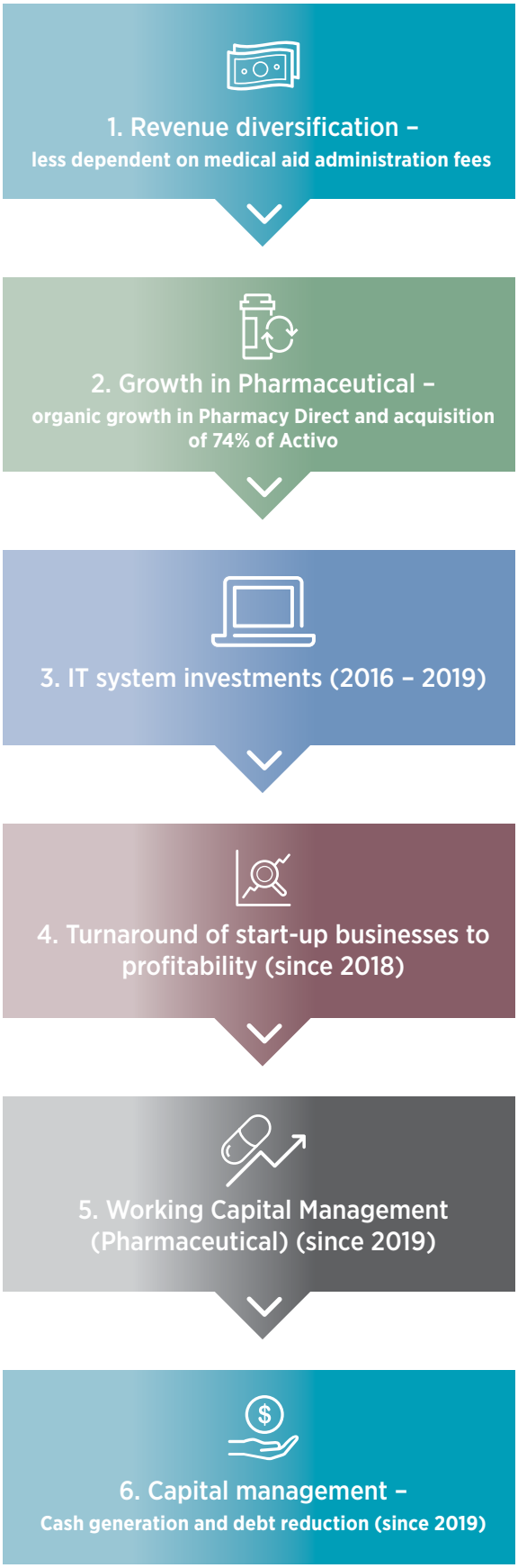
"A satisfying conclusion to a five-year growth initiative."

HANNES BOONZAAIER

During August 2015, with the consummation of the Sanlam transaction and the purchase of the pharmaceutical subsidiaries, the new shareholders of the AfroCentric Group came together to develop a growth plan for the next five years. The financial objective was simple: grow earnings at a compound growth rate of 15% throughout the period. However, this objective would only be possible if the traditional administration business won substantial new clients and drove down its delivery cost to become more competitive.

Linked to the growth in the administration business was the need to provide more cost-effective medication while improving patients' health through enhanced adherence in order to make an impact on the total healthcare spend of members. These core principles later evolved into the the financial aspects on the following page, which required constant review:

FINANCIAL FOCUS POINTS SINCE 2016



Revenue diversification

The objectives discussed above came about as a result of the Group identifying the risk that we were becoming too dependent on medical scheme administration fees, which were not linked to the claims management the Group was performing to drive medical scheme premiums down. This risk derived from the revenue model that exists between administrators and medical schemes, which is based on a rate per member per month. The model does not compensate for the additional effort and costs incurred by the administrator in order to better manage medical claims costs.

The Group has, however, managed this risk by diversifying into other revenue streams by supplying medication and surgical products through our various subsidiaries, as well as entering into risk-sharing arrangements for several categories of medication expenses incurred by schemes.

While the Group was fully dependent on medical scheme revenue in 2015, at a base of R2 billion, during 2020, the Group recorded total revenue of R6.4 billion, of which the acquired pharmaceutical companies contributed 48% through organic and acquisitive growth. Even within the current crisis, we anticipate that the growth trajectory of these businesses will continue in 2021 and beyond, as a result of the enhanced need for chronic medication and adherence brought about by heightened patient awareness due to COVID-19.

Growth in pharmaceutical

Since the acquisition of Pharmacy Direct in 2015, the script count of medication supplied to patients has multiplied four times, from 2 million to 10.3 million during the 2020 financial year. This organic growth was primarily brought about by the successful implementation of the Department of Health Chronic dispensary contract for state patients, as well as selling the service to more private medical schemes in AfroCentric.

The state patient script count increased from just under one million in 2016 to eight million in 2020 due, in part, to a focus on enhancing the approval processes and registration of patients from all rural and state clinics onto the programme. Looking ahead, we believe that the script count volume could still be doubled due to the vast need in South Africa within the areas where state patients reside.

Activo Health, as a drug manufacturer, was always a critical element of the strategy to sell medication into the AfroCentric base but also other commercial pharmacies across the country. The first subscription of 26% of the shares was recorded in 2015, with the remaining 74% subscription completed in 2019. A profit warranty was linked to the acquisition price, based on the aggressive growth targets set by the Company in its price negotiations. To date, two years of the profit warranty have been concluded and, thus far, the targets are on track to match the cumulative net profit after tax envisaged with the acquisition.

Investment in IT

The Group required a refresh of our administration platforms, which entailed a four-year project that was completed in 2019, amounting to R210 million. These investments enabled the platform to seamlessly link new digital platforms and customer contact points into our vast database, which manages all medical scheme claims and clinical rules.

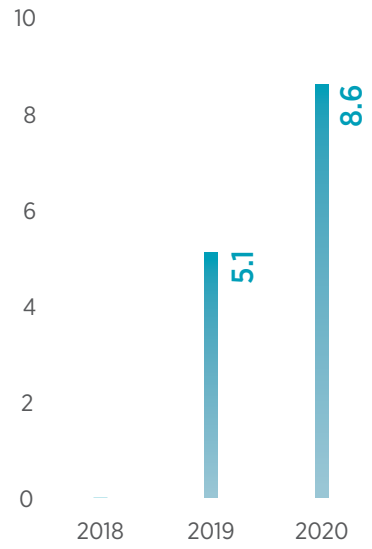
The last two years have seen an increase in spending on digital enhancements, which were rolled out during the COVID-19 lockdown period to drive a more digitally transformed organisation. Our interactions with various healthcare stakeholders, including members, brokers, healthcare suppliers and hospitals, among others, are now

becoming more direct and less time-intensive in order to drive quicker point-to-point resolution and transactions. These platforms also supported the Group during the 2020 financial year to decrease our administration costs by 1% and, therefore, effectively gain a 6% benefit, if considered with the effect of inflation.

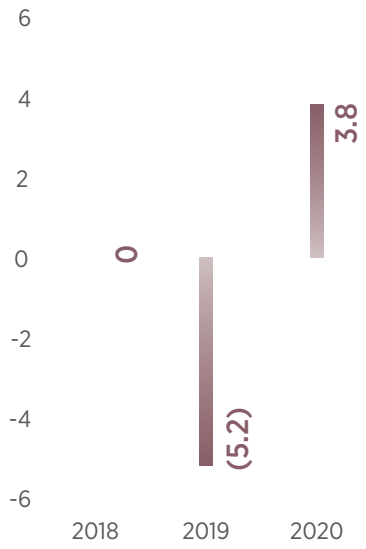
Driving startup ventures to profitability

To achieve our vision of total disruption of healthcare spend, we have also ventured into new endeavours that fulfil a niche need in the healthcare market. Below is the operating profit of a few of our new ventures, started in the past three years.

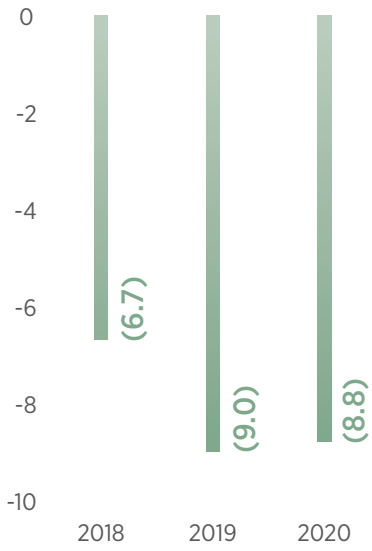
EssentialMed (Health Insurance) (R'm)



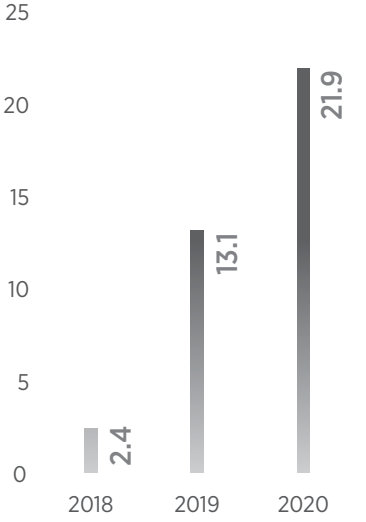
MMed (Surgicals/Consumables) (R'm)



Eswatini (Administration) (R'm)



Scriptpharm (Pharma Managed Care) (R'm)



ADDITIONAL CONSIDERATIONS

Analysis

A

Health insurance market impacted by regulatory uncertainty from December 2019

B

MMed benefited from PPE opportunities during COVID-19

C

Exiting the Eswatini market in 2020/2021

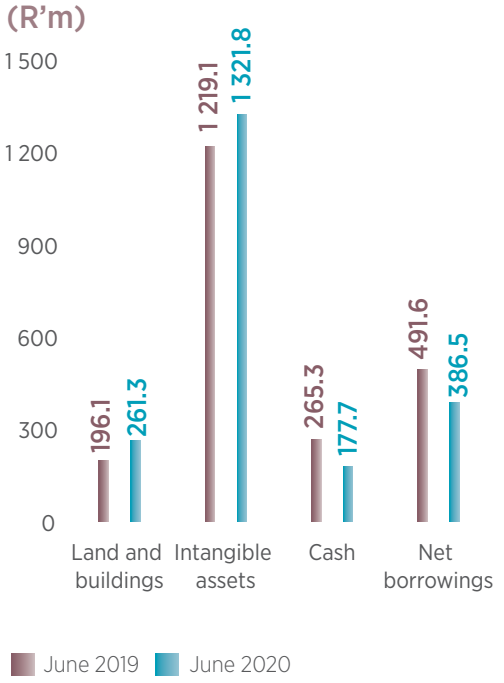
D

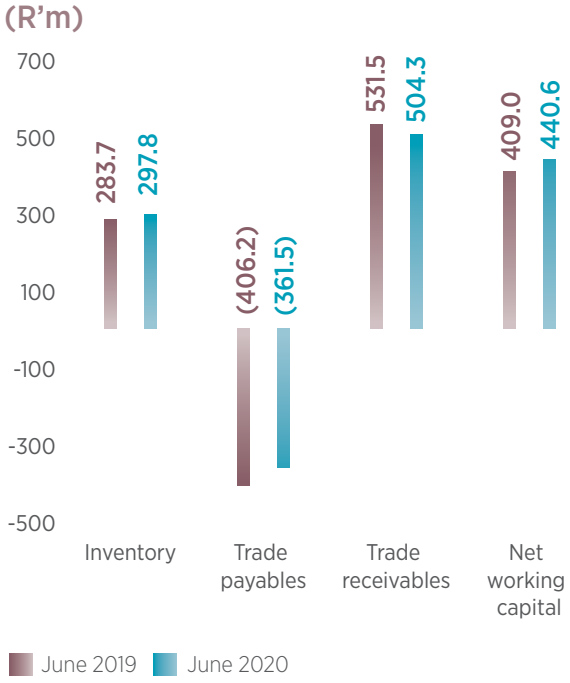
Scriptpharm 2020 results only include five months of the Bonitas chronic medication contract

CAPITAL AND WORKING CAPITAL MANAGEMENT

The Group continues to follow a prudent approach to capital management, as noted in the balance sheet tracking over the past five years. The Group continued to be in a net cash position with a solid dividend stream up to 2019 when it acquired some working capital loans to support our growing pharmaceutical business.

Debt repayment policies remain at less than five years, demonstrated by the large reduction in borrowing during 2020, in excess of R100 million. Working capital management has also been a focus as with the below cash conversion metrics implemented in the main subsidiary companies. With the focus on working capital and cash conversion, the Group has been able to reduce our working capital needs while simultaneously growing the retail cluster in excess of 50% concerning its operating profit.





Land and buildings

Medscheme purchase of office block in July 2019 – R77 million

Intangible assets

- Digital enhancements – R35 million
- Hospital benefit management system – R41 million
- Net development on admin platform – R57 million

Cash

Cash utilised to reduce borrowings.

Working capital needs comfortable range of R180 million to R200 million.

Net borrowings

R105 million capital reduction (max drawing R550 million) (debt repayments <5 years)

7.7% increase in working capital to R440.6 million in 2020

Cash conversion metrics

Inventory

Inventory – PD 30 days, Activo 90 Days

Trade payables

Trade payables – 30 days from invoice

Trade receivables

Trade payables – Medscheme and PD 20 days (Schemes), Activo 50 days (Pharmacies)

INVESTOR DASHBOARD AND FIVE-YEAR COMPOUND ANNUAL GROWTH RATES

The Group and management prides itself on the below dashboard, which concludes on the initial five-year objectives set by the newly combined shareholders in 2015. The 18% compound annual growth rate in comprehensive headline earnings and normalised headline earnings per share (**HEPS**) of 17% is a product of our focus on growing acquisitively while also prudently managing the financing of the acquisitions to ensure the creation of sustainable shareholder value. The focus with regard to the new initiatives has always been to grow them organically, as quickly as possible, by integrating them into the Group's larger membership base, client network and operating systems.

Description	2015	2016	2017	2018	2019	2020	Five-year compound annual growth rate
Total Revenue (R'm)	2 098	3 148	3 785	4 213	5 297	**6 440**	26%
Operating Profit (R'm)*	372	376	564	613	677	**875**	16%
Group Operating Profit Margin (%)	18%	12%	15%	15%	13%	**14%**	
Non-Controlling Interest (R'm)	25	53	102	128	115	**155**	48%
Normalised Headline Earnings (R'm)	180	177	244	264	275	**313**	11%
Comprehensive Headline Earnings (R'm)	205	230	346	382	390	**468**	18%
Normalised HEPS (cents)	38.26	30.84	44.03	47.63	49.13	**54.63**	17% (2016 – 2018)
Membership (lives managed)	3 098	3 589	3 634	3 674	3 714	**3 754**	4.6%
Scripts dispensed		2 033	4 187	6 428	8 697	**10 262**	X 4
Dividends (cents)	20	24	28	32	34	**34**	14%
Share price – 30 June (Rand)	5.15	5.25	6.20	5.70	4.95	**3.69**	
Dividend Yield (%)	3.9%	4.6%	4.5%	5.6%	6.9%	**9.2%**	
ROE (%)	15.4%	12.7%	13.7%	14.6%	13.3%	**14.1%**	

* *Excluding IFRS 16 lease reversals since 2019.*

OUTLOOK

This five-year journey has been both exciting and rewarding as we have sought to assemble the building blocks of our first level of healthcare integration with medical schemes and healthcare suppliers. During this time, several successful new ventures have contributed to our ability to meet our objectives while other less successful ventures have provided critical learnings that have not materially impacted on the Group's financial performance.

Going forward, the critical need to drive down healthcare costs for members and clients will continue to be at the centre of our activities and operational plans.

APPRECIATION

I would like to thank the AfroCentric Board for their continued support and guidance to the executive team, as well as the Group Finance function for consistently driving excellence in reporting and providing strategic advisory to all levels of the organisation.

Hannes Boonzaaier
Group CFO

RESULTS AT A GLANCE

for the year ended 30 June 2020

Key features		Audited year ended 30 June						% change			
		2020	2019	2018	2017	2016	2015	2020/19	2019/18	2017/16	2016/15
Healthcare Service revenue	(R'000)	**3 304 906**	3 258 658	2 910 702	2 715 266	2 098 312	1 958 260	**1.4**	12.0	7.2	29.4
Healthcare Service operating profit	(R'000)	**620 846**	548 421	555 286	495 974	372 072	356 357	**13.2**	(1.2)	12.0	33.3
Healthcare Retail revenue	(R'000)	**3 136 059**	2 038 135	1 302 003	1 069 435	–	–	**53.9**	56.5	21.7	
Healthcare Retail operating profit	(R'000)	**253 772**	129 233	67 800	68 135	–	–	**96.4**	90.6	(0.5)	
Headline earnings	(R'000)	**303 208**	265 841	260 916	123 838	179 021	183 862	**14.1**	1.9	110.7	(30.8)
Normalised headline earnings	(R'000)	**313 701**	275 545	264 066	244 113	–	–	**13.8**	4.3	8.2	
Cash generated from operations	(R'000)	**939 745**	663 536	552 695	450 887	396 996	321 044	**41.6**	20.1	22.6	13.6
Statutory earnings per shares											
– Basic	(cents)	**52.87**	48.12	46.29	21.23	32.92	39.98	**9.9**	4.0	118.0	(35.5)
Statutory headline earnings per shares											
– Basic	(cents)	**53.42**	47.29	47.06	22.34	38.26	47.81	**13.0**	0.5	110.7	(41.6)
Normalised headline earnings per share											
– Basic	(cents)	**54.63**	49.13	47.63	44.03	–	–	**11.2**	3.1	8.2	
Dividends paid per ordinary share	(cents)	**34**	34.00	32.00	28.00	24.00	20.00				
Share price as at 30 June	(Rand)	**3.69**	4.95	5.75	6.20	5.25	5.60				
Return on assets		**10.09%**	8.50%	12.21%	6.53%	11.32%	10.94%				
Return on assets (excl Goodwill)		**14.49%**	12.24%	17.01%	9.16%	15.12%	14.69%				
Return/Equity		**14.69%**	13.21%	14.59%	12.70%	15.38%	15.20%				
Current ratio		**1.40**	1.56	2.31							
Cash generated from operations		**501 708**	663 536								
Net working capital	(R'000)	**(22 544)**	(113 213)	(80 657)	12 663	381 725	349 401				
Capital expenditure	(R'000)	**369 533**	498 450	243 000	244 000	234 000	111 402				
Number of lives managed	('000)	**3 754**	3 700	3 600	3 700	3 200	3 000				
Group membership		**1 738 527**	1 711 014	1 687 982	1 677 455	1 625 196	1 396 329				
Open schemes		**498 105**	444 027	426 795	408 305	365 606	366 998				
Closed and Corporate schemes		**225 309**	280 707	281 491	279 433	287 156	111 328				
GEMS		**735 584**	711 448	693 467	692 266	682 225	665 303				
SADEC and other		**279 529**	274 832	286 229	297 451	290 209	252 700				
Number of scripts		**10 063 229**	6 428 213	4 186 562	2 034 342						
NHI		**8 320 838**	4 897 824	2 799 919	901 682						
Pharmacy Direct		**1 742 391**	1 530 389	1 386 643	1 132 660						

AUDITED FINAL RESULTS

for the year ended 30 June 2020

Summarised consolidated statement of financial position

	Audited year ended 30 June 2020 R'000	Restated Audited year ended 30 June 2019 R'000	Audited year ended 30 June 2018 R'000	Audited year ended 30 June 2017 R'000
Assets				
Non-current assets	**3 539 167**	3 364 615	2 306 326	1 927 272
Property and equipment	**210 583**	220 409	375 649	211 704
Right of use asset	**234 980**	290 136		
Land and buildings	**261 374**	196 149		
Investment property	**15 418**	15 418	15 418	15 418
Intangible assets	**2 695 187**	2 556 012	1 739 086	1 463 746
Available for sale investment			9 000	18 444
Listed investments			–	36 296
Managed funds and deposits			65 028	59 976
Other financial assets	**3 711**	–		
Investment in associates	**33 307**	29 943	56 935	38 823
Deferred income tax assets	**84 607**	56 548	45 210	82 865
Current assets	**1 007 999**	1 117 899	823 735	1 141 608
Trade and other receivables	**504 335**	531 494	348 527	320 236
Inventory	**297 851**	283 732	83 532	73 376
Current tax asset	**28 133**	37 377	20 768	25 235
Receivables from associates and joint venture			5 740	13 388
Cash, managed funds and deposits	**177 680**	265 296	365 168	709 373
Total assets	**4 547 166**	4 482 514	3 130 060	3 068 880

