

#### **About AfroCentric**

AfroCentric is a level 1, majority black-owned investment holding company listed on the Johannesburg Stock Exchange (**JSE**). The Group owns and operates a diverse range of healthcare-related enterprises that provide specialised medical scheme administration and deliver a range of healthcare products and services to the public and private healthcare sectors.

The principal objective of the Group is to ensure the delivery of efficient health management services and the distribution of quality products – all at a manageable and affordable cost for the benefit of our stakeholders.

AfroCentric has successfully broadened its interests in the industry by continuing to pursue new opportunities to expand and rationalise its presence across the healthcare sector.

#### Snapshot of our performance

3.8 M

LIVES UNDER OUR MANAGEMENT

(2020: 3.8 million lives)

25.8% REVENUE GROWTH

(2020: 21.6%)

**15.5%** 

INCREASE IN OPERATING PROFIT (2020: 24.4% increase)

14.6%

**RETURN ON EQUITY** 

(2020: 14.7%)

Level 1

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) STATUS

**18** 

CLIENT MEDICAL SCHEMES IN SOUTHERN AFRICA

(2020: 19 client medical schemes)

5 957

EMPLOYEES
IN SOUTH AFRICA AND OTHER
COUNTRIES

(2020: 5 693 employees)

# CONTENTS

About AfroCentric	
Creating value through purpose	IFC
About this report	2
Our business	6
Living our purpose through the pandemic	7
Who we are	8
Organisational overview	9
Investment case	10
Our history	12
Operations	14
Our governance and leadership	16
Our business model	24
Unpacking the value derived from our business model for our stakeholders	26
Our business in context	29
Chairman's review	30
External environment	32
Our stakeholders	35
Our material matters	40
Responding strategically	48
CEO's review	49
Unpacking our strategy and approach	52
Understanding our strategic trade-offs	54
Our performance	56
CFO's review	57
Results at a glance	62
Audited final results	63
Cluster performance	66
Medical aid administration, risk management and technology	66
Pharmaceutical	70
Corporate solutions	74
Human capital and transformation	78
Corporate governance report	85
Remuneration report	102
Shareholder information	115
Financial calendar	116
Notice of AGM	117
Form of proxy	125
Abbreviations and acronyms	128
Administration and contact information	IRC

# CREATING VALUE THROUGH PURPOSE

Value for AfroCentric is

therefore tied to our ability to achieve this aim.

We fulfil this purpose by **transforming healthcare** – making it more affordable and widely accessible. This drive has never been more critical.