AUDITED FINAL RESULTS (CONTINUED)

for the year ended 30 June 2020

Summarised consolidated statement of financial position (continued)

	Audited year ended 30 June 2020 R'000	Restated Audited year ended 30 June 2019 R'000	Audited year ended 30 June 2018 R'000	Audited year ended 30 June 2017 R'000
Equity and liabilities				
Capital and reserves	**2 216 604**	2 095 282	1 940 614	1 793 694
Issued ordinary share capital	**18 885**	18 885	18 686	18 686
Share premium	**1 080 301**	1 080 301	999 058	999 058
Share-based payment reserve	**20 417**	11 286	3 501	–
Treasury shares	**(2 324)**	(2 324)	(2 324)	(2 324)
Foreign currency translation reserve	**(14 632)**	(3 114)	793	3 454
Capital contribution by non-controlling interest	**55 874**	55 874	55 874	–
Distributable reserve	**1 058 083**	934 374	865 026	774 820
Non-controlling interest	**902 491**	787 713	679 277	585 359
Total equity	**3 119 095**	2 882 995	2 619 891	2 379 053
Non-current liabilities	**705 492**	881 194	153 860	135 778
Deferred income tax liabilities	**246 809**	230 228	121 667	100 627
Non-current borrowings	**266 311**	371 566	–	
Non-current provisions	**8 350**	8 350	8 350	8 350
Post-employment medical obligations	**2 595**	2 611	2 665	2 771
Second tranche payment	**–**		–	–
Lease liability	**181 427**	261 104		
Conditional put option obligation			–	–
Deferred payment	**–**	7 335	5 263	5 051
Accrual for straight lining of leases			15 915	18 979
Current liabilities	**722 579**	718 325	356 310	554 049
Provisions	**8 374**	9 606	8 597	8 947
Borrowings	**120 000**	120 000	–	–
Lease liability	**96 855**	61 551	–	–
Second tranche payment				194 475
Trade and other payables	**361 488**	406 230	284 029	264 394
Taxation	**33 086**	32 279	13 729	–
Employment benefit provisions	**102 776**	88 659	49 955	86 233
Total liabilities	**1 428 071**	1 599 519	510 170	689 827
Total equity and liabilities	**4 547 166**	4 482 514	3 130 061	3 068 880

AUDITED FINAL RESULTS (CONTINUED)

for the year ended 30 June 2020

Summarised consolidated statement of comprehensive income

Key features	Audited year ended 30 June 2020 R'000	Restated Audited year ended 30 June 2019 R'000	Audited year ended 30 June 2018 R'000	Restated Audited year ended 30 June 2017 R'000	Audited year ended 30 June 2016 R'000	Audited year ended 30 June 2015 R'000
Healthcare Service revenue	**3 304 907**	3 258 658	2 910 702	2 715 266	2 399 669	2 098 312
Healthcare Service operating costs	**(2 684 060)**	(2 710 237)	(2 355 416)	(2 219 292)	(2 055 514)	(1 726 240)
Healthcare Service operating profit	**620 847**	548 421	555 286	495 974	344 155	372 072
Healthcare Retail revenue	**3 136 059**	2 038 135	1 302 003	1 069 435	748 477	–
Healthcare Retail cost of sales	**(2 477 796)**	(1 641 279)	(914 305)	(836 734)	(588 204)	–
Healthcare Retail operating costs	**(404 491)**	(267 622)	(319 898)	(164 566)	(128 067)	–
Healthcare Retail gross profit	**253 772**	129 233	67 800	68 135	32 206	–
Total healthcare operating profit	**874 618**	677 654	623 086	564 109	376 361	372 072
IFRS 16: Lease reversals	**86 129**	94 418				
Total healthcare operating profit (Including lease reversals)	**960 748**	772 073	623 086	564 109	376 361	372 072
Other income		–	–	–	–	–
Loss on sale of investments		–	(2 717)	–	–	–
Loss on disposal of intangible assets	**–**	(40 000)	–	–	–	–
Fair value gain on investment disposal	**197**	118 715		–		
Impairment of assets	**(2 919)**	(68 587)	(1 667)	(19 851)	(21 469)	(36 697)
Net finance and investment income	**(44 887)**	(14 891)	43 481	16 106	29 964	18 802
– Finance and investment income	**26 888**	37 524	45 343	62 773	59 471	28 799
– Finance costs: Lease liability	**(27 886)**	(31 822)				
– Finance cost: Conditional put option	**–**	–	–	(45 906)	(24 960)	–
– Finance cost	**(43 889)**	(20 593)	(1 862)	(761)	(4 547)	(9 997)
Share-based payment expense	**(9 124)**	(7 785)	(3 501)	(2 096)	(6 444)	(9 395)
Fair value of second tranche consideration			–	(59 582)	–	–
Indemnity expense	**–**	–	(3 150)	(14 787)	–	–
Share of associate profits	**7 990**	18 479	23 626	14 306	10 118	19 037
Profit before depreciation and amortisation	**912 005**	778 004	679 158	498 205	388 530	363 819
Right of use asset depreciation	**(71 781)**	(82 666)				
Depreciation	**(62 514)**	(55 909)	(51 109)	(45 098)	(38 011)	(35 727)
Amortisation of intangible assets	**(164 153)**	(110 941)	(89 603)	(86 450)	(79 332)	(48 734)
Profit before income taxation	**613 557**	528 488	538 446	366 657	271 187	279 358

	% change				
	2020/19	2019/18	2017/16	2015/14	CAGR
	1.4%	12.0%	7.2%	13.2%	9.5%
	13.2%	(1.2%)	12.0%	44.1%	10.8%
	53.9%	56.5%	21.7%		
		–			
	96.4%	90.6%	(0.5%)		
	29.1%	8.8%	10.5%	49.9%	18.6%
	17.2%	14.6%	36.3%	28.2%	20.2%
	16.1%	(1.8%)	46.9%	35.2%	17.0%

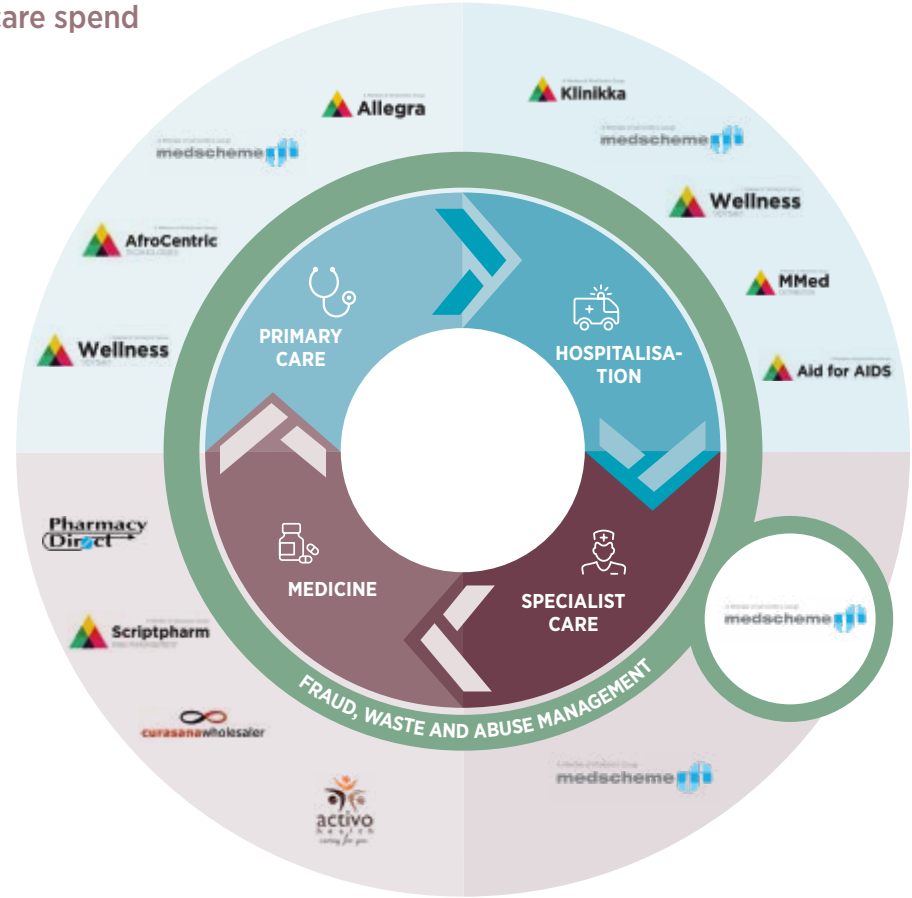
DEVELOPING A DISRUPTIVE MODEL

As costs continue to rise, we know that alternative approaches are needed – solutions that leverage the power of digital service delivery and primary healthcare models to offer low-cost solutions. As a result, we have grown and adapted our business model to disrupt the status quo in the healthcare sector and deliver transformational change.

Given our experience, capabilities and scale – with 3.8 million lives under management – we recognise that we are uniquely placed to deliver this change. Over the past few years, AfroCentric has invested significant capital into analysing the healthcare industry, how and where the healthcare spend is utilised and thinking through the complexity of problems faced to develop relevant solutions.

In line with the insights gained, we have made several strategic acquisitions in the past few years in areas of healthcare delivery, specifically where inefficiencies could be reduced or eliminated to deliver direct savings to our client schemes. We are committed to finding improved ways of operating – achieving savings without compromising the quality of healthcare to ensure long-term sustainability by reducing medical scheme contribution increases over time.

The healthcare spend



Our integrated model in action

The effectiveness of our approach was demonstrated in our ability to deliver a much needed prosthesis for a low-income scheme member. The prosthetic required is generally sold for between R150 000 and R200 000 and was likely to generate a substantial co-payment for the member.

We were able to procure an alternative, high-quality prosthetic through our MMed subsidiary, at the cost of only R65 000. This was only achieved through our model that considers the entire value chain, demonstrating the difference AfroCentric can make in the cost of healthcare and the quality of life of individual members and employees.

We have invested time and money into building this model and integrating new offerings with our established services. Our integrated approach puts members at the centre of our model, to realise benefits such as improved quality of health and wellbeing. We believe that this not only protects our clients from financial risk but also opens up opportunities to enhance the member experience as well as attract and retain members from lower-income groups. This is all made possible through leveraging our integrated model and the digital capabilities available within the Group.

Medical aid administration, risk management and technology

AfroCentric primarily operates in administration and health risk management through Medscheme. We provide efficient, client-centric administration services to leading medical schemes in Southern Africa. Furthermore, by identifying and managing clinical and financial risks for our client schemes, we are able to reduce the cost of healthcare, decrease the cost of scheme contributions and improve the health of scheme members.

Highlights

As a response to the COVID-19 pandemic, over 85% of staff moved to a work-from-home environment. This shift has enabled Medscheme to re-examine its working model altogether, which will enable the business to accelerate its progress towards a 4IR future

Over R3.2 billion in claims costs were saved for our schemes due to managed care programmes

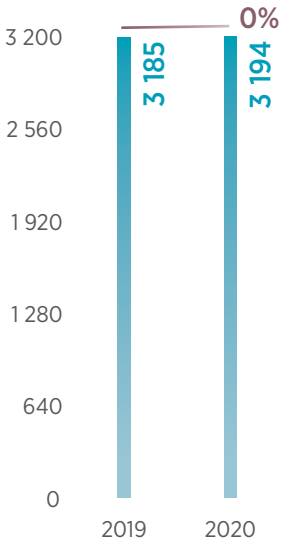
The hospital-at-home product was launched – a critical development for eldercare during the ongoing COVID-19 pandemic

Challenges

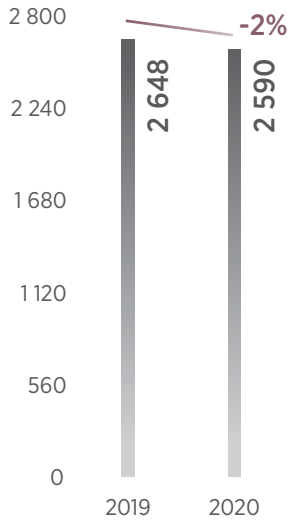
Changes in access to healthcare due to the COVID-19 pandemic

The full macroeconomic impact of COVID-19 is unknown, and the unemployment rate will likely rise dramatically in response to the challenges businesses have faced, impacting scheme membership

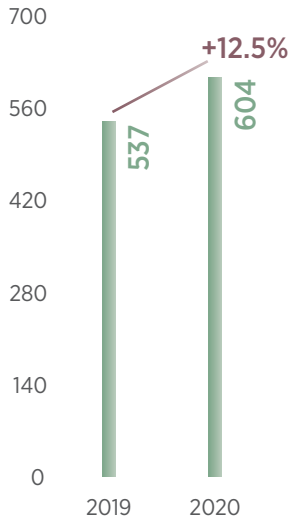
Revenue (R'm)



Operating costs (R'm)



Operating profit (R'm)



Overview

In recent years, much has changed in the healthcare environment, both locally and globally. Increasingly, the healthcare sector has recognised the value of focusing on preventative and primary care as a critical strategy to temper the unsustainable escalation of healthcare costs.

In the South African context, medical schemes have moved from being primarily claims administrators to actively managing the health of their members. Moreover, how members and healthcare professionals expect to interact with medical schemes is now heavily influenced by the convenience offered by the technology that is part of our daily lives.

While these changes continue to influence and shape our medical aid administration, risk management and technology cluster, the COVID-19 pandemic has rapidly reshaped lives across the globe. This unprecedented global health crisis showed how quickly the healthcare environment can change and demonstrated the critical requirement for healthcare systems to be able to adapt and to do so rapidly.

Unpacking our performance

The changes to our operating environment described above are significant and require a response that disrupts the status quo, delivering creative, impactful and sustainable solutions. By leveraging our Group-wide capabilities through our integrated model, Medscheme was able to provide innovative solutions that meet critical needs while increasing healthcare savings, assisting both medical scheme members and employers during the COVID-19 pandemic, and will be to their benefit in its aftermath.

The focus for the administration business, in particular, is to improve the operational delivery of our services. In this regard, we utilised technology to improve the channels members and providers used to engage with us, including online and mobile technologies for their day-to-day administrative requirements. We also escalated the use of automation solutions, as well as machine learning and AI to refine our operational business model.

One such impactful innovation in light of the current crisis was the development of a new Hospital Benefit Management (**HBM**) system that enables digital engagement with providers and members seeking hospital authorisations. The new HBM system is being implemented in phases, in collaboration with the medical scheme clients' Boards of Trustees. As part of the HBM system, providers were able to use web services better to request authorisations and a new decision engine is going live in Q3 of 2020, which will ensure over 40% of our authorisations can be processed immediately, regardless of the channel used. This system leverages the latest technology in decisioning and, when integrated with the claims decision engine, will make the hospital admission and claims process almost immediate at first submission. This groundbreaking initiative will enable providers to reduce the cost of running their practices. The HBM system will also deliver a better service experience and swifter turnaround times, as well as a more intuitive and robust protocol implementation.

Furthermore, an enhanced electronic health record will be added to the member app by the first quarter of 2021 to empower beneficiaries to engage and take greater accountability of their health status and outcomes. This will be further aligned with any rewards programme, as agreed.

COVID-19 has also fast-tracked the development and roll-out of our VirtualCare™ application, which enables members to consult a GP more conveniently and cost-effectively on their cellphones. This app achieved the following since its launch:

» Week 1: Number one free mobile app

» Week 2: Still in top five trending apps, with 17 563 downloads

» In the first two weeks: 728 consultations, 48 GPs signed up and 70 prescriptions successfully sent to patients

VirtualCare™ demonstrated the thirst for digital solutions. We have, therefore, accelerated our development cycle, and launched various digital innovations to enhance the employer and member service experience and quality of life.

For managed care, the focus in this financial year was on the supply side of healthcare, that is, how healthcare is delivered. In previous years, we concentrated our efforts on the beneficiary – their health status and the way they buy healthcare, as well as the risk factors posed by those who need to access healthcare. By focusing on how healthcare is delivered, including the costs related to the way it is provided, how providers work, individually and collectively, how it is billed and the quality of healthcare provided, we are able to support more efficient delivery for the benefit of members and schemes.

We spent time strengthening the relationships Medscheme has with healthcare professionals and their associations, as strategic partners in the healthcare delivery continuum, to support greater transparency, co-creation, agility, flexibility and adaptability.

Significantly, we are the first managed care organisation to intentionally rebuild and share our protocols with healthcare providers regarding who and how hospital admissions need to be managed. This will ensure the cost of hospital admissions are vastly reduced from 2021.

We are tackling variation and inefficiency in care delivery as a priority. We collaborated with healthcare provider associations and societies in dealing with this through data sharing in the form of practice profiles.

We took a view that the re-engineering of the reimbursement models used in healthcare will be an ongoing journey and we are working to build more alternative reimbursement models. Our experience in joint replacement alternative reimbursement models is a testament that these initiatives create savings, which benefit member funds, but also improve the quality of healthcare and enhance doctor sentiment.

To reduce costs and increase innovation in the dental treatment offerings to all South African medical schemes and their members, the Group acquired 100% of DENIS.

Outlook

Looking ahead, the sharp decline in the rand, as well as likely challenges faced with regard to the access and availability of products and raw materials, may see a significant increase in the cost of surgical and medical consumables and devices.

Furthermore, the healthcare industry's private sector segment may face challenges as spending contracts due to poor economic conditions and COVID-19's impact.

To reduce the cost of care, we will maintain focus on supporting our members' health, with a greater emphasis on lifestyle risk management and mental wellbeing. We will also ramp up our work on the delivery of care. We are working on leveraging the lessons learnt during the COVID-19 pandemic to create more efficient and affordable digital models of care.

From an administration perspective, our focus is on customer service models that are excellent and equally leverage the accelerated digital transformation at this stage.

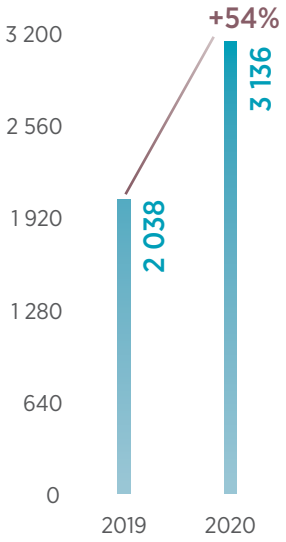
For 2021, we are also focusing on the correct setting of care, having launched hospital-at-home and home-based care strategies, as well as mental health and day surgery networks.

Pharmaceutical

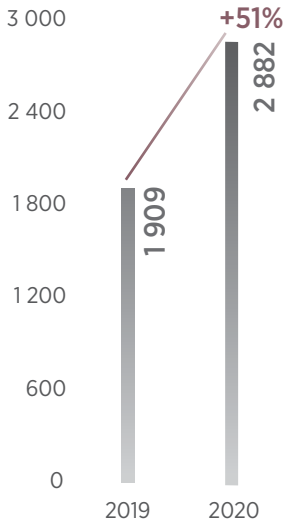
We seek to participate throughout the pharmaceutical value chain to reduce medicine and related costs in our efforts to improve access to affordable, quality healthcare.

Highlights	Challenges
Launch of MMed's first medical scheme direct member procurement initiative	Price volatility from local suppliers linked to multi-nationals and the push back from suppliers around price negotiations
Impressive growth in Scriptpharm business	Protecting employees during the COVID-19 pandemic while ensuring the various business units were able to operate efficiently and deliver as an essential service provider
Enduring volume activity in Pharmacy Direct	Managing stock levels in anticipation of possible supply chain interruptions as a result of COVID-19-related restrictions

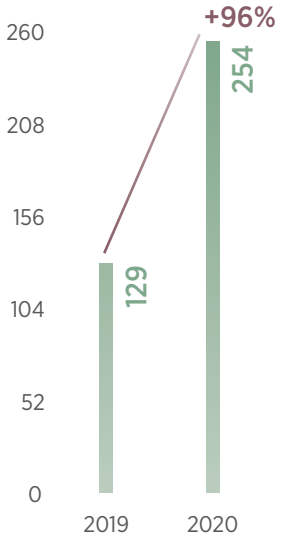
Revenue (R'm)



Operating costs (R'm)



Operating profit (R'm)



Overview

AfroCentric is a diversified healthcare business with growing exposure across the healthcare value chain in South Africa. The diversified nature of the Company is aptly demonstrated by the fact that the pharmaceutical cluster now generates 49% of the Group's revenue.

AfroCentric has a presence across the entire pharmaceutical value chain, which provides risk mitigation due to revenue diversification for the Group but also enables the Company to deliver on its ambition to reduce the cost of healthcare.

Unpacking our performance

Activo Health

Activo Health specialises in importing and marketing pharmaceutical products and trades in all sectors of the pharmaceutical industry.

Activo Health managed to achieve 243% growth in operating profit compared to 2019 (part of AfroCentric Group from March 2019). This success can be attributed, in part, to the business's diversified basket of products.

While specific product categories suffered as a result of COVID-19 – for example, demand for anti-malaria medication dropped significantly due to limited travel – other products such as immune boosters grew in demand over this time. The business focused on broadening the range of medication we are licensed to distribute. As a result, our oncology basket increased dramatically, diversifying revenue sources and supporting AfroCentric's ability to increase the value of each healthcare spend.

Curasana

Curasana is a speciality pharmaceutical wholesaler that procures and supplies pharmaceutical products to Pharmacy Direct, and distributes for Activo Health to other major wholesalers in Gauteng. During the year, the business developed its distribution capability to extend its service offerings within the value chain.

Pharmacy Direct

Pharmacy Direct distributes and delivers medicine to urban and rural areas for medical scheme clients and government's CCMDD programme. During the year, the business, despite the challenges presented by the COVID-19 environment, was able to achieve positive growth in operating profits.

Pharmacy Direct was, however, challenged by the necessity of remaining operational and continuing to package and distribute medication during the pandemic. With this in mind, we are planning an automation project for the new financial year intending to fully automate our private facility, which serves medical scheme members in South Africa, filling approximately 155 000 scripts per month.

Our second facility fills approximately 700 000 scripts per month on behalf of government's CCMDD programme.

This function became particularly relevant in our current context, alleviating congestion in high-risk, public healthcare facilities, while also improving treatment compliance and reducing the cost of delivering chronic medicine. Pharmacy Direct also assisted the NDoH in communicating critical messages to patients through an SMS delivery initiative to assist in disseminating information to all CCMDD patients during the COVID-19 pandemic.

The business was further challenged by disruption in its supply chain due to the COVID-19-related restrictions and faced increased airfreight expenses. As a result, we increased stock levels of certain product categories to ensure we were able to fill patient scripts. However, as restrictions eased, we began normalising stock levels.

During the year, special legislation was passed that any script up to schedule four could be automatically renewed for 12 months. This assisted the business in enabling better planning and continued service delivery as a result of reduced gaps in treatment for these patients. However, schedule five and six patients were required to renew scripts as per usual. We were, therefore, able to focus our efforts on supporting these patients to ensure continuous care.

The business also benefited from further integration with the larger AfroCentric value chain through applications such as VirtualCare™, which enables Pharmacy Direct to deliver medication to scheme members by following the VirtualCare™ pathway.

Going above and beyond

Pharmacy Direct continued to dispense medication on time to all 900 000 patients every month of the COVID-19 pandemic and lockdown.

This was achieved by a team of 791 committed staff members who worked tirelessly. Each employee was provided with a free flu vaccine and vitamin packs by Pharmacy Direct to support their incredible efforts.

Scriptpharm

As a national pharmacy network, Scriptpharm manages chronic and acute medicine through a capitation arrangement, where healthcare providers are paid a fixed amount per scheme member to incentivise efficiency, cost control and preventative care. During the year, we saw impressive growth in our Scriptpharm business, with it outperforming budgetary expectations.

MMed

During 2020, MMed, which reduces hospital costs by eliminating third-party suppliers, grew its client base to eight new hospital contracts and clinics and increased its monthly sales value to R228 million.

MMed was able to make inroads in repositioning the basket of goods on offer through its supply chain, focusing on offering improved cost efficiencies to clients supported by better margins to the business. Efficiency baskets targeting areas of mutual focus by our healthcare facilities and schemes alike took shape and supported the improvement in the business's overall gross profit margin, as well as delivering savings to the end-user.

2020 also saw the launch of our first medical scheme direct member procurement initiative, whereby the procurement capabilities of MMed are utilised to source and supply surgical and medical devices directly to medical scheme members to achieve significant savings and prevent out-of-pocket expenses, where possible. The in-hospital component of this sourcing and supply initiative will be launched in the new financial year.

Making a difference through agility

MMed launched a three-ply, disposable surgical mask manufacturing business during the first week of the COVID-19 lockdown. We created capacity quickly by using contract workers within the textile industry, as well as sourcing raw materials internally.

To date, the product achieved certain certification milestones and is undergoing further testing to obtain South African Bureau of Standards and CE certification. We were able to produce 200 000 three-ply surgical masks weekly, employing over 400 contract workers at any given time, ensuring market-related fees for manufacturing while supporting healthy margins for MMed.

Outlook

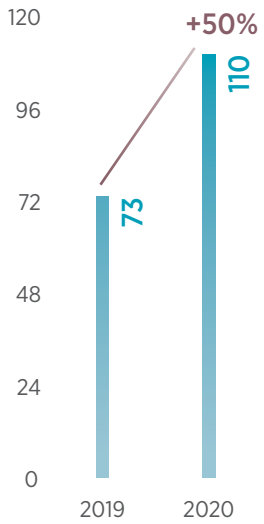
Looking ahead, digitisation and automation will be critical areas of focus to address changing consumer needs that have either been triggered or accelerated by the COVID-19 pandemic.

Corporate solutions

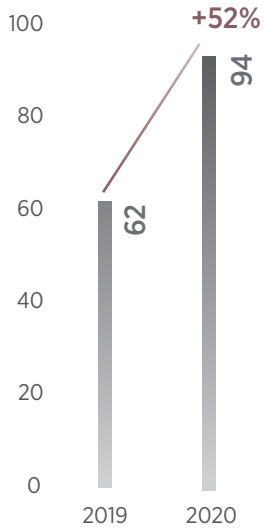
Through our corporate solutions cluster, we seek to deliver integrated health and wellness solutions for the workplace.

Highlights	Challenges
Health insurance year-on-year financial performance improved significantly	The negative financial effect of COVID-19 The regulatory confusion regarding the demarcation of primary health insurance. The CMS effectively withdrew the demarcation exemption with effect from March 2021
Wellness business year-on-year financial performance showed steady improvement	The depressed and deteriorating local economy and the ability of companies and individuals to spend money on healthcare and associated services

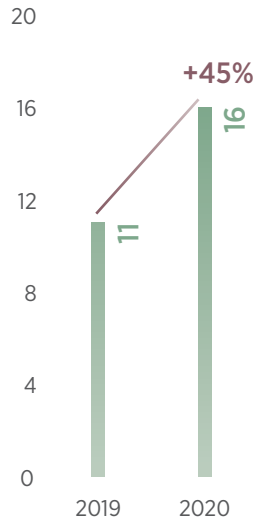
Revenue (R'm)



Operating costs (R'm)



Operating profit (R'm)



Overview

The challenging economic climate places an additional impetus on AfroCentric to deliver financial value to employers and their employees. This is something AfroCentric is uniquely positioned to do because we are the only organisation that implemented integrated healthcare solutions that reduce costs by disrupting and creating efficiencies in the healthcare value chain.

To further diversify the AfroCentric service offering, we launched a new division consisting of a wide array of corporate solutions for corporate and institutional clients. Our corporate solutions cluster was also established to cater to the interdependent business needs of both employers and their medical scheme members.

The corporate solutions cluster provides integrated health and wellness solutions in the workplace and comprises several interfacing components that contribute to reducing primary care costs:

- Boutique, employer-focused medical scheme administration and associated services
- Healthcare system solutions with the highly rated and efficient IT system
- Health insurance solutions with a primary care focus
- Occupational health services and clinics, along with many associated services, including providing occupational health practitioners, economically active population services, executive wellness solutions, HIV counselling, testing and wellness screening services, among others
- Employee wellbeing programme, drawing on a network of nurses, biokineticists and dieticians, integrating with the chronic disease management and other managed care capabilities within the Medscheme stable
- We identify individuals who are at risk of developing a chronic disease and equip them with the tools to manage this risk. Together with our contracted network nurses, biokineticists and dieticians, we provide corporate and home-based nursing services throughout South Africa. We have more than 300 nurses on our network – 200 of whom are registered general nurses, and 12 of whom are specialist nurses who can prescribe medicine up to schedule two

Unpacking our performance

During the year, our corporate solutions cluster focused on delivering business-minded solutions that meet the unique needs of our clients. These included:

- Client services that demonstrate value to the employer, employees and scheme members
- Managed care that delivers on agreed clinical and financial outcomes to the benefit of schemes and their members while providing a positive impact on the employer's health investment
- Employee wellness solutions that boost productivity, reduce absenteeism, tend to physical welfare and effectively revitalise employees' mental and financial wellbeing

The corporate cluster contains AfroCentric Workcare, the former Sanlam Health entities and during the year this component reached its intended profits as forecast during the acquisition. Highlights included the successful transfer and alignment of all Sanlam Health entities, staff and operations to AfroCentric, including the rebranding, as well as winning contracts outside of South Africa, and assisting AFA Botswana to diversify its business with new corporate revenue.

The team demonstrated agility and developed a comprehensive COVID-19 solution for corporates, industries and medical schemes, which was well accepted and taken up by numerous entities. Innovations included:

- A special COVID-19 electronic case management tracking tool
- A special medical scheme COVID-19 benefit pool created for specific schemes
- A lifestyle support programme for employees working from home
- Online special COVID-19 research and information centre on our client wellness portal
- Special workplace screening services to assist return-to-work employees and employers with compliance
- Crisis management and support should a workplace employee test positive for COVID-19

Furthermore, a special purpose vehicle for mining was developed in the Northern Cape, and this model will be replicated to gain traction within the mining industry and allow clients to adhere to Mining Charter requirements.

Numerous clinics were established for large corporates across the country, onsite and offsite, to support their COVID-19 programmes.

A partnership was developed with the South African Business Coalition on Health and AIDS for corporate social investment purposes, as well as for enterprise and supplier development funds flowing to affiliated service providers, with the Group benefiting from a B-BBEE perspective.

In exploring alternatives to our current model of providing services and products to new corporate clients (small to medium), including healthcare optimisation for our clients to reduce healthcare costs, a disruptive model was developed leveraging the iMed IT platform acquired from Sanlam Health and the capability gained through the PHA acquisition.

The cluster's financial results were adversely impacted by the merger of Topmed, formerly managed by PHA, with Fedhealth Medical Scheme, as well as by the loss of a small group of Midmed. However, significant savings were generated by focusing on reducing the cost base, which forms part of realising the disruptive model, the IT platform migration and leveraging Group systems and infrastructure. The successful take-on of a new Medscheme client from 1 April 2020 onto this disruptive platform was a highlight and positively contributed to the Group's results.

An integrated model

Our corporate solutions create a virtuous cycle within the greater employer environment that impacts the holistic wellbeing of employees while providing benefits to employers and the scheme. In fact, in a corporate study conducted, we demonstrated how AfroCentric's initiatives could reduce absenteeism by 10%, yielding a saving of R19 million for a large employer group. In a further study, we enumerated potential savings of R58 million for this employer, emanating from our wellness solution.

Furthermore, realising that financial stress can lead to emotional issues, increased absenteeism, poor work performance, a lack of concentration, anxiety, poor self-esteem and even depression, we went one step further in helping members manage their finances in these difficult times. Through the part shareholding by the Sanlam Group, AfroCentric can deliver tried, tested and results-orientated financial wellness solutions to ensure an all-encompassing approach to staff health and financial wellness behaviour. Our focus was on reducing the unsustainable level of indebtedness within our society by offering corporate employees' access to credit coaching, which is aimed at improving employee take-home salaries.

The shareholding of Sanlam and African Rainbow Capital in AfroCentric reflects the partnership formed to deliver on a shared strategic vision of providing service, client experience and cost synergies to both employers and employees by integrating solutions across medical schemes, employee benefits and retail financial services.

Outlook

The outlook for the corporate solutions cluster is positive, given that greater integration of the AfroCentric solutions will result in more significant value being unlocked for corporate clients through greater efficiency gains in delivery.

COVID-19 created a challenging operating environment for the corporate solutions cluster. However, we are developing programmes and services to meet the pressing needs created by the pandemic while enhancing the growth potential for the cluster.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Non-executive Directors

DR ANNA MOKGOKONG (63)
Chairman

Qualifications
BSC, MBCHB, DCom (HC)

Appointed
10 June 2010

Expertise
Business development, governance, health, investor relations, leadership and strategy

Committee
» Nomination Committee

JOE MADUNGANDABA (62)
Deputy Chairman

Qualifications
CPA(SA), MDP

Appointed
10 June 2010

Expertise
Business development, finance, human resources, investor relations and strategy

Committees
» Remuneration Committee
» Nomination Committee
» Investment Committee

GARY ALLEN (56)

Qualifications
BCom (Hons), BBus (Hons)

Appointed
12 September 2019

Expertise
Business development and finance

DR NKATEKO MUNISI (54)

Qualification
MBCHB

Appointed
7 December 2015

Expertise
Business development, and health and safety management

Committees
» Investment Committee
» Social and Ethics Committee

JURIE STRYDOM (45)

Qualifications
BBusSci, Fellow of the Institute of Actuaries, CFA Charterholder, MBA (MIT)

Appointed
1 August 2020

Expertise
Finance and insurance business development

Detailed biographies of our Board can be found on www.afrocentric.za.com/au-board.php

Independent Non-executive Directors

MMABOSHADI CHAUKE (41)

Qualifications
CA(SA)

Appointed
1 June 2020

Expertise
Accounting, risk management, governance, finance and auditing

Committee
» Audit and Risk Committee

BRUNO FERNANDES (52)

Lead Independent Director

Qualifications
BCom, BAcc, BCom (Hons) (InvM), CA(SA)

Appointed
23 November 2018

Expertise
Accounting, advisory-related services, finance, risk management, and mergers and acquisitions

Committees
» Investment Committee
» Audit and Risk Committee

ALICE LE ROUX (46)

Qualifications
CA(SA)

Appointed
1 June 2020

Expertise
Accounting, risk management, governance, finance and auditing

Committee
» Audit and Risk Committee

PROFESSOR SHIRLEY ZINN (58)

Qualifications
BA, HDE, BEd (Hons), MEd, EdM, DEd

Appointed
23 November 2018

Expertise
Human resources, business leadership and strategy

Committees
» Remuneration Committee
» Social and Ethics Committee

Executive Directors

AHMED BANDERKER (44)
Group CEO

Qualification
CA(SA)

Appointed
15 December 2015

Expertise
Strategy, mergers and acquisitions, and leadership

Committees
» Ex-officio on all committees

HANNES BOONZAAIER (46)
Group CFO

Qualification
CA(SA)

Appointed
1 August 2015

Expertise
Finance and investment banking

WILLEM BRITZ (56)

Qualifications
BCom, BProc

Appointed
1 August 2015

Expertise
Business development, governance and compliance, legal and project management

SELLO MMAKAU (45)
Group Chief Information Officer (CIO)

Qualifications
BCom, MBL, BA

Appointed
30 November 2016

Expertise
ICT governance and compliance including strategy and security

Committees
» Information and Communication Technology (**ICT**) Committee

COMBINED KEY SKILLS OF THE BOARD

- Accounting
- Auditing
- Advisory-related services
- Business development
- Community relations
- Finance
- Governance
- Health
- Health and safety management
- Human resources
- Investor relations
- Investment banking
- IT governance and compliance
- IT security
- IT strategy
- Leadership
- Legal, governance and compliance
- Project management
- Risk management
- Strategy

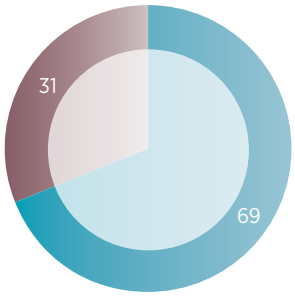
BOARD DIVERSITY

To ensure AfroCentric's Board reflects South Africa's demographics and practices good governance, we employ qualified directors from diverse backgrounds. The diversity criteria include gender, age, ethnicity and geographic background, and meeting the Board's requirements for skills and qualifications. AfroCentric recognises a diverse board makes better decisions by reducing 'groupthink', paying attention to managing and controlling risks, and understanding the Group's clients. There is an approved gender policy which outlines the Board's position on gender diversity in line with King IV requirements.

Our gender diversity policy can be viewed on https://www.afrocentric-online.co.za/reports/afrocentric-ar2020/pdf/gender-diversity-policy.pdf

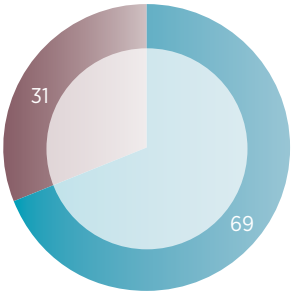
BOARD GENDER DIVERSITY (%)

2019



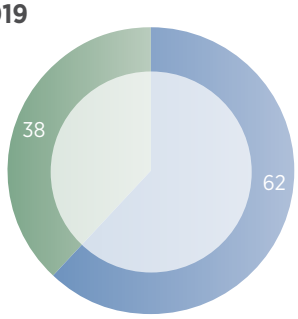
Male Female

2020



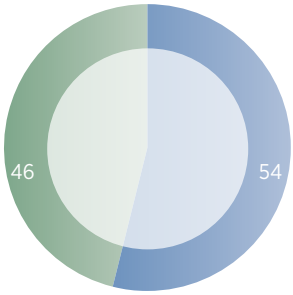
BOARD RACIAL DIVERSITY (%)

2019



Black White

2020

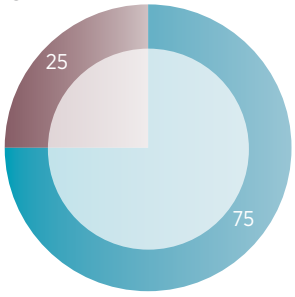


EXECUTIVE COMMITTEE DIVERSITY

In support and maintenance of our current B-BBEE level scoring, our Executive Committee diversity is as follows:

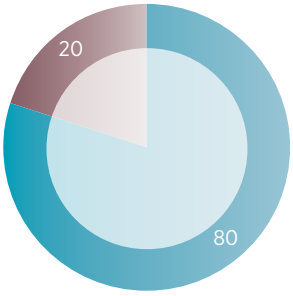
EXECUTIVE COMMITTEE GENDER DIVERSITY (%)

2019



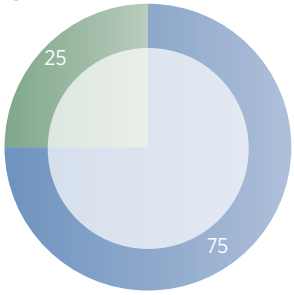
Male Female

2020



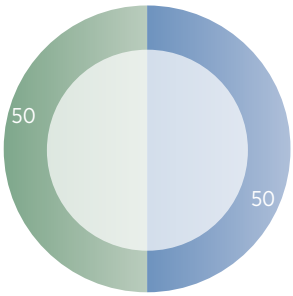
EXECUTIVE COMMITTEE RACIAL DIVERSITY (%)

2019



Black White

2020



EXECUTIVE COMMITTEE

The Executive Committee manages the business's day-to-day running in line with the tone of institutional good governance established by the Board.

The CEO is an ex-officio member of the Board and all sub-committees. From time to time, other Executive Directors are invitees of Board sub-committee meetings on matters relevant to their areas of responsibility.

Detailed biographies of our Executive Committee can be found on www.afrocentric.za.com/au-exec.php

AHMED BANDERKER (44)	HANNES BOONZAAIER (46)	TOBIE DU PREEZ (52)	ANDREW EDWARDS (60)	GAWIE ERASMUS (46)
CA(SA)	CA(SA)	NHDip Marketing	BSc	CA(SA)
Group CEO	Group CFO	CEO – AfroCentric Distribution Services	Executive: AfroCentric Corporate Solutions	CEO: AfroCentric Pharma Cluster

AKLAAQ MAHMOOD (54)

BCompt, MBA

Director – Group Diversified and Africa

SELLO MMAKAU (45)

BCom, MBL, BA

Group CIO

DR NOMALUNGELO NYATHI (39)

MBCHB

Managing Executive: Clinical Risk and Advisory

MODJADJI TATI (57)

BCur, BCom (Hons), MBL

Executive Director: Human Capital and Transformation

JOHAN VAN ROOYEN (57)

BA LLB HDip Co

COO: Medscheme Holdings

BOARD AND SUB-COMMITTEES

Board

Chairman: Dr Anna Mokgokong

The Board is the highest governing authority of the Group and is responsible for corporate governance and setting strategy direction. The Board formulates the Group's strategy in line with the organisational vision and values and ensures all business decisions and judgements are made with reasonable care, skill and diligence.

Audit and Risk Committee

Chairperson: Bruno Fernandes

- Responsible for governance and compliance with applicable laws and regulations
- Monitors and ensures the combined assurance model is applied and incorporates various assurance services
- Assesses suitability for appointment of audit firm and partner
- Oversees the auditing process
- Ensures the integrity, accuracy and adequacy of accounting records
- Evaluates risk strategy including outcome of assessments and ensures application of effective risk management policies and practices
- Reviews the business continuity planning within the Group
- Reviews and ensures the quality of the IR
- Oversight of ICT

ICT Steering Committee

Chairperson: Sello Mmakau

- Considers and steers high-level and high-impact ICT projects, including the Group digitisation strategy
- Aligns ICT and business strategies, goals and resources and achieves competitive advantage through ICT
- Monitors ICT projects against ICT master systems plan

Investment Committee

Chairperson: Joe Madungandaba

- Plans, implements and monitors new capital expenditure projects, evaluating on completion and reporting findings to the Board
- Makes recommendations to the Board, monitors and reports on material acquisition, merger or disposal opportunities, and ongoing material transactions and related matters

Social and Ethics Committee

Chairperson: Dr Nkateko Munisi

- Monitors anti-corruption and employment equity policies
- Monitors all executive actions related to the Group's standing as a responsible corporate citizen
- Monitors the Group's Code of Ethics, and investigates, resolves and reviews any matters which may contravene the Code of Ethics

Remuneration Committee

Chairperson: Joe Madungandaba

- Recommends the remuneration policy to the Board for approval
- Approves the remuneration report for disclosure as per King IV
- Determines and monitors the remuneration and contractual terms of the Executive Directors and Group Executive Committee members

Nomination Committee

Chairperson: Dr Anna Mokgokong

- Responsible for nomination, election, succession planning and Board appointments
- Oversees the development of a formal induction programme for new directors
- Evaluates the Board and examines the skills and characteristics required of Board candidates

CORPORATE GOVERNANCE REVIEW

Our aspiration of global leadership in sustainable, affordable and quality healthcare, and our ability to fulfil our stakeholder promises, require the highest standards of corporate governance.

AfroCentric aspires to become a leading responsible and diversified global healthcare investment company, and ensure our clients and other stakeholders benefit from our growth. AfroCentric's Board adopts an integrated approach to managing the Group to ensure the governance structure actively identifies, responds to and communicates material issues impacting its ability to create value. Corporate governance provides the board with a framework that supports transparency, sustainability, fairness and ethical conduct. One of the key principles in King IV is establishing a unitary board which reflects a balance of power, with no individuals yielding unfettered power on the Board. AfroCentric responded by appointing a Lead Independent Director and four Independent Non-executive Directors. We conclude that corporate governance is integral to our efficiency, growth and investor relations.

The Board believes it adhered to the Board Charter and the Group complied with the JSE Listings Requirements, Companies Act and King IV. The Board believes it ethically executed its responsibilities and reported on the outcomes of its direction in line with King IV.

The Board's application of King IV can be viewed on https://www.afrocentric-online.co.za/reports/afrocentric-ar2020/pdf/board-charter.pdf

As the stewards of public trust, the Board acts for the good of the organisation, exercising reasonable care in all decision-making without placing the organisation under undue risk. The Board applies and leverages sound corporate governance in improving performance by:

- Enhancing accountability at all levels
- Determining how governance requirements, particularly King IV, can be implemented to add organisational value
- Guiding decision-making, reinforcing material disclosures and refining risk processes
- Ensuring certain powers are delegated to management for operational efficiency
- Implementing integrated reporting of all business aspects
- Embedding risk controls in day-to-day processes and decision-making
- Effectively identifying, understanding and managing stakeholders and their expectations to improve our ability to reduce risks

Company Secretary

Billy Mokale is the Group Company Secretary. The Board is satisfied that he possesses the requisite qualifications and experience to perform his duties since he is the repository of governance knowledge, advice and assurance for corporate integrity. The Group Company Secretary is independent of the Board and is not a director of the Group. He is responsible for the efficient administration of the Company, particularly for ensuring compliance with statutory and regulatory requirements and ensuring decisions of the Board are implemented.

All directors have access to the Group Company Secretary, and he continues providing dedicated support to the Board and its sub-committees on all matters of governance, risk, compliance and legal. Along with the Chairman, the Group Company Secretary regularly reviews the Board and AfroCentric's governance processes to ensure they are fit for purpose. He also recommends or develops initiatives to strengthen AfroCentric's governance.

The Group Company Secretary is the focal point of directors and employees' share trading, JSE Listings Requirements, and notification of open and closed periods.

The Board of Directors

The Board's powers and responsibilities are defined in the Board Charter, which is annually reviewed and approved. The Board Charter aligns with the JSE Listings Requirements, the Companies Act and King IV and can be viewed on https://www.afrocentric-online.co.za/reports/afrocentric-ar2020/pdf/king-iv-application-register.pdf

The Board's leadership and judgement direct the Group to sustainable growth and acting in the best interests of the business and its stakeholders. The Board is responsible to shareholders for creating and delivering sustainable shareholder value by managing the Group's businesses. Therefore, it determines the strategic objectives and policies required to deliver such long-term value. In providing overall strategic direction, the Board ensures management strikes an appropriate balance between long-term growth and short-term objectives.

The Board adheres to the Companies Act stipulations on skill, care and fiduciary duties. This is reflected in the conflicts of interest policy, which also applies to directors. In addition to annual declarations and the schedule 13 declarations to the JSE on new appointments, declarations of interest against the agenda items or contracts are confirmed at each Board and committee meeting and are recorded in the minutes.

Board and committee meetings

During the year, the Board had five scheduled meetings in addition to the AGM and Board strategy session. Prior to or following a Board meeting, Non-executive Directors have the unrestricted right to request any senior executive to clarify or explain any matter. This facilitates the Board's discussions and assists in reaching prompt and informed decisions.

Operational responsibility for the Group's subsidiary companies is delegated to the individual boards, which are accountable to the main Board for managing the businesses. Operational reports are presented to the Board, prompting interactive engagements at meetings.

	Meeting attendance						
Member	Board	Audit and Risk	ICT Steering	Investment	Social and Ethics	Remuneration	Nomination
Dr Anna Mokgokong *Chairman and Non-executive Director*	4/4*						3/3*
Joe Madungandaba *Deputy Chairman and Non-executive Director*	4/4			6/6*		4/4*	3/3
Dr Nkateko Munisi *Non-executive Director*	4/4			6/6	4/4*		
Ian Kirk *Non-executive Director*	0/1						
Ahmed Banderker *Group CEO and Executive Director*	4/4	4/5	3/3	6/6	3/4	4/4	3/3
Hannes Boonzaaier *Group CFO and Executive Director*	4/4	5/5	3/3	6/6	4/4		
Willem Britz *Executive Director*	4/4			4/6		1/4	
Lindani Dhlamini *Independent Non-executive Director*	3/3	4/4					
Sello Mmakau *Group CIO and Executive Director*	4/4	5/5	3/3*				
Grathel Motau *Independent Non-executive Director*	1/1	3/4		3/5			
Bruno Fernandes *Independent Non-executive Director*	4/4	5/5*		6/6			
Professor Shirley Zinn *Independent Non-executive Director*	4/4	1/1			4/4	4/4	
Thinus Alsworth-Elvey *Non-executive Director*	3/4	3/5		4/6		4/4	
Gary Allen *Non-executive Director*	4/4						
Alice le Roux *Independent Non-executive Director*	1/1	1/1					
Mmaboshadi Chauke *Independent Non-executive Director*	1/1						

* *Committee Chairperson.*

The Board's agenda centred largely around the following key matters for execution of its oversight role:

- Approving the Group strategy
- Overseeing the relationship with key stakeholders of the Group
- Approval of capital management, financial results, dividend policy, human resource development and application of corporate governance throughout the Group

The Board has the following committees:

- Nominations
- Audit and Risk
- Remuneration
- Social and Ethics
- Investment

Board composition

AfroCentric has a unitary Board structure with four Executive Directors, five Non-executive Directors and four Independent Non-executive Directors. The Board's members have appropriate industry knowledge and qualifications, and sufficiently diverse experience to effectively discharge their duties.

The Non-executive Chairman of the Board is Dr Anna Mokgokong. The Chairman is not classified as independent and, to strengthen good corporate governance as recommended by King IV, Bruno Fernandes is the appointed Lead Independent Director. The roles and responsibilities of the Chairman and the CEO are separate.

Appointment and retirement of directors

One-third of directors are required to retire by rotation at the AGM of shareholders and may offer themselves for re-election. Being eligible for re-election, directors offer themselves for reappointment. Directors appointed during the year are required to have their appointments ratified at the following AGM. Alice le Roux, Mmaboshadi Chauke and Jurie Strydom were appointed directors during the year and their appointments will be submitted for ratification at the AGM scheduled for 10 November 2020. Ms le Roux and Ms Chauke replaced Ms Motau and Ms Dhlamini as both Independent Non-executive Directors and members of the Audit and Risk Committee. Jurie Strydom replaced Thinus Alsworth-Elvey as a Non-executive Director.

Board effectiveness

Board evaluations are critical structural processes for assessing how effective and efficient the Board and its committees are. In line with King IV, the Board and sub-committees' performance was assessed and reported to the Nomination Committee as part of its adjudication process on effective performance of individual Board members. The Group Company Secretary, in consultation with the Chairman, is responsible for implementing any actions emanating from this evaluation to improve the Board's effectiveness. The Board is satisfied with the overall execution of its oversight role and there is a joint effort to ensure the Board adheres to its strategic directive.

Directors' remuneration

Non-executive Directors do not have a service contract, and all their remuneration for services as directors is in terms of approval by the shareholders at the AGM. Board remuneration is based on a retainer determined by the Remuneration Committee.

Executive Directors' remuneration is determined by the Remuneration Committee according to AfroCentric's policy. AfroCentric's executive remuneration is based on the principle of 'pay for performance' where members are remunerated in line with the success criteria measured against the Group balance scorecard. Our remuneration policy represents good corporate governance as outlined in King IV.

Further information on directors' remuneration appears on 8 of the Group AFS (supplementary information).

Board committees and attendance

The Board established and delegated specific roles and responsibilities to sub-committees. Each committee's roles, responsibilities and membership follow their Board approved charter. The directors have delegated specific responsibilities to committees to assist the boards of AfroCentric Investment Corporation Limited and the major subsidiary, AHL, in meeting their oversight responsibilities. However, the delegation of authority does not absolve the Board or its directors of their fiduciary responsibilities. The directors confirm that the committees have functioned within their charters during the financial year. The Board and committee charters embrace the principles of King IV.

The AHL Executive Enterprise Risk Committee and Transformation Committee do not operate at Group level. The Board relies on the sub-committees of AHL and trusts them to function and operate as intended and update the Board on any material matters.

The Board is satisfied that the sub-committees fulfilled their responsibilities in accordance with their respective mandates for the reporting period.

Audit and Risk Committee

"The implementation and continued operation of adequate accounting and internal control systems remains critical for the prevention and detection of fraud and error."

This committee is chaired by and comprises only Independent Non-executive Directors.

The role of the committee

The role of the Audit and Risk Committee is to provide independent oversight which includes, among others:

- The effectiveness of the organisation's assurance functions and services, focusing on combined assurance processes
- The integrity of the AFS and, to the extent delegated by the Board, other external reports issued by the organisation
- Assurance coverage of the internal and external audit function across the Group
- Confirming the independence of the external audit firm and the designated auditor

Composition

Member	Number of meetings	Meeting attendance (%)
Bruno Fernandes *Independent Non-executive Director (Chairperson)*	5/5	100
Lindani Dhlamini* *Independent Non-executive Director (Former Chairperson)*	4/4	100
Grathel Motau* *Independent Non-executive Director*	3/4	75
Shirley Zinn *Independent Non-executive Director*	1/1	100
Ahmed Banderker** *Group CEO and Executive Director*	4/5	80
Alice le Roux *Independent Non-executive Director*	1/1	100
Other invitees		
Hannes Boonzaaier *Group CFO and Executive Director*	5/5	100
Sello Mmakau *Group CIO and Executive Director*	5/5	100
Thinus Alsworth-Elvey* *Non-executive Director*	3/5	60

* *Grathel Motau and Lindani Dhlamini resigned on 7 November 2019 and 31 March 2020 respectively. Thinus Alsworth-Elvey resigned 31 July 2020.*

** *Ahmed Banderker attends the committee in his ex-officio capacity as the Group CEO.*

Independence of committee **100%**

Key matters the committee focused on

- Approval of the audit strategy and recommendation of the audit fee for approval
- Determination of the nature and extent of non-audit services
- Assessment of effectiveness of the Chief Audit Executive and the work and processes of the internal audit function
- Satisfied itself of the appropriateness of the expertise and experience of the Group CFO
- Reviewed and approved year-end results and announcement (recommended for Board approval)
- Reviewed profit announcements and made recommendations to the Board
- Reviewed and approved all major accounting policy decisions affecting year-end results
- Reviewed the risk and opportunities register
- Reviewed the Group's position on contingent liabilities and other claims at financial year-end
- Reviewed and confirmed the updated authority levels
- Reviewed non-audit services fees paid to the external auditors

Investment Committee

"Given the significant level and range of uncertainty within our current context, we have taken steps to conserve cash, choosing to focus investment on opportunities that enhance business resilience."

The role of the committee

The Investment Committee oversees the approval processes for investments. These ensure alignment with the Group's agreed strategies and values.

Composition

Member	Number of meetings	Meeting attendance (%)
Joe Madungandaba *Non-executive Director (Chairperson)*	6/6	100
Dr Nkateko Munisi *Non-executive Director*	6/6	100
Grathel Motau* *Independent Non-executive Director*	3/5	60
Bruno Fernandes *Independent Non-executive Director*	6/6	100
Ahmed Banderker *Group CEO and Executive Director*	6/6	100
Other invitees		
Hannes Boonzaaier *Group CFO and Executive Director*	6/6	100
Willem Britz *Executive Director*	4/6	67

* *Grathel Motau resigned on 7 November 2019.*

Independence of committee **100%**

Key matters the committee focused on

- Considered the acquisitions or disposals and first-time investments in the Group
- Considered the viability of the capital project and/or acquisition and/or disposal and their potential effect on the Group's cash flow, as well as whether it will suit the Group's overall strategy
- Managed capital allocation within the Group
- Ensured due diligence procedures when acquiring or disposing of assets
- Reviewed and recommended the Group's dividend policy for Board approval

ICT Steering Committee

"We're leveraging technology to improve efficiencies and enhance outcomes across the business for the benefit of clients and their members during this challenging time."

The role of the committee

The ICT Steering Committee manages the progress of all ICT initiatives associated with goals from the Group's ICT strategy.

Composition

Member	Number of meetings	Meeting attendance (%)
Sello Mmakau *Group CIO and Executive Director (Chairperson)*	3/3	100
Ahmed Banderker *Group CEO and Executive Director*	3/3	100
Hannes Boonzaaier *Group CFO and Executive Director*	3/3	100

Independence of committee

0%

The ICT Steering Committee is an internal management committee.

Key matters the committee focused on

- Reviewed all ICT policies including the business continuity plan
- Reviewed and recommended the digital ICT strategy
- Monitored progress of the Fusion project
- Ensured the alignment of the business and technical project management functions

Nomination Committee

"The Nomination Committee's role in an ever-changing context is critical – determining the structure and composition of the Board, considerate of its current position and future requirements."

The role of the committee

The Nomination Committee provides recommendations to the Board on all new Board and committee appointments.

Composition

Member	Number of meetings	Meeting attendance (%)
Dr Anna Mokgokong *Non-executive Director (Chairman)*	3/3	100
Ahmed Banderker *Group CEO and Executive Director*	3/3	100
Joe Madungandaba *Non-executive Director*	3/3	100

Independence of committee **100%**

Key matters the committee focused on

- Formulate and adopt a clear, transparent process for the selection, nomination and appointment of directors to the Board
- Provide recommendations to the Board on appointing new Executive and Non-executive Directors, including providing recommendations on the composition of the Board and the balance between Executive and Non-executive Directors appointed to the Board
- Ensure succession plans are in place, particularly for the Chairman and Group CEO positions
- Liaise with the Board in the preparation of the committee's report to shareholders, as required

Remuneration Committee

"Ensuring remuneration supports the long-term ambitions of the business remains critical, especially as we enter a new phase of the Group's strategy."

The role of the committee

The Remuneration Committee's mandate is to ensure remuneration supports the strategic aims of the business and packages are sufficient to recruit, motivate and retain senior executives while complying with regulatory and governance principles.

Composition

Member	Number of meetings	Meeting attendance (%)
Joe Madungandaba *Non-executive Director (Chairperson)*	4/4	100
Shirley Zinn *Independent Non-executive Director*	4/4	100
Ahmed Banderker *Group CEO and Executive Director*	4/4	100
Thinus Alsworth-Elvey *Non-executive Director*	4/4	100
Ronnie Wa-Mundalamo *Independent member*	4/4	100
Other invitees		
Willem Britz *Executive Director*	1/4	25

Independence of committee **100%**

Key matters the committee focused on

- Agree and develop the Group's general policy on executive and senior management and employee remuneration. This general policy will be referred to shareholders for such shareholders to pass a non-binding advisory vote on AfroCentric's annual remuneration policy
- Approves the remuneration report for purposes of disclosure as per King IV
- Determines the specific remuneration packages for Executive Directors of the Company
- Identifies the criteria necessary to measure the performance of Executive Directors in discharging their functions and responsibilities
- Reviews (at least annually) the terms and conditions of Executive Directors' service agreements, taking into consideration information from comparable companies, where relevant

Social and Ethics Committee

"As a committee, we have sought at all times to ensure the Group's response to the current crisis demonstrates its purpose in action."

The role of the committee

The Social and Ethics Committee assists the Board with responsible business practices within the Group and monitors Group activities in line with section 72 of the Companies Act as amended, terms of reference and other legal requirements.

Composition

Member	Number of meetings	Meeting attendance (%)
Dr Nkateko Munisi *Non-executive Director (Chairperson)*	4/4	100
Shirley Zinn *Independent Non-executive Director*	4/4	100
Ahmed Banderker *Group CEO and Executive Director*	3/4	75
Other invitees		
Hannes Boonzaaier *Group CFO and Executive Director*	4/4	100

Independence of committee **100%**

Key matters the committee focused on

- Ensured Group compliance to the B-BBEE Act
- Reviewed the Company's environment, health and public safety performance, including the impact of the Group's activities and of its products and services
- Reviewed results of the Employee Climate Survey that reviewed the Company's standing in terms of the International Labour Organization's protocol on decent work and working conditions, its employment relationships (inter alia, treatment of unions and labour disputes), skills development, the promotion of equality and prevention of unfair discrimination (inter alia, policies and interventions)
- Oversees stakeholder engagement
- Monitored ethical standards within the Company. The committee confirms that no material breaches occurred

Governance policies, procedures and processes

Compliance

During the year, we focused on the following material regulatory developments impacting our business:

» Group compliance universe: The legislative compliance universe was reviewed, monitored and reported on. A key framework that facilitates a compliance environment is our approved compliance universe containing applicable legislation. The legislation is categorised according to significance, namely core/primary, secondary and topical.

» Protection of Personal Information (**PoPI**) Act: With the impending effective date on application of PoPI, we complied with readiness on legislative requirements and the General Data Protection Regulation (**GDPR**). To effectively manage this project, AfroCentric Group adopted a three-step approach to track progress. Firstly, discover as much information as possible; secondly, conduct workshops or interviews to assess the AfroCentric Group's compliance with PoPI; and thirdly, document findings by drafting and delivering responses on the gap analysis report, including actions required to ensure compliance.

Conflicts of interest

Declaration of interest

The Group has policies to manage potential conflicts of interest. Directors sign a declaration stating that they are unaware of any undeclared conflicts of interest due to their interest in, or association with, any other company. In addition, directors disclose interests in contracts and related party transactions for the Board to assess whether such transactions are done on arm's length commercial terms.

In such instances, the directors in question will recuse themselves from deliberations.

All information acquired by directors while performing their duties, which is not disclosed publicly, is treated as confidential. Directors may not use, or appear to use, such information for personal advantage or for the advantage of third parties.

Dealings in shares

Directors and officers are prohibited from dealing directly or indirectly in AfroCentric's ordinary shares on the basis of unpublished price-sensitive information regarding its business or affairs. Similarly, no director or officer may trade in the Company's shares during a closed period, as determined by the Board according to JSE Listings Requirements. The Group's closed periods are between the last day of the reporting period and the publication of the results, and during those periods when the Group trades under a cautionary note. The Group Company Secretary regularly disseminates written notice to all directors and executive management throughout the Group, highlighting the provisions of the Financial Markets Act and JSE Listings Requirements, and informing them that dealing in AfroCentric's shares during certain restricted periods may not be undertaken. The Board reviews its current share policy and updates the policy to improve processes. This was carried out during the year under review.

During the year under review, there were no compliance concerns in respect of directors' dealings. An information and share dealings policy exists. Controls are in place and the Board was inducted on the JSE rules in respect of share dealings. Regular updates are provided to the Board via the Group Company Secretary.

Enterprise risk management

Our robust approach to risk management supports the implementation of our strategy and enables us to identify opportunities.

AfroCentric's risk management is overseen by the Board and its sub-committees and managed by governance structures throughout the Group. These structures are chaired by senior members of the management team and are accountable to Board sub-committees. Risk management systems are effectively governed and managed by the Group risk management function.

We strive to mitigate risks and identify opportunities with our robust risk management processes.

Enterprise Risk Management framework

AfroCentric's Enterprise Risk Management (**ERM**) framework is aligned with King IV principles, the Committee of Sponsoring Organisations of the Treadway Commission's (**COSO's**) ERM framework, and the International Organization for Standardization (**ISO**) 31000:2018 risk management framework. The ERM framework provides a structured and systematic enterprise-wide approach to risks within the Group.

We gain insight into our risk landscape by considering factors in our external and internal environments which could positively or negatively influence our strategic objectives.

Reporting, communication and consultation

The Board and senior management receive regular reports on the risk profile.

Training promotes risk management across the Group.

Identification

Strategic risks are identified at Group level and cascaded down to business units which identify operational risk through their respective risk registers.

IT, cybersecurity, economic/growth, people, regulatory and compliance, financial, legal, and internal fraud and external fraud risks and opportunities are identified.

Analysis

The Group assesses the likelihood of the risks in the absence of controls and provides a residual risk rating. The Group has Board approved risk quantification levels to measure the potential impact of risks.

Evaluation

The risk management system is regularly assessed by the Group which implements internal controls for each risk. The BarnOwl risk management system is used to evaluate each control.

Categorising residual risks

Each residual risk is categorised as high, medium or low impact.

Formulation of risk mitigation strategies

The Board approves the risk management policy and framework that define the Group's risk appetite and tolerance levels.

Monitoring and reviewing risks

We consistently monitor ERM and regularly conduct comprehensive risk assessments.

Risk appetite and tolerance

A detailed Board approved risk appetite statement for individual risk categories applies to all Group entities. The Group did not experience any material breaches, or undue, unexpected or unusual risks beyond risk appetite levels in 2020.

Combined assurance

Our combined assurance framework is supported by a three lines of defence model that specifies and delegates accountability for managing, overseeing and independently assuring risks across the Group. The duties of each line of defence are described below.

The combined assurance framework provides principles and guidelines used in implementing combined assurance across the Group and continues to evolve as this process is embedded and matures.

First line of defence

Business unit management The Group risk management team appoints, trains and guides risk champions within each business unit. Risk champions are the decision-makers and risk owners who identify, manage and monitor risks in their respective business units.

Second line of defence

Risk management and compliance functions develop a risk management framework. They coordinate and monitor the first line's implementation of the Group's risk management framework.

Third line of defence

Internal and external audits provide independent assurance on the effectiveness and consistency of the first and second line functions. Internal and external audits report to the Audit and Risk Committee.

Internal controls

Organisational policies, procedures, structures and approval frameworks provide direction, accountability and segregation of responsibilities, and contain self-monitoring mechanisms. Operational and executive management closely monitor the controls and actions taken to correct weaknesses as they are identified. The Head of Group Finance reports directly to the Group CFO, who is responsible for the overall financial control and reporting.

Standards of disclosure increased significantly, and internal governance structures and roles were reviewed and where necessary improved to reflect best practices. This occurred at Board and management levels. The internal audit function is governed by an internal audit charter, which is annually reviewed and approved by the Audit and Risk Committee.

Internal audit

AfroCentric's internal audit is an independent function governed by an internal audit charter, approved by the Audit and Risk Committee and annually reviewed. The internal audit charter defines the role, organisational status authority, responsibilities and scope of the internal audit activity (**IAA**). It also includes the principles underlying the realisation of the IAA's objectives and the translation thereof into operational activities. The Chief Audit Executive reports at each Audit and Risk Committee meeting and has a direct reporting line to its Chairperson. Internal audit operates independently of executive management and is not authorised to perform any operational duties in the Group. For administrative purposes, the Chief Audit Executive reports to the Group CFO.

The internal audit team is fully capacitated with 25 professionals who collectively possess the knowledge, skills, experience, tenure and other competencies to effectively and competently fulfil its mandate. Specific specialist skills and additional resources are obtained from third parties.

The vision of internal audit is to add proactive, objective and independent value and assist with the Group's business strategy and objectives while upholding the core values of mutual respect, accountability, empowerment, integrity, innovation, accessibility, commitment, efficiency, proactivity and professionalism. According to its core values, AfroCentric's internal audit endeavours to comply with the highest professional standards of integrity, sound practice and transparency to build trust and maintain the interests of client schemes and shareholders at the forefront of our corporate agenda.

Internal audit assists AfroCentric and some of its clients to accomplish its strategic objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. This is achieved by managing the significant risk exposures and control issues, corporate governance issues and other matters.

The Institute of Internal Auditors' (**IIA**) standards require an external quality assessment on an entity's IAA at least every five years. AfroCentric's internal audit was subjected to an independent external quality assessment in August 2019. The overall rating as assessed by the IIA was 'generally conforms'. This is consistent with the previous rating achieved in August 2016. The internal audit function aims to meet and exceed the IIA standards and Code of Ethics.

Information and security governance

IT governance is defined in King IV as the effective and efficient management of IT resources to facilitate the achievement of corporate objectives. It exists to inform and align decision-making for IT planning, policy and operations to meet business objectives and to ensure risks are managed appropriately.

The AfroCentric Group applies the principles of King IV in its governance frameworks, as far as it is appropriate, and regards the requirements of Cobit, ISO 27001, ITIL and ISO 38500:2015 in IT governance. The Group adopted a formal IT governance framework to standardise IT practices across the organisation and formalise the good governance requirements stipulated in King IV.

In addition to applying due governance across our IT areas, external auditors did an extensive review of our ICT controls (ISAE3402) within our governance framework; the report of which is shared with our clients as further assurance.

REMUNERATION REPORT

BACKGROUND STATEMENT

Remuneration Committee Chairperson's report

On behalf of the Remuneration Committee (**the committee**), I am pleased to present AfroCentric's 2020 remuneration report. This report supplements the information provided in the corporate governance report on 69 ↗ to 88 ↗, and highlights the committee's focus areas for the year, outlines our policies and practices, and addresses the Group's performance and corresponding remuneration outcomes.

During 2020, the AfroCentric Group adopted a malus and clawback policy with the intention of aligning shareholder interests and the remuneration outcomes of employees, particularly executive management. This is aimed at strengthening accountability and allows the Group to reduce or recoup the incentive remuneration in defined circumstances.

The bargaining unit performance-based incentive scheme was successfully launched, which saw support services staff within the bargaining unit level participate in a variable pay incentive scheme for the first time. A total of R19 million was paid out under the new incentive scheme. These are great strides in managing remuneration fairly and responsibly as prescribed in King IV.

Additional developments during the course of the year include enhancing the employee benefit offering. The workplace banking initiative was launched in partnership with Nedbank, where employees receive preferential rates on various transactional and lending products. We further concluded the section 14 transfer of the pension fund to the Sanlam Umbrella Fund, ensuring retirement and risk benefits are maximised. The smart funder benefit solution was approved and launched, which assists employees with their children's school fees by structuring their salary packages.

The latter part of the year under review unfortunately presented us with extraordinary challenges, in the wake of the COVID-19 pandemic. AfroCentric proactively responded to this global challenge by employing a comprehensive COVID-19 response strategy.

To that end, the committee approved the following initiatives within its remit:

» A once off, Group-wide gratuity payment of R1 000 per employee, (excluding Executive Directors) during the month of April 2020. This was intended to help alleviate the adverse socio-economic impact the pandemic was anticipated to pose to employees. The cumulative value of the COVID-19 gratuity was R7 220 027, including the provision for pay as you earn tax

» To alleviate the current and future financial loss caused by COVID-19, the Group initiated processes to access the relief offered through the South African government's COVID Temporary Employment Relief Scheme (**COVID TERS**)

Operating context and performance highlights

Notwithstanding an uncertain operating environment, the AfroCentric Group 2020 financial results were satisfactory in the context of varying macroeconomic factors resulting in the achievement of an EBIT target of R740 million. In respect of other key performance areas, namely governance, transformation, strategic impact and culture, the Group's performance was mostly on par; all targets were met and exceeded regarding transformation. As a result, bonus payments were made to executives and senior management in respect of strategic and management incentives. The total management performance bonus pool approved for distribution by the committee was R57.6 million (2019: R71 million).

Further detail on the Group's overall performance is provided in our CFO's review 52 ↗.

Changes to the remuneration and related policies for the 2020 financial year

The committee reviewed the Group's remuneration policy and other related policies for the 2020 financial year. The changes effected and implemented during the 2020 financial year are listed below. We continued to review the Group's remuneration policy and no material changes were made during the year under review.

Remuneration element	Change	Reason or need for change
Policy principles	The Group's remuneration philosophy strives to attract, motivate and retain high-performing talent within the competitive market we conduct our business. To achieve an appropriate balance between affordability and market relevance, we aim to position cost to company (**CTC**) generally at the market median, and we recognise the need to reward above this point in some instances as a strategy to manage scarce and critical skills that are primary to our achievement of growth and long-term sustainability.	To ensure alignment and a better understanding of the Group's remuneration philosophy and strategy. This further ensures compliance to King IV.
Guaranteed pay management	The introduction of grade-based pay scale and a salary increase matrix is applied to demonstrate the pay for performance principle.	To align the guaranteed pay model to our pay for performance (differentiation) philosophy and to manage pay anomalies within reasonable confines, after removing the non-pensionable allowance in 2019.

Focus areas

The Remuneration Committee envisages the following focus areas in advancing the organisation's value proposition:

2019 focus areas	2020 focus areas
» Continued pay for performance links to enhance the Group's strategic efforts of reduced healthcare costs, value chain optimisation and an enhanced leadership culture » Change in retirement fund provider to ensure an optimal administration platform for members	The redesign of our short-term incentive (**STI**) models to ensure they are fit for purpose and responsive to the evolving business strategy.

Shareholder engagement and voting

Shareholder voting results

Resolution	November 2018	November 2019
Ordinary resolution on non-binding advisory vote on remuneration policy	97.56%	96.89%
Ordinary resolution on non-binding advisory vote on implementation report	97.34%	96.89%
Special resolution of Non-executive Directors' fees	99.39%	99.47%
Special resolution of general authority to repurchase shares	99.90%	99.96%

The remuneration policy and implementation report were presented for shareholder voting at the AGM held on 8 November 2019. The policy was endorsed by 96.89% of our shareholders, and the implementation report received an in favour vote of 96.89%.

As required by the Companies Act and King IV, the following resolutions will be tabled for shareholder voting at the AGM, details of which can be found in the Notice of AGM (110).

In the event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more, the Board will engage with shareholders to understand concerns raised. This engagement may be done by virtual meeting or in writing and will be implemented at a time after the release of the voting results. Where possible and prudent, objections are taken into consideration when formulating any amendments to the Company's remuneration policy and implementation report in the following financial year. To that end, the newly implemented malus and clawback policy was implemented.

Appreciation

I would like to thank my fellow Remuneration Committee members for their contribution and support. It is the view of the Remuneration Committee that the remuneration policy achieved its stated objective of attracting and retaining high-calibre talent within the organisation. I am satisfied that the Remuneration Committee responsibly and professionally discharged its obligations.

Thank you to our shareholders for your support and engagement in 2020. We look forward to further interaction on AfroCentric's remuneration policy.

Joe Madungandaba
Remuneration Committee Chairperson

10 September 2020

REMUNERATION OVERSIGHT AND POLICIES

Remuneration governance

AfroCentric's remuneration policy, structures and processes are set within a governance framework with designated levels of authority.

Shareholders	Board of Directors	Group Remuneration Committee	Group CEO and executives
Approve Non-executive Directors' fees and non-binding approval of remuneration policy and implementation report	Approval of remuneration policy Provide Group Remuneration Committee with specific mandates	Recommends policy and monitors the implementation of remuneration policy	Implementation, oversight, communication and formulation of recommended policies and remuneration supported by the Group CFO and Human Capital Executive

While we apply a common remuneration structure across the Group, we differentiate its implementation according to the size and operating models of various entities within the Group.

Remuneration policy design principles

Our remuneration policy provides a framework for managing total remuneration within the Group, and supports the Group's employee value proposition.

Remuneration objectives

Talent motivation and engagement	Ensures strategic alignment with organisational and individual objectives, thus keeping employees engaged.
Talent attraction and retention	Manages high-calibre talent for the achievement of strategic objectives.
Leveraging the total reward offering and enhancing our employee value proposition	Balances financial and non-financial rewards for a holistic reward mix that is sustainable.

Remuneration principles

Employees are at the core of our business since we require highly skilled, competent and experienced employees to drive our business growth. AfroCentric's remuneration policy is designed to reward employees for their performance and contribution towards value for our shareholders. The following principles govern Group-wide remuneration at all levels:

Pay for performance	Pay for performance methodology, linking executive reward to business performance. This allows for differentiated increases based on the individual's contribution and performance.
Parity and equity	Ensure external parity is maintained; market relevance; balanced internal equity; and pay adjustments are affordable for the organisation.
Talent attraction and retention	Ensure a remuneration mix that will attract the best talent in the market and retain top talent in the organisation.
Performance incentives	Align executives to shareholder interests by linking STI and long-term incentive (**LTI**) to performance indicators not limited to financial indicators
Fair and responsible pay	Internal equity: Ensuring all our employees are appropriately and fairly rewarded for their contributions, irrespective of gender, race, age, ethnicity, religion or sexual orientation.

Pay for performance

Executives' remuneration is based on level of accountability, complexity and nature of the role which is sized relative to the organisation's turnover, number of employees (including wage bill), market cap, assets and net after tax profitability benchmarked to the external market. The table below shows the relationship between the Group's strategy, its pay for performance philosophy and requirements set out in King IV:

Strategic objective: Maximise shareholder value and returns
Strategic aspiration: Operating profit (EBIT) target as agreed with the Board from time to time

Pillars of the BSC supports the delivery of our strategic objectives	
Strategic impact	Financial (40% weighting)
» Enhancing our operating model	Governance (10% weighting)
» Stabilising IT systems and enhance the infrastructure	Transformation (10% weighting)
» The launch and implementation of primary care products Successful medicine capitation model with full value chain optimisation from medicine manufacturer to managed care provider	Organisational culture (5% weighting)
	Strategic impact (35% weighting)

Our deliverables, contained in our BSCs, are derived from and directly support the Group strategy. The Group BSC cascades to the various business units and is aligned to the individual performance objectives.

Remuneration arrangements for other employees

Recognising the need to remunerate executive management fairly and responsibly in the context of overall remuneration, we award higher increases to bargaining unit employees compared to executive levels (98). Increases in respect of the bargaining unit are negotiated annually with National Education, Health and Allied Workers' Union (**NEHAWU**), the recognised labour union, considering a variety of internal and external factors such as affordability, market conditions and benchmark information. PwC's Remchannel Salary Survey formed the basis for market benchmark information to facilitate the remuneration review.

For 2020, annual increases were deferred to the end of October 2020 in order to assess the Group's financial position.

Differences in remuneration policy for executives compared to other employees

There are differences in the remuneration policy's structure for Executive Directors, prescribed officers and other salaried employees, which are necessary to reflect the different levels of responsibility and market practices. The key difference is the increased emphasis on incentives or variable performance-related pay in senior roles. Lower maximum variable pay limits, as a percentage of guaranteed pay, apply for roles below executive level, driven by market benchmarks and the relative impact of the role.

Senior executives, general management and key strategic resources at senior management, middle management or specialist levels may participate in both STI and LTI schemes, where these plans are targeted at individuals who have the greatest responsibility for Group performance.

General staff are eligible to participate in a performance-based bonus scheme replacing the production incentive scheme which was not all inclusive.

Remuneration model

AfroCentric's remuneration model balances short-term and long-term financial and non-financial rewards to drive a high-performance culture. The key components of this model, including policy elements, are illustrated below:

Guaranteed pay

This comprises the benchmarked, market-related fixed component of AfroCentric's remuneration offering set to attract and retain qualified and experienced employees

Base pay	Benefits and allowances
Market-related salary reflecting individual contribution, roles and responsibilities	Market-related benefits including medical aid, retirement fund[1] and insured benefits such as Group death and disability benefits, Nedbank workplace banking benefits
Purpose To attract and retain qualified and experienced employees	**Purpose** To retain employees and contribute to their overall wellbeing
Mechanics » All employees » Pay bands are set with reference to industries » For executives, benchmarks are derived from similar comparator groups » Salaries are paid monthly » Employees are eligible for adjustments when promoted to other positions; however, specific conditions apply » Market benchmarking according to job family grouping, job grade and individual long-term performance	**Mechanics** » Applicable to all employees » Allowances are paid in terms of statutory requirements or policy » Contributions to all benefits are made by both the employer and employee » Beneficiaries of employees who pass away while in service receive additional benefits such as education benefits, medical aid premium waivers, etc.
Maximum opportunity » Cost of annual increases is approved by the Remuneration Committee and set in accordance with expected market movements, affordability and forecast inflation » Increases granted to bargaining and non-bargaining unit employees are linked to individual performance	**Maximum opportunity** » In addition to the standard basket of benefits, employees can buy additional benefits at Group rates e.g. extended family funeral cover

[1] *Employees elect participation in either a pension fund or the NEHAWU Provident Fund, the latter being available to NEHAWU members only.*

Variable pay

Additional financial compensation in the form of STIs and LTIs aligned to the Group's performance, strategy and value creation

STI scheme	LTI scheme
Performance-based Group annual incentive schemes » Management strategic incentive scheme » Management performance bonus scheme » Performance-based bonus for all general staff » Actuarial incentive scheme » Other sales incentive schemes (self-funding)	Share scheme designed to incentivise delivery of long-term strategic goals aligned with shareholder expectations
Purpose » To motivate employees, management and executives to achieve short-term strategic, financial and non-financial objectives » To reward Company and individual performance » To recognise, motivate, attract and retain	**Purpose** To retain, motivate and reward executives and senior management or individuals who influence the long-term sustainability, value creation and strategic objectives of the Group on a basis which aligns their interests with those of the Group's shareholders
Mechanics » Executive Committee members, general management[2], senior management[3] and management[4] at corporate and business unit level as well as general staff » The STI consists of Group and individual performance targets » Group targets on a BSC basis are set each year and cascaded » Business unit targets are set in line with the approved business plans » Individual targets are recorded in the performance contract with reference to the role's requirements » Performance below threshold results in a zero score, and the individual will not be eligible for an STI award » Hurdle for payment of any STI is the achievement of EBIT targets; however, a sliding scale is applicable at the Remuneration Committee's discretion upon achieving all other key performance area targets » Any payments in respect of performance-based STIs are approved by the committee » Other STIs such as general staff performance bonus or commissions are paid quarterly or monthly as per the respective set of rules	**Mechanics** » Vesting share scheme » Executive Committee members, general and senior management at Group and business unit levels » The LTI scheme consists of conditional shares subject to vesting conditions » Three-year staggered vesting as follows: Year 3 – 1/3, year 4 – 1/3 and year 5 – 1/3 » Governing resides with the committee which considers annual awards for eligible employees and discretionary or bonus awards for retention purposes » Annual awards are linked directly to the role as well as long-term individual performance and potential » Share value is determined by volume weighted average price measured 30 days prior to award date » Group performance targets include EBIT (40%), governance (10%), organisational culture (5%), transformation (10%) and strategic impact (35%) (99)
Maximum opportunity » Stretch performance percentage of guaranteed pay of 150%, or 14th cheque depending on the scheme in which the employee participates » Participation is limited to one scheme only	**Maximum opportunity** » Maximum allocation is determined by the employee's job grade
Number of participants » 531 for management; 3 205 for general staff	**Number of participants** » 59

[2] *General management is defined as positions at grade levels E1 to E3 on the Paterson grading scale.*

[3] *Senior management is defined as positions at grade levels D4 and D5 on the Paterson grading scale.*

[4] *Management is defined as positions at grade levels D1 to D3 on the Paterson grading scale.*

STI schemes

The Group relies on various bonus schemes both designed to achieve its strategic objectives.

Individual performance below threshold results in a zero score, and the employee will not be eligible for consideration for an STI award.

Management strategic incentive scheme

The annual, strategic management incentive scheme is focused on the executive team and tier two managers, being those who report directly to the executives and employees selected for value contribution as well as scarce and critical skills. This applies to employees whose roles have a direct impact on the Group's strategic imperatives.

Strategic incentives are calculated as shown below; however, any payment is subject to the achievement of the Group performance scorecard, on a sliding scale basis.

On-target % X business multiplier X individual performance multiplier

ON-TARGET %		Group performance multiplier				Individual performance multiplier	
Determined by employee's level/job grade		Group performance measured against targets set annually in advance				Determined by employee's individual performance score	
Level	**On-target % of annual CTC**	Financial target (EBIT)	Governance	Transformation	Strategic Company objectives	**Performance rating**	**IP multiplier**
Group CEO	50%					Above stretch	150%
Group CFO	45%					Stretch	125%
Group executives	40%					On-target	100%
						Below target	50%
						Missed targets	0%

Group performance

As explained in the Group CFO's report, the Group achieved EBIT of R740 million. The performance conditions for the STI bonus were tested to determine if the minimum incentive trigger had been achieved.

Management performance bonus scheme

The management performance bonus scheme was introduced during the 2017 financial year at the Remuneration Committee's request. This scheme targets exceptional performance, through a reward of 100% of guaranteed monthly package and additional bonus payments as given in the rules.

Performance Based Bonus

The Performance based bonus scheme was introduced in 2019, with the Remuneration Committee's support. This scheme is aimed at non-management level employees and ensures an all-inclusive performance based total reward strategy for the Group, across all levels.

STIs on termination of employment

There is no automatic entitlement to annual STIs on termination, but it may be considered at the committee's discretion considering performance measures during the period. Any such payment will be pro-rated to service. The governing rules require active employment on the date of payment. No bonus will be payable in the case of misconduct or resignation, unless done under extenuating circumstances.

LTI scheme

AfroCentric's LTI scheme (the vesting share scheme) commenced in November 2017, following approval by the Board and shareholders at the AGM held on 8 November 2017.

The allocations for all participants are approved by the Remuneration Committee.

Vesting share scheme

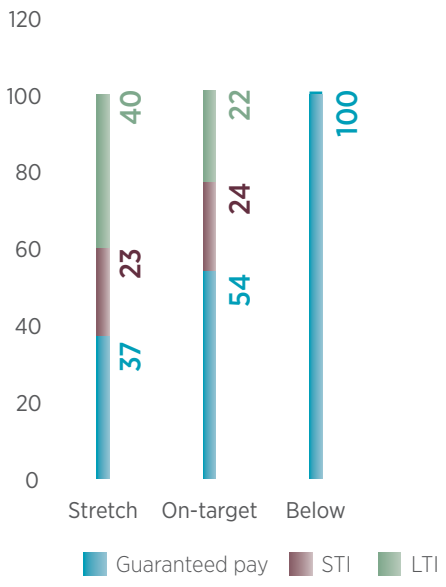
Award mechanism	Linked to job grade and allocated by the committee. The committee has discretion within a range per job grade with a maximum number of shares set per grade.
Bonus shares	Discretionary allocation by committee considering scarce skills, personal performance ratings, leadership and potential.
Vesting	Five-year vesting based on anniversary of allocation: Year 3 – 1/3, year 4 – 1/3 and year 5 – 1/3.
Participation	Individual participation is reviewed annually by the committee to ensure alignment to the strategic objectives of the Group and consideration is given to: » individual long-term performance (over a three-year period); » scarce and critical skills, particularly at other levels; » strategic importance of the role; and » potential or talent of the employee (in particular ability, attitude, aspiration).
Conditions	Share award is conditional to the retention period provided the employee is eligible.
Performance conditions	Long-term individual performance.

Remuneration mix

To maintain a high-performance culture and alignment with shareholders through value creation, the total reward mix for the Group CEO, Executive Directors, executives and senior management is geared towards a higher percentage of variable pay 'at risk' for achieving stretch goals.

The chart below represents the potential mix of guaranteed pay, STI and LTI for the Group CEO at below, on-target and stretch levels. The below target assumes no variable incentive payments.

Executive management remuneration (%)



Remuneration processes

Service contracts and notice periods

AfroCentric can summarily terminate executive employment for any reason recognised by law in the respective jurisdiction. It is policy that the Executive Directors and executives have employment agreements with the Group which may be terminated with a three-month notice period. Executive Directors may be required to work during the notice period but, if not, the full notice period may be provided with pay in lieu of notice (subject to mitigation where relevant).

Non-executive Directors' remuneration

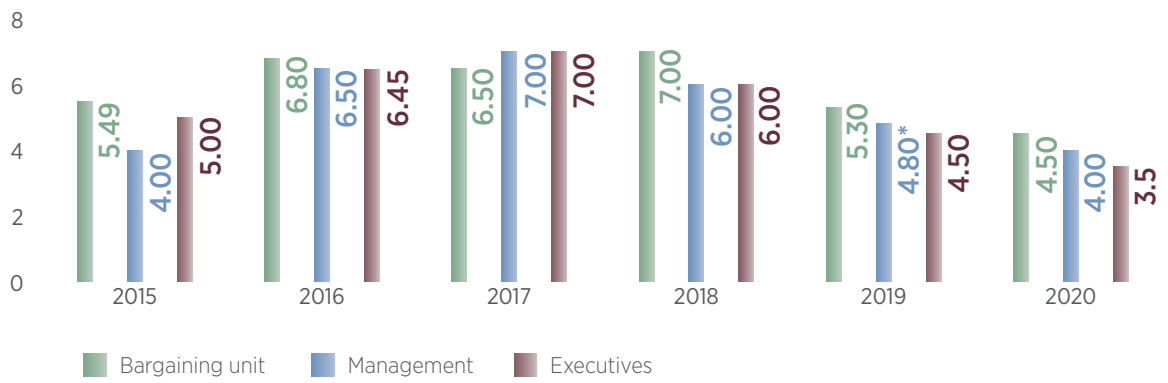
The table below sets out the remuneration principles applied by the Group for the 2020 financial year for Non-executive Directors. These policies also apply for the 2020 financial year and form the underlying basis for the fees tabled for approval at the AGM held on 8 November 2020.

	Chairman	Deputy Chairman	Directors and Lead Directors	Committee
Objective	A market-related fee to attract and retain experienced and diverse Non-executive Directors		Fees to reflect the additional responsibilities undertaken through membership of committees Committee chairpersons receive an additional amount	
Fee principles	» Fees are reviewed annually, and fees in respect of the Chairman and Deputy Chairman were adjusted during the reporting period following the benchmark done by PwC » Fees reflect the time commitments in respect of meetings and additional stakeholder relations as well as other standard duties associated with each role » Fees are fully inclusive » The Remuneration Committee recommends the fees to the Board for final approval			
Payable	**Main Board:** quarterly **Subsidiary board:** monthly		Per meeting fee payable monthly	

IMPLEMENTATION REPORT

It is the view of the Remuneration Committee that the remuneration policy achieved its stated objective.

2020 guaranteed pay – base pay increase (%)



* *Middle management was awarded a 5.0% increase; senior and general management were awarded a 4.8% increase.*

Total remuneration outcomes

Single figure remuneration (R'000)

	Guaranteed pay				Variable pay					
	Base pay		Benefits and allowances		STI		LTI		Total remuneration	
	2020	Restated 2019	2020	Restated 2019	2020	Restated 2019	2020	Restated 2019	2020	Restated 2019
Executive directors										
A Banderker[1]	4 781 364	1 148 904[1]	435 788	101 096	3 242 207	2 526 786	1 750 000	2 400 000	10 209 360	6 176 786
W Britz	3 975 310	3 828 863	394 235	360 935	Waived fee	Waived fee	–	–	4 369 545	4 189 798
H Boonzaaier	3 061 646	2 956 130	276 436	244 144	1 755 613	1 684 924	1 750 000	1 000 000	6 843 695	5 885 198
S Mmakau[2]	3 347 678	2 046 861	323 939	195 981	1 479 066	2 505 754[2]	875 000	–	6 025 683	4 748 597
TOTAL	15 165 998	9 980 758	1 430 398	902 156	6 476 886	6 717 464	5 025 000	2 756 000	27 448 283	21 000 379

[1] *A Banderker joined 1 April 2019 figures are prorated.*
[2] *S Mmakau: 2019 STI includes sign on retention bonus*

STI performance outcomes

Financial performance indicators are measured against audited annual financial results and are net of STI accruals. Non-financial performance KPIs are based on formal performance evaluation conducted by the Group CEO for executives and by the Remuneration Committee and Board Chairman for the Group Chief Executive.

Performance below threshold attracts no STI payments, where threshold for financial targets is 100% of target.

Non-financial individual performance is assessed against suitable KPIs and is rated on a sliding scale where a score of 2.75 represents threshold performance, 3 on-target performance, 4 excellent performance and 5 stretch performance.

R51.5 million was paid out on the management performance bonus scheme aligned to individual performance scores.

Management strategic incentive scheme

Business multiplier		Outcome		Comments
Weighting – 40%	Finance (EBIT)	3 out of 5	Target met	EBIT of R740million achieved relative to target of R744 million (on-target)
Weighting – 10%	Governance	3 out of 5	Met target	The risk management processes continue to evolve with more relevant aspects being monitored earlier in the process. The internal audit findings have reduced significantly
Weighting – 10%	Transformation	5 out of 5	Excellent performance	AHL maintains its level 1 BBBEE rating, Pharmacy Direct maintains Level 1 BBBEE rating and other subsidiary entities improve ratings from prior year
Weighting – 5%	Culture	2 out of 5	Target partially met	We have achieved more than 50% of our culture goals and the business culture assessment score has remained largely the same as the previous assessment score
Weighting – 35%	Strategic impact » Enhancing our operating model specifically in the administration and managed care business » Stabilising IT systems and enhance the infrastructure » The launch and implementation of primary care products to create a unique value proposition for the Group » Successful medicine capitation model with full value chain optimisation	3 out of 5	Met target	While the Group achieved its targets of enhanced leadership culture, value chain optimisation and in lowering the cost of healthcare, targets set in respect of strategic projects were partially met

LTI performance outcomes

The Remuneration Committee reviewed participation in the scheme again to ensure alignment to strategic objectives of the Group and consideration was given to individual long-term performance (measured over three years), scarce and critical skills required, strategic importance of the role and the individual's talent measured in a nine box matrix.

The vesting share scheme was implemented in 2017, and the first 4 410 000 shares were awarded to participants in terms of the registered rules. The vesting period is three years, with the first third of shares awarded in 2017 vesting in 2020. An additional 5 730 000 shares were awarded by the Remuneration Committee to participants in 2019/2020 financial year.

	Date awarded	Number of shares awarded	Grant value (R)	Date vesting		
				Tranche 1 33.33%	Tranche 2 33.33%	Tranche 3 33.33%
Hannes Boonzaaier	November 2017	200 000	1 208 000	**402 667**	**402 667**	**402 667**
	November 2018	200 000	1 000 000	**335 333**	**335 333**	**335 333**
	November 2019	500 000	1 750 000	**583 333**	**583 333**	**583 333**
Ahmed Banderker	April 2019	500 000	2 400 000	**800 000**	**800 000**	**800 000**
	November 2019	500 000	1 750 000	**583 333**	**583 333**	**583 333**

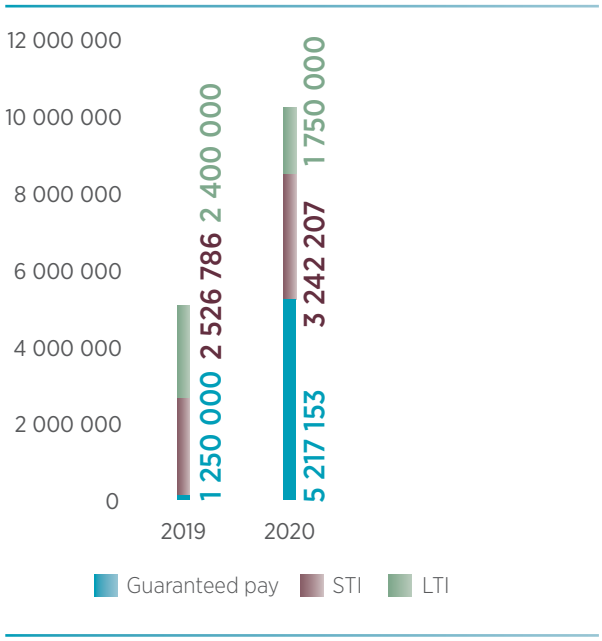
Individual remuneration outcomes

Ahmed Banderker (Group CEO)

	2020 (R)	Restated* 2019 (R)
Salary	4 781 364	1 148 904**
Medical aid	44 968	10 786
Retirement benefits	314 260	76 000
Other employee benefits	76 560	14 310
Total guaranteed pay	5 217 153	1 250 000*
Increase in guaranteed pay	4.3%	–
STI	3 242 207	2 526 786
Number of shares awarded	500 000	500 000
Value of awarded shares	1 750 000	2 400 000
Total variable pay	4 992 207	4 926 786
TOTAL REMUNERATION	10 209 360	6 176 786

* *A Banderker's remuneration was restated to incorporate a retention bonus in the STI, LTI which was included after the reporting period and aligning other benefits with pro rated Total Guaranteed package.*

** *A Banderker's 2019 remuneration is prorated for three months; he joined in April 2019.*

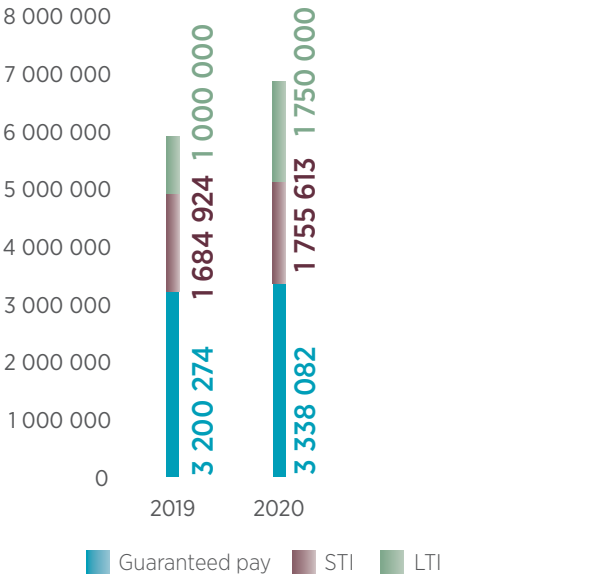


Hannes Boonzaaier (Group CFO)

	2020 (R)	Restated* 2019 (R)
Salary	3 061 646	2 956 130
Medical aid	49 444	47 192
Retirement benefits	182 492	158 094
Other employee benefits	44 500	38 858
Total guaranteed pay	3 338 082	3 200 274
Increase in guaranteed pay	4.31%	4.5%
STI	1 755 613	1 684 924
Number of shares awarded**	500 000	200 000
Value of awarded shares	1 750 000	1 000 000
Total variable pay	3 505 613	2 684 924
TOTAL REMUNERATION	6 843 695	5 885 198

* *2019 LTI restated to align with prevailing share price at grant.*

** *One-third of the awarded shares will vest in 2020.*

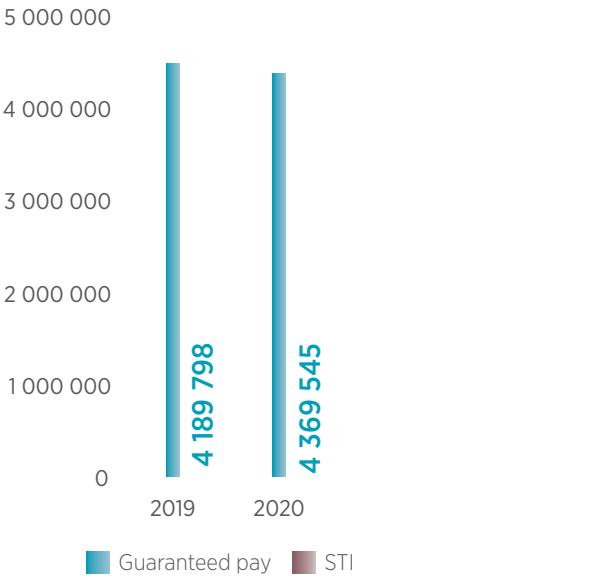


Willem Britz (prescribed officer)

	2020 (R)	Restated* 2019 (R)
Salary	3 975 310	3 828 863
Medical aid	128 272	114 800
Retirement benefits	213 862	206 880
Other employee benefits	52 101	39 256
Total guaranteed pay	4 369 545	4 189 798
Increase in guaranteed pay	4.3%	4.5%
STI**	–	–
Total variable pay	–	–
TOTAL REMUNERATION	4 369 545	4 189 798

* *2019 Total Guaranteed pay restated to align with actual income for the reporting period.*

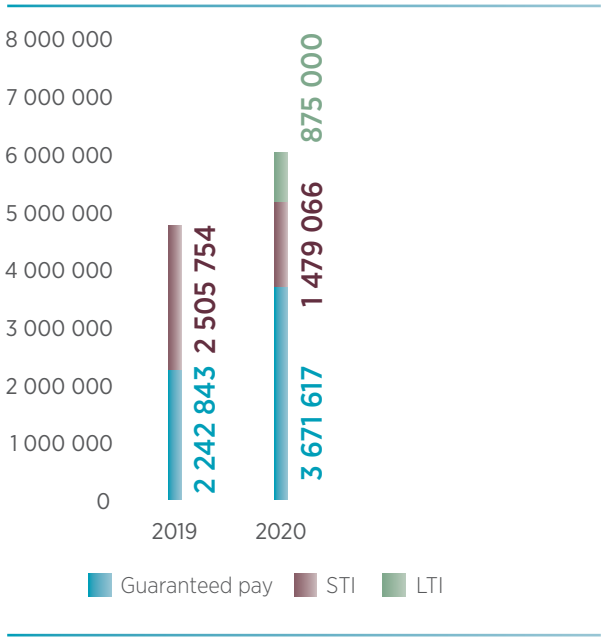
** *STI waived due to shareholding. No LTIP allocation.*



Sello Mmakau (prescribed officer)

	2020 (R)	Restated* 2019 (R)
Salary	3 347 678	2 046 861
Medical aid	55 680	30 678
Retirement benefits	215 708	139 110
Other employee benefits	52 551	26 193
Total guaranteed pay	3 671 617	2 242 843
Increase in guaranteed pay	4.3%	4.5%
STI	1 479 066	2 505 754*
Number of shares awarded	250 000	–
Value of awarded shares	875 000	–
Total variable pay	2 354 066	–
TOTAL REMUNERATION	6 025 683	4 748 597

* *2019 STI includes Sign-on Retention Bonus.*



Non-executive Directors' 2020 remuneration

The following table sets out the fees for the period 1 January 2020 to 31 December 2020 approved by means of majority vote during the AGM:

	Current 2020 (R)	Proposed 2021 (R)	Recommended increase (%)
Main Board (annualised retainer fee)			
Chairman	1 329 240	1 375 763	3.5
Deputy Chairman	997 713	1 032 633	3.5
Member	248 188	256 875	3.5
Subsidiary board (per meeting)			
Chairman	22 572	23 362	3.5
Member	16 615	17 197	3.5
Audit and Risk Committee (per meeting)			
Chairperson	30 096	31 149	3.5
Member	22 154	22 929	3.5
Remuneration Committee (per meeting)			
Chairperson	22 572	23 362	3.5
Member	16 615	17 197	3.5
Nomination Committee (per meeting)			
Chairperson	22 572	23 362	3.5
Member	16 615	17 197	3.5
Social and Ethics Committee (per meeting)			
Chairperson	22 572	23 362	3.5
Member	16 615	17 197	3.5
Investment Committee (per meeting)			
Chairperson	22 572	23 362	3.5
Member	16 615	17 197	3.5
ICT Steering Committee (per meeting)			
Chairperson*	22 572		
Member	16 615	17 197	3.5

* *The Chairperson is currently an Executive Director and does not receive fees.*

Payments made to Non-executive Directors

The following fees were paid in respect of the AfroCentric Board:

Name of director	Board fees	Audit and Risk Committee	Investment Committee	Remu-neration Committee	Nomi-nations Committee	Social and Ethics Committee	ICT Steerco	Total current year 2019 – 2020	Restated Total previous year 2018 – 2019
ATM Mokgokong (Chairman)	1 300 620	–	–	–	66 744	–	–	**1 367 364**	1 272 300
MJ Madungandaba	1 119 920	–	88 344	110 916	49 130	–	–	**1 368 310**	1 162 433
ND Munisi	242 844	–	97 545	–	–	88 344	–	**428 733**	355 650
SE Mmakau	–	–	–	–	–	–	–	**–**	221 500
IM Kirk	59 375	–	–	–	–	–	–	**59 375**	230 250
LL Dhlamini	180 797	145 296	–	–	–	–	–	**326 093**	396 650
A Banderker	–	–	–	–	–	–	–	**–**	263 575
HG Motau	84 444	79 500	47 700	–	–	–	–	**211 644**	377 350
JB Fernandes	242 844	137 050	97 545	–	–	22 572	–	**500 011**	185 033
SA Zinn	180 797	22 154	–	48 415	–	48 415	–	**299 781**	212 788
R Wa-Mundalamo	–	–	–	65 030	–	–	–	**65 030**	61 800
G Allen	183 469	–	–	–	–	–	–	**183 469**	–
A le Roux	20 682	22 154	–	–	–	–	–	**42 836**	–
M Chauke	20 682	–	–	–	–	–	–	**20 682**	–
T Alsworth-Elvey	341 698	–	–	–	–	–	–	**341 698**	–
Total	3 978 172	406 154	331 134	224 361	115 874	159 331	–	**5 215 026**	4 759 275

Termination of office payments

No termination of payments were made for ACT directors during the year under review.

Statement regarding compliance with remuneration policy

The committee satisfied itself that the remuneration policy as detailed in the report was complied with, and there were no substantial deviations from the policy during the year.

Advisory vote on the implementation report

The implementation report as it appears above is subject to an advisory vote by shareholders at the 2020 AGM. Accordingly, shareholders are requested to cast an advisory vote on the remuneration policy's implementation for 2020.

Approval of the remuneration report by the Board

The remuneration report was approved by the Board on 10 September 2020.

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

The salient dates relating to the dividend are as follows:

Last day to trade cum dividend	**Tuesday, 10 November 2020**
Shares commence trading ex-dividend	**Wednesday, 11 November 2020**
Dividend record date	**Friday, 13 November 2020**
Dividend payment date	**Monday, 16 November 2020**

NOTICE OF ANNUAL GENERAL MEETING

Notice of the 14th annual general virtual meeting of shareholders to be held on Tuesday, 10 November 2020, at 10h00

AfroCentric Investment Corporation Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1988/000570/06)
JSE Share code: ACT
ISIN: ZAE 000078416
(**AfroCentric** or **the Company**)
37 Conrad Street, Florida North, Roodepoort, 1709
PO Box 1101, Florida Glen 1708
Telephone: +27 (11) 671 2000
Website: www.afrocentric.za.com

Important notice to shareholders

All terms defined in the 2020 Annual Financial Statements, to which this Notice of Annual General Meeting is attached, shall bear the same meanings when used in this Notice of Annual General Meeting.

Notice is hereby given that the 14th Annual General Meeting of shareholders for the year ended 30 June 2020 will be held at the AfroCentric Distribution Services Offices, the Greens Office Park, Building L, 26 Charles De Gaulle Crescent, Highveld Ext 12, Centurion on Tuesday, 10 November 2020 at 10h00 to conduct such business as may lawfully be dealt with at the Annual General Meeting and to consider, and if deemed fit, to pass with or without modification, the special and ordinary resolutions set out hereunder in the manner required by the Act, as read with the JSE Limited (**JSE**) Listings Requirements, as amended from time to time (**Listings Requirements**).

COVID-19 pandemic developments

One of AfroCentric's top priorities is to protect the health and safety of all our stakeholders and with this in mind we will continue to closely monitor developments around COVID-19 (**coronavirus**).

Although the intention is to hold the AGM as scheduled on Tuesday, 10 November 2020 at the set venue, **AfroCentric strongly encourages its shareholders not to attend in person but to exercise their voting rights by way of electronic or written proxy** and to submit their questions relating to the 2020 AGM Agenda in advance by email to the Company Secretary [billym@afrocentrichealth.com].

Shareholders will also be able to follow the AGM remotely via a live audio webcast to be provided on our website [www.afrocentric.za.com].

AfroCentric reserves the right to make further changes, such as limiting the number of attendees to enable social distancing, changing the venue, providing live voting facilities, or even prohibiting physical attendance, should same be required.

Shareholders should regularly check the release of SENS announcements on the JSE Limited's platform and on the AfroCentric website for any further updates.

If you are in any doubt as to any action you should take, please consult your Banker, Stockbroker, Legal Advisor, Accountant or other professional Advisor immediately.

1. If you have disposed of all your AfroCentric shares, this document should be handed to the purchaser of such shares or to the Stockbroker, Banker or other agent through whom such disposal was effected.
2. Members attending the Annual General Meeting of the Company on Tuesday, 10 November 2020, at 10h00 are requested to ensure registration of attendance upon arrival.

   *Kindly note that, in terms of section 63(1) of the Companies Act 71 of 2008, as amended, from time to time (**the Act**), any person attending or participating in the Annual General Meeting must present reasonable satisfactory identification and the person presiding at the Annual General Meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as a shareholder or as a proxy for a shareholder) has been reasonably verified. Suitable forms of identification will include the presentation of valid identity documents, driver's licences and passports.*
3. The date for shareholders to receive notice of the Annual General Meeting being the notice record date as Friday, 25 September 2020.
4. The record date of the Annual General Meeting for shareholders to participate in and vote at the Annual General Meeting is Friday, 30 October 2020 (**the voting record date**).
5. The last date to trade in order to be eligible to participate in and vote at the Annual General Meeting is Tuesday, 27 October 2020.

Salient dates:

Please take note of the following important dates:

	2020
Record date for the purposes of determining which shareholders of the Company are entitled to receive notice of the Annual General Meeting (**the notice record date**)	**Friday, 25 September**
Posting of Integrated Report and notice of Annual General Meeting published on SENS	**Friday, 9 October**
The last date to trade in order to be eligible to participate in and vote at the Annual General Meeting	**Tuesday, 27 October**
Record date for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the Annual General Meeting (**the voting record date**)	**Friday, 30 October**
Last day for lodging forms of proxy by 10h00	**Friday, 6 November**
Date of the Annual General Meeting at 10h00	**Tuesday, 10 November**
Results of the Annual General Meeting published on SENS	**Tuesday, 10 November**

Note:

1. *Forms of proxy to be lodged with the transfer secretary by 10h00 on Friday, 6 November 2020 not delivered to the transfer secretary by this time may be submitted electronically/by hand to the Chairman of the AGM at any time prior to the commencement of the AGM.*
2. *Shareholders acquiring shares after Tuesday, 27 October 2020 (being the last date to trade) will not be eligible to vote at the AGM.*

Voting and proxies

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company. A form of proxy is distributed with this notice of Annual General Meeting for the sake of convenience.

Proxy forms must be delivered to the Company's transfer secretaries:

Computershare Investor Services Proprietary Limited

(Registration number 2004/003647/07)

15 Biermann Avenue
Rosebank, 2196

PO Box 61051
Marshalltown, 2107
Fax: +27 (11) 688 5238
Email: proxy@computershare.co.za

By no later than 10h00 on Friday, 6 November 2020

Agenda:

The purpose of the Annual General Meeting is to transact the business set out in the agenda below.

Presentation of audited Annual Financial Statements

The audited consolidated Annual Financial Statements of the Company and the Group, including the reports of the directors, Group Audit and Risk Committee and the independent auditors, for the year ended 30 June 2020, will be presented to shareholders as required in terms of section 30(3)(d) of the Act. The complete set of audited consolidated Annual Financial Statements, together with the report of the directors and the independent auditors' report are set out on pages 6 to 99 of the 2020 Annual Financial Statements. The Audit and Risk Committee report is set out on page 3 to 5 of the 2020 Annual Financial Statements. The Integrated Annual Report is also available on the Company's website: www.afrocentric.za.com.

Resignation of Directors

Shareholders were informed that HG Motau, LL Dhlamini and Mr T Alsworth-Elvey resigned from the Board effective 20 November 2019, 31 March 2020 and 31 July 2020 respectively. The Chairman on behalf of the Board thanked the three members on their invaluable contribution to the Group and wished them well in their future endeavours.

Resolutions

To consider and if deemed fit, approve, with or without modification the following ordinary and special resolutions:

Ordinary resolution number 1

Election of Directors appointed during the year under review

In terms of the Company's Memorandum of Incorporation (**MOI**), any Board appointments made by the Board during a year under review must be confirmed by shareholders at the next Annual General Meeting of the Company, following such an appointment. Accordingly, AM le Roux, M Chauke and JJ Strydom were appointed by the Board during the year under review and shareholders are hereby requested to confirm such appointments:

Accordingly, shareholders are requested to consider and, if deemed fit, to elect the directors named above by way of passing the separate ordinary resolution numbers 1.1 to 1.4. set out below as required under section 68(2) of the Act.

Ordinary Resolution Number 1.1
Election of Mr JB Fernandes as the Lead Independent Non-executive Director

"**RESOLVED** that Mr JB Fernandes, being an existing member of the Board be and is hereby elected as the Lead Independent Non-executive Director of the Company."

Ordinary Resolution Number 1.2
Election of Ms AM le Roux as an Independent Non-executive Director

"**RESOLVED** that Ms AM le Roux, being a new appointment to the Board be and is hereby elected as an Independent Non-executive Director of the Company."

Ms le Roux, a Chartered Accountant, holds a BComp (Hons) and a Bachelors in Accounting. She is an audit and accounting industry professional with a track record of running her own successful business. Her career in finance, governance and audit spans over 20 years. She is currently a Non-executive Director of Shoprite Holdings Limited and serves on their audit and risk committee as well as their social and ethics committee.

Ordinary Resolution Number 1.3
Election of Ms M Chauke as an Independent Non-executive Director

"**RESOLVED** that Ms Chauke, being a new appointment to the Board be and is hereby elected as an Independent Non-executive Director of the Company."

Ms Chauke is a Chartered Accountant and holds a BComm and Bachelor of Accountancy (CTA). She is a member of the Institute of Directors in Southern Africa, and a former registered auditor, having served five years as an Audit Partner at Deloitte & Touche South Africa until February 2018. Prior to becoming a partner at Deloitte, Ms Chauke worked in senior finance positions at Standard Bank South Africa and at a TV production company, Urban Brew Studios (Pty) Ltd, where she was responsible for group financial reporting, financial management and control, risk management and compliance. She currently serves as an Independent Non-executive Director on the board of Mr Price Group Limited and is a member of its Audit and Compliance Committee. She also works as an Executive Producer in television and film production, is a freelance actress and holds board and audit committee positions in other private companies.

Ordinary Resolution Number 1.4
Election of Mr JJ Strydom as a Non-executive Director

"**RESOLVED** that Mr Strydom, being a new appointment to the Board be and is hereby elected as a Non-executive Director of the Company."

Mr Strydom, a Chartered Accountant, holds a BBusSci and MBA (MIT). He re-joined the Sanlam Group in January 2016 as Deputy CEO of Sanlam Personal Finance and was appointed CEO in June 2017. Prior to that he worked for Imperial Holdings (Chief Executive of Regent Insurance Group and Executive Director of Imperial Holdings) and for Alexander Forbes as Managing Director for Alexander Forbes Life.

For the above resolutions 1.1 to 1.4 to be passed, votes in favour must represent at least 50% +1 of all votes cast and/or exercised at the meeting.

Ordinary resolution number 2

Re-election of Directors

In terms of the Company's MOI, one third of the Non-executive Directors of the Company must retire by rotation every year at the Company's Annual General Meeting. Accordingly, the following directors retire by rotation at the Annual General Meeting. The Board has assessed the performance of the directors standing for re-election and has found them suitable for re-appointment.

- Mr JB Fernandes;
- Professor SA Zinn; and
- Mr MJ Madungandaba

Ordinary Resolution Number 2.1
Re-election of Mr JB Fernandes as an Independent Non-executive Director

"**RESOLVED** that Mr Fernandes, who retires by rotation in terms of the MOI of the Company, being eligible and offering himself for re-election, be and is hereby re-elected as an Independent Non-executive Director of the Company."

Ordinary Resolution Number 2.2

Re-election of Prof SA Zinn as an Independent Non-executive Director

"**RESOLVED** that Prof Zinn, who retires by rotation in terms of the MOI of the Company, being eligible and offering herself for re-election, be and is hereby re-elected as an Independent Non-executive Director of the Company."

Ordinary Resolution Number 2.3

Re-election of Mr MJ Madungandaba as a Non-executive Director

"**RESOLVED** that Mr Madungandaba who retires by rotation in terms of the MOI of the Company, being eligible and offering himself for re-election, be and is hereby re-elected as a Non-executive Director of the Company."

Brief résumés for these directors appear on pages 70 and 71 of the 2020 Integrated Report.

For the above resolutions 2.1 to 2.3 to be passed, votes in favour must represent at least 50% +1 of all votes cast and/or exercised at the meeting.

Ordinary resolution number 3

Appointment of Group Audit and Risk Committee members

"**RESOLVED** that an Audit and Risk Committee comprising Independent Non-executive Directors, as provided in Section 94(4) of the Act, set out below be and is hereby appointed in terms of Section 94(2) of the Act to hold office until the next Annual General Meeting and to perform the duties and responsibilities stipulated in section 94(7) of the Act and King Report on Corporate Governance™ for South Africa, 2016 (**King IV**[1]).

The Board has assessed the performance of the Group Audit and Risk Committee members standing for election and has found them suitable for appointment. Brief résumés for these directors appear on page 70 and 71 of the 2020 Integrated Report."

Ordinary Resolution 3.1

"**RESOLVED** that, Mr JB Fernandes, subject to the passing of Ordinary Resolution number 2.1, is elected as a member and chairperson of the Audit and Risk Committee."

Ordinary Resolution 3.2

"**RESOLVED** that, subject to the passing of Ordinary Resolution Number 1.2, Ms AM le Roux is elected as a member of the Audit and Risk Committee."

Ordinary Resolution 3.3

"**RESOLVED** that, subject to the passing of Ordinary Resolution Number 1.3, Ms M Chauke is elected as a member of the Audit and Risk Committee."

For the above resolution number 3 to be passed, votes in favour must represent at least 50% +1 of all votes cast and/or exercised at the meeting.

Ordinary resolution number 4

Re-appointment of independent auditor and designated audit partner

The Group Audit and Risk Committee has assessed PricewaterhouseCoopers Incorporated's performance, independence and suitability and has nominated them for reappointment as independent auditor of the Group, to hold office until the next Annual General Meeting.

"**RESOLVED** that PricewaterhouseCoopers Incorporated, with the designated audit partner being Ms Julanie Basson, be and is hereby re-appointed as the independent auditor of the Group for the ensuing year."

For the above resolution number 4 to be passed, votes in favour must represent at least 50% +1 of all votes cast and/or exercised at the meeting.

[1] *Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.*

Ordinary resolution number 5

General Authority to Issue Shares for cash

"**RESOLVED** that the authorised but unissued shares in the capital of the Company be and are hereby placed under the control and authority of the directors and that they be and are hereby authorised to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as they may from time to time and at their discretion deem fit, subject to the provisions of the Act, clause 4 of the MOI of the Company and the Listings Requirements, provided that:

1. the general authority shall be valid until the Company's next Annual General Meeting, provided that it shall not extend beyond fifteen months from the date of the passing of this ordinary resolution (whichever period is shorter).
2. the allotment and issue of the shares must be made to public shareholders as defined in the Listings Requirements and not to related parties.
3. the shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue.
4. the number of shares issued for cash in aggregate under this authority shall not exceed 28 712 062 shares, being 5% of the Company's listed equity securities as at the date of this notice of Annual General Meeting, excluding treasury shares.
5. any shares issued under this authority during the period contemplated in paragraph 1 above, must be deducted from the number in paragraph 4 above.
6. in the event of a sub-division or consolidation of issued shares during the period contemplated in paragraph 1 above, the existing authority must be adjusted accordingly to represent the same allocation ratio.
7. the maximum discount at which ordinary shares may be issued is 10% (ten percent) of the weighted average traded price of those shares measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the securities. The JSE must be consulted for a ruling if the Company's securities have not traded in such 30-business day period.
8. after the Company has issued shares for cash which represent, on a cumulative basis within a financial year, 5% (five percent) or more of the number of shares in issue prior to that issue, the Company shall publish an announcement containing details of inter alia the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 (thirty) business days prior to the date that the price of the issue was agreed in writing between the issuer and the party subscribing for the shares and in respect of options and convertible securities, the effects of the issue on the statement of financial position, net asset value per share, net tangible asset value per share, the statement of profit or loss and other comprehensive income, earnings per share and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, or in respect of an issue of shares, an explanation, including supporting documents (if any), of the intended use of the funds shall be published when the Company has issued securities, or any other announcements that may be required in such regard in terms of the Listings Requirements which may be applicable from time to time."

Reason for and effect

The reason and effect of this ordinary resolution number 5 is to seek a general authority and approval for the directors to allot and issue ordinary shares in the authorised but unissued share capital of the Company (excluding shares issued pursuant to the Company's share incentive scheme), up to 5% (28 712 062 shares) of the number of ordinary shares of the Company in issue at the date of passing of this resolution, in order to enable the Company to take advantage of business opportunities which might arise in the future.

For above resolution number 5 to be passed, votes in favour must represent at least 75% of all votes cast and/or exercised at the meeting.

At present, the directors have no specific intention to use this authority and the authority will thus only be used if circumstances are appropriate.

Ordinary resolution number 6

Approval of the Remuneration Policy

"**RESOLVED** that by a non-binding advisory vote, the Company's remuneration policy as set out in the remuneration report on pages 89 to 102 of the Integrated Report for 2020 be and is hereby endorsed."

Reason for and effect

King IV recommends that the remuneration policy of a company be tabled for a non-binding advisory vote by shareholders at each AGM.

This enables shareholders to express their views on the remuneration policies adopted. Ordinary Resolution 6 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration arrangements.

However, the Board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy.

For above resolution number 6 to be passed, votes in favour must represent at least 50% +1 of all votes cast and/or exercised at the meeting.

Ordinary resolution number 7

Approval of the Remuneration Implementation Report

"**RESOLVED** that by a non-binding advisory vote, the Company's remuneration implementation report as set out on pages 89 to 102 of the Integrated Report for 2020 be and is hereby endorsed."

Reason for and effect

King IV recommends that the implementation of a company's remuneration policy be tabled for a non-binding advisory vote by shareholders at each AGM.

This enables shareholders to express their views on the implementation of the Company's remuneration policies. Ordinary Resolution 7 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration arrangements.

However, the Board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy.

For above resolution number 7 to be passed, votes in favour must represent at least 50% +1 of all votes cast and/or exercised at the meeting.

The remuneration policy and implementation report set out above are proposed to shareholders in separate non-binding advisory votes in terms of the Notice of Annual General Meeting. In the event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the votes exercised at the Annual General Meeting, the Board of Directors will engage with such shareholders in order to clarify the nature of and evaluate the validity of such objections, and will, where possible and prudent, given the objectives of the remuneration policy, take those objections into consideration when formulating any amendments to the Company's remuneration policy and implementation report in the following financial year.

Ordinary resolution number 8

Authorise Directors and/or Group Company Secretary

"**RESOLVED** that any one director and/or the Group Company Secretary or equivalent be and are hereby authorised to do all such things and to sign all such documents that are deemed necessary to implement the resolutions set out in the notice convening the Annual General Meeting at which these resolutions will be considered."

For above resolution number 8 to be passed, votes in favour must represent at least 50% +1 of all votes cast and/or exercised at the meeting.

Special resolutions

Special resolution number 1

Approval of Non-executive Directors' fees

Approval in terms of section 66 of the Act is required to authorise the Company to remunerate for their services as directors. Furthermore, in terms of King IV and as read with the Listings Requirements, remuneration payable to Non-executive Directors should be approved by shareholders in advance or within the previous two years.

"**RESOLVED** as a special resolution in terms of the Act that the remuneration of Non-executive Directors for the period 01 January 2021 until 31 December 2021 be and is hereby approved as follows:

	Position	Current 2020 (R)	Recommended increase (%)	Proposed 2021 (R)
Main Board (annualised fee)	Chairman	1 329 240	3.5	1 375 763
	Deputy	997 713	3.5	1 032 633
	Member	248 188	3.5	256 875
Subsidiary Board/Committee (Per meeting fee)	Chairman	22 572	3.5	23 362
	Member	16 615	3.5	17 197
Audit and Risk Committee (Per meeting fee)	Chairperson	30 096	3.5	31 149
	Member	22 154	3.5	22 929
Remuneration Committee (Per meeting fee)	Chairperson	22 572	3.5	23 362
	Member	16 615	3.5	17 197
Nomination Committee (Per meeting fee)	Chairperson	22 572	3.5	23 362
	Member	16 615	3.5	17 197
Social and Ethics Committee (Per meeting fee)	Chairperson	22 572	3.5	23 362
	Member	16 615	3.5	17 197
Investment Committee (Per meeting fee)	Chairperson	22 572	3.5	23 362
	Member	16 615	3.5	17 197
ICT Steering Committee (Per meeting fee)	Chairperson*			
	Member	16 615	3.5	17 197

* *Chairperson is currently an Executive Director and does not receive fees.*

Reason for and effect

The reason and effect of this special resolution number 1 is to approve the remuneration of Non-executive Directors for the next 12 months, payable quarterly in arrears, with effect from 01 January 2021 until 31 December 2021.

For above special resolution number 1 to be passed, votes in favour of the resolution must represent at least 75% of all votes cast and/or exercised at the meeting.

Special resolution number 2

General authority to repurchase shares

"**RESOLVED** that as a special resolution that the Company and/or any subsidiary of the Company (**the Group**) be and is hereby authorised by way of a general approval as contemplated in section 48 of the Act to acquire from time to time issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the MOI of the Company and the provisions of the Act and provided:

1. any repurchase of shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party;
2. at any point in time, the Company may only appoint one agent to effect any repurchases on its behalf;
3. the number of shares which may be repurchased pursuant to this authority in any financial year may not in the aggregate exceed 5% (five percent) of the Company's issued share capital as at the date of passing of this general resolution or 10% (ten percent) of the Company's issued share capital in the case of an acquisition of shares in the Company by a wholly-owned subsidiary of the Company;
4. repurchases of shares may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the shares for the 5 (five) business days immediately preceding the date on which the transaction was effected;
5. the Company or a wholly-owned subsidiary of the Company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements unless there is a repurchase programme in place, which programme has been submitted to the JSE in writing and executed by an independent third party, as contemplated in terms of paragraph 5.72(h) of the Listings Requirements;
6. after the Company or a wholly-owned subsidiary of the Company has acquired shares which constitute, on a cumulative basis, 3% (three percent) of the initial number of shares in issue (at the time that authority from shareholders for the repurchase is granted) of the relevant class of shares and for each 3% in aggregate of the initial number of that class acquired thereafter, the Company shall publish an announcement on SENS containing full details of such repurchase; and
7. the Board have passed a resolution authorising the repurchase and that the Company has passed the solvency and liquidity test contained in Section 4 of the Act, and that since the test was done, there have been no material changes to the financial position of the Company.

Reason for and effect

The reason for and effect of this special resolution number 2 is to grant the directors a general authority in terms of the MOI of the Company and the Listings Requirements for the acquisition by the Company or by a wholly-owned subsidiary of the Company of shares issued by the Company on the basis reflected in special resolution number 2. In terms of section 48(2)(b)(i) of the Act, subsidiaries may not hold more than 10%, in aggregate, of the number of the issued shares of a company. For the avoidance of doubt, a pro rata repurchase by the Company from all its shareholders will not require shareholder approval, save to the extent as may be required by the Act.

For above special resolution number 2 to be passed, votes in favour of the resolution must represent at least 75% of all votes cast and/or exercised at the meeting.

In accordance with the Listings Requirements, the directors record that:

The directors have no specific intention to repurchase shares, but would utilise the renewed general authority to repurchase shares to serve our shareholders' interests, as and when suitable opportunities present themselves, which opportunities may require expeditious and immediate action.

The directors undertake that they will not implement the repurchase as contemplated in this special resolution while this general authority is valid unless:

» the Company and the Group will be able to pay their debts in the ordinary course of business;

» the consolidated assets of the Company and of the Group will be in excess of the liabilities of the Company and the Group; the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited Group Annual Financial Statements;

» the share capital and reserves of the Company and of the Group are adequate for ordinary purposes; and

» the working capital of the Company and the Group will be adequate for ordinary business."

Disclosures required in terms of paragraph 11.26 of the Listings Requirements:

The following additional information, some of which may appear elsewhere in this report is provided in terms of the Listing Requirements for purposes of the special resolution:

Major shareholders – page 12 of the 2020 Annual Financial Statements

Company's share capital – page 70 of the 2020 Annual Financial Statements

Directors' responsibility statement

The directors, whose names are given on page 1 of the 2020 Annual Financial Statements, collectively and individually accept full responsibility for the accuracy of the information pertaining to the special resolution no. 2, and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the aforementioned special resolution contains all the information required by the JSE.

Material change

Other than the facts and developments reported on in the 2020 Annual Financial Statements, there has been no material changes in the financial or trading position of the Company or its subsidiaries since the Company's financial year-end and the signature date of this Integrated Annual Report.

Special resolution number 3

Financial assistance to a related or inter-related company or companies

"**RESOLVED** that, in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval, the Board of the Company be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance (**financial assistance** will herein have the meaning attributed to it in section 45(1) of the Act) that the Board of the Company may deem fit to any company or corporation that is related or inter-related (**related** or **inter-related** will herein have the meaning attributed to it in section 2 of the Act) to the Company, on the terms and conditions and for amounts that the Board of the Company may determine, provided that the aforementioned approval shall be valid until the date of the next Annual General Meeting of the Company."

Reason for and effect

The reason and effect of this special resolution number 3 is to grant the Board the authority to authorise the Company to provide financial assistance as contemplated in section 45 of the Act to a related or inter-related company or corporation.

For above special resolution number 3 to be passed, votes in favour of the resolution must represent at least 75% of all votes cast and/or exercised at the meeting.

Special resolution number 4

Financial assistance for subscription of shares to related or inter-related companies

"**RESOLVED** that, in terms of section 44(3)(a)(ii) of The Act, as a general approval, the Board of the Company be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance (**financial assistance** will herein have the meaning attributed to it in sections 44(1) and 44(2) of the Act) that the Board of the Company may deem fit to any company or corporation that is related or inter-related to the Company (**related** or **inter-related** will herein have the meaning attributed to it in section 2 of the Act) and/or to any financier who provides funding by subscribing for preference shares or other securities in the Company or any company or corporation that is related or inter-related to the Company, on the terms and conditions and for amounts that the Board of the Company may determine for the purpose of, or in connection with the subscription of any option, or any shares or other securities, issued or to be issued by the Company or a related or inter-related company or corporation, or for the purchase of any shares or securities of the Company or a related or inter-related company or corporation, provided that the aforementioned approval shall be valid for two years or until the date of the next Annual General Meeting of the Company."

Reason for and effect

The reason and effect of special resolution number 4 is to grant the directors the authority, in terms of section 44(3)(a)(ii) of the Act ,authority, to provide financial assistance to any company or corporation which is related or inter-related to the Company and/or to any financier for the purpose of or in connection with the subscription or purchase of options, shares or other securities in the Company or any related or inter-related company or corporation.

This means that the Company is authorised, inter alia, to grant loans to its subsidiaries and to guarantee and furnish security for the debt of its subsidiaries where any such financial assistance is directly or indirectly related to a party subscribing for options, shares or securities in the Company or its subsidiaries.

A typical example of where the Company may rely on this authority is where a subsidiary raised funds by way of issuing preference shares and the third-party funder requires the Company to furnish security, by way of a guarantee or otherwise, for the obligations of its subsidiary to the third-party funder arising from the issue of the preference shares. The Company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

For above special resolution number 4 to be passed, votes in favour of the resolution must represent at least 75% of all votes cast and/or exercised at the meeting.

Impact of Special Resolutions 3 and 4

In terms of and pursuant to the provisions of sections 44 and 45 of The Act, the directors of the Company confirm that the Board will satisfy itself, after considering all reasonably foreseeable financial circumstances of the Company, that immediately after providing any financial assistance as contemplated in special resolution numbers 3 and 4 above:

- the assets of the Company (fairly valued) will equal or exceed the liabilities of the Company (fairly valued) (taking into consideration the reasonably foreseeable contingent assets and liabilities of the Company);
- the Company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months;
- the terms under which any financial assistance is proposed to be provided, will be fair and reasonable to the Company; and
- all relevant conditions and restrictions (if any) relating to the granting of financial assistance by the Company as contained in the Company's MOI have been met.

To transact such other business as may be transacted at an Annual General Meeting

Identification, voting and proxies

In terms of section 63 (1) of the Act, any person attending or participating in the Annual General Meeting must present reasonable satisfactory identification and the person presiding at the Annual General Meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as a shareholder or as a proxy for a shareholder) has been reasonably verified. Suitable forms of identification will include the presentation of valid identity documents, driver's licences and passports.

The votes of shares held by share trusts classified as schedule 14 trusts in terms of the Listings Requirements will not be taken into account at the Annual Meeting for approval of any resolution proposed in terms of the Listings Requirements.

A form of proxy is attached for the convenience of any certificated or dematerialised AfroCentric shareholders with own-name registrations who cannot attend the Annual General Meeting, but who wish to be represented thereat.

Forms of proxy and/or letters of representation may be presented at any time prior to the annual general meeting and also at the Annual General Meeting, but to enable the Company to ensure prior to the Annual General Meeting that a quorum will be present at the Annual General Meeting, it would be helpful if proxy forms and/or letters of representation could be delivered to the Company or the Company's transfer secretaries at 10h00 on this date, being 48 hours prior to the Annual General Meeting.

All beneficial owners of AfroCentric shares who have dematerialised their shares through a CSDP or broker, other than those with own-name registration, and all beneficial owners of shares who hold certificated shares through a nominee, must provide their CSDP, broker or nominee with their voting instructions, in accordance with the agreement between the beneficial owner and the CSDP, broker or nominee as the case may be. Should such beneficial owners wish to attend the meeting in person they must request their CSDP, broker or nominee to issue them with the appropriate letter of authority. If shareholders who have not dematerialised their shares or who have dematerialised their shares with own-name registration and who are entitled to attend and vote at the Annual General Meeting do not deliver proxy forms to the transfer secretaries timeously, such shareholders will nevertheless at any time prior to the commencement of the voting on the resolutions at the Annual General Meeting be entitled to lodge the form of proxy in respect of the Annual General, in accordance with the instructions therein with the Chairman of the Annual General Meeting.

Each shareholder is entitled to appoint one or more proxies (who need not be shareholders of AfroCentric) to attend, speak and vote in his/her stead. On a show of hands every shareholder who is present in person or by proxy shall have one vote, and, on a poll, every shareholder present in person or by proxy shall have one vote for each share held by him/her.

AfroCentric does not accept responsibility and will not be held liable for any failure on the part of a (Central Securities Depository Participant) CSDP or broker to notify such AfroCentric shareholder of the Annual General Meeting.

By order of the Board

Billy Mokale
Group Company Secretary

Roodepoort
9 October 2020

AfroCentric Investment Corporation Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1988/000570/06)
JSE Share code: ACT
ISIN: ZAE 000078416
(**AfroCentric** or **the Company**)
37 Conrad Street, Florida North, Roodepoort, 1709
PO Box 1101, Florida Glen 1708
Telephone: +27 (11) 671 2000
Website: www.afrocentric.za.com

FORM OF PROXY

Certificated Shareholders

For use by the holders of certificated shares and/or dematerialised shares held through a broker or Central Securities Depository Participant (**CSDP**) who have selected "own name" registration, registered as such at the close of business on the voting record Date, at the Annual General Meeting to be held at 10h00 at the AfroCentric Distribution Services Offices, The Greens Office Park, Building L, 26 Charles De Gaulle Crescent, Highveld Ext 12, Centurion, on Tuesday, 10 November 2020 or any postponement or adjournment thereof.

Although the intention is to hold the AGM as scheduled on Tuesday, 10 November 2020 at the set venue, **AfroCentric strongly encourages its shareholders not to attend in person but to exercise their voting rights by way of electronic or written proxy** and to submit their questions relating to the 2020 AGM Agenda in advance by email to the Company Secretary billym@afrocentrichealth.com.

Note:

Forms of proxy to be lodged with the transfer secretary by 10h00 on Friday, 6 November 2020, however a form of proxy not delivered to the transfer secretary by this time may be submitted electronically/by hand to the Chairman of the AGM at any time prior to the commencement of the AGM.

Dematerialised shareholders

Dematerialised shareholders who have not selected "own name" registration must not complete this form of proxy.

They must inform their broker or CSDP timeously of their intention to attend and vote at the Annual General Meeting or be represented by proxy thereat in order for the broker or CSDP to issue them with the necessary letter of representation to do so or provide the broker or CSDP timeously with their voting instructions should they not wish to attend the Annual General Meeting in order for the broker or CSDP to vote in accordance with their instructions at the Annual General Meeting.

I/We (FULL NAMES IN BLOCK LETTERS PLEASE) _____

of (address) (BLOCK LETTERS PLEASE) _____

Telephone no: (WORK) (area code) _____

Cell phone no: _____ Telephone no: (HOME) (area code) _____

E-mail address: _____

being the holder/s of _____ shares hereby appoint

1. _____ or failing him/her

2. _____ or failing him/her

3. the Chairman of the Annual General Meeting

as my/our proxy to act for me/us on my/our behalf at the Annual General Meeting in accordance with the following instructions (see note 2):

		For	Against	Abstain
Ordinary Resolutions				
1.	**Election of Directors**			
1.1	Mr JB Fernandes			
1.2	Ms AM le Roux			
1.3	Ms M Chauke			
1.4	Mr JJ Strydom			
2.	**Re-election of Directors**			
2.1	Mr JB Fernandes			
2.2	Prof SA Zinn			
2.3	Mr MJ Madungandaba			
3.	**Appointment of Chairman and Members to the Audit & Risk Committee**			
3.1	Mr JB Fernandes (Chairperson)			
3.2	Ms AM le Roux			
3.3	Ms M Chauke			
4.	**Re-appointment of independent external auditor**			
5.	**General Authority to Issue Shares for cash**			
6.	**Approval of the Remuneration Policy**			
7.	**Approval of the Remuneration Implementation Report**			
8.	**Authority of Directors and/or Company Secretary**			
Special Resolutions				
1.	**Approval of Non-executive Directors fees**			
2.	**General authority to repurchase shares**			
3.	**Financial assistance to a related or inter-related company or companies**			
4.	**Financial assistance for subscription of shares to related or inter-related companies**			

* *One vote per share held by shareholders on the voting record date.*

NOTES TO THE FORM OF PROXY

Please read the following notes and instructions carefully

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided. The person whose name appears first on this form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A proxy appointed by a shareholder in terms hereof may not delegate his authority to act on behalf of the shareholder to any other person.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the Annual General Meeting as he deems fit in respect of the entire shareholder's votes exercisable thereat.
4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. In addition to the foregoing, a shareholder may revoke the proxy appointment by:

   (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and

   (ii) delivering a copy of the revocation instrument to the proxy, and to AfroCentric. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as at the later of the date stated in the revocation instrument, if any; or the date on which the revocation instrument was delivered in the required manner.
5. The chairman of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received, otherwise than in accordance with these notes, provided that, in respect of acceptances, the chairman is satisfied as to the manner in which the shareholder/s concerned wishes to vote.
6. Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder) to attend, speak and vote in place of that shareholder at the Annual General Meeting.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by AfroCentric or the transfer secretaries or waived by the chairman of the Annual General Meeting.
8. Any alteration or correction made to this form of proxy must be initialled by the signatory (ies).
9. Where there are joint holders of Shares:

   9.1 any one holder may sign this form of proxy; and

   9.2 the vote of the senior (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of shares.
10. The form of proxy may be used at any adjournment or postponement of the Annual General Meeting, including any postponement due to a lack of quorum, unless withdrawn by the shareholder.
11. An extract from the Act reflecting the provisions of section 58 of the Act is attached as an appendix to this form of proxy.
12. Unlisted securities (If applicable) and shares held as treasury shares may not vote.

APPENDIX – EXTRACT FROM SECTION 58 OF THE COMPANIES ACT

"58. Shareholder right to be represented by proxy

1. At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to—
   (a) participate in, and speak and vote at, a shareholders meeting on behalf of the shareholder; or
   (b) give or withhold written consent on behalf of the shareholder to a decision

   contemplated in section 60, provided that the shareholder may appoint more than one proxy to exercise voting rights attached to different shares held by the shareholder.

2. A proxy appointment—
   (a) must be in writing, dated and signed by the shareholder; and
   (b) remains valid for—
      (i) one year after the date on which it was signed; or
      (ii) any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in subsection (4)(c), or expires earlier as contemplated in subsection (8)(d).

3. Except to the extent that the Memorandum of Incorporation of a company provides otherwise—
   (a) a shareholder of that company may appoint two or more persons concurrently as proxies;
   (b) a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
   (c) a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders meeting.

4. Irrespective of the form of instrument used to appoint a proxy—
   (a) the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
   (b) the appointment is revocable unless the proxy appointment expressly states otherwise; and
   (c) if the appointment is revocable, a shareholder may revoke the proxy appointment by—
      (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and
      (ii) delivering a copy of the revocation instrument to the proxy, and to the company.

5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of—
   (a) the date stated in the revocation instrument, if any; or
   (b) the date on which the revocation instrument was delivered as required in subsection (4)(c)(ii).

6. If the instrument appointing a proxy or proxies has been delivered to a company, as long as that appointment remains in effect, any notice that is required by this Act or the company's Memorandum of Incorporation to be delivered by the company to the shareholder must be delivered by the company to—
   (a) the shareholder; or
   (b) the proxy or proxies, if the shareholder has—
      (i) directed the company to do so, in writing; and
      (ii) paid any reasonable fee charged by the company for doing so.

7. A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise.

8. If a company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of instrument for appointing a proxy—
   (a) the invitation must be sent to every shareholder who is entitled to notice of the meeting at which the proxy is intended to be exercised;
   (b) the invitation, or form of instrument supplied by the company for the purpose of appointing a proxy, must—
      (i) bear a reasonably prominent summary of the rights established by this section;
      (ii) contain adequate blank space, immediately preceding the name or names of any person or persons named in it, to enable a shareholder to write in the name and, if so desired, an alternative name of a proxy chosen by the shareholder; and
      (iii) provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution or resolutions to be put at the meeting, or is to abstain from voting;
   (c) the company must not require that the proxy appointment be made irrevocable; and
   (d) the proxy appointment remains valid only until the end of the meeting at which it was intended to be used, subject to subsection (5).

9. Subsection (8)(b) and (d) do not apply if the company merely supplies a generally available standard form of proxy appointment on request by a shareholder."

GLOSSARY

ADS	AfroCentric Distribution Services
ACT	AfroCentric Investment Corporation Limited
AFS	Annual Financial Statements
AGM	Annual General Meeting
AHL	AfroCentric Health (RF) (Pty) Ltd
AI	Artificial intelligence
ARM	Alternative reimbursement models
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
CAGR	Compound annual growth rate
CAPEX	Capital expenditure
CCMDD	Central Chronic Medicine Dispensing and Distribution
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
CMS	Council for Medical Schemes
CTC	Cost to Company
DBC	Document-based care
DoH	Department of Health
EE	Employment equity
FWA	Fraud, waste and abuse
GP	General practitioner
HBM	Hospital Benefit Management
HMI	Health Market Inquiry
IFM	Insurance Fraud Manager
IFRS	International Financial Reporting Standards
IR	Integrated Report
IT	Information technology
JSE	Johannesburg Stock Exchange
KPI	Key performance indicator
LCBO	Low-cost benefit options
MDT	Multi-disciplinary team
MSA	Medical Scheme Amendment
NDoH	National Department of Health
NHI	National Health Insurance
NICD	National Institute for Communicable Diseases
PHA	Private Healthcare Administrators
PPE	Personal protective equipment
RPA	Robotic process automation
SETA	Sector Education and Training Authority
UMA	Underwriting Management Agent
WHO	World Health Organization

NOTES

NOTES

ADMINISTRATION AND CONTACT INFORMATION

Registration number

1988/000570/06

Registered office

37 Conrad Road
Florida North
Roodepoort
1709

Postal address

PO Box 1101
Florida Glen
Roodepoort
1708

Group investor relations

Nosipho Phewa
Tel: +27 11 671 2475
investor-relations@afrocentric.za.com

Sponsor

Sasfin Capital (a division of Sasfin Bank Limited)

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers

15 Biermann Avenue
Rosebank
2196

Tel: +27 861 100933

Postal address

PO Box 61051
Marshalltown
2107

Group Company Secretary

Billy Mokale
Tel: +27 11 671 4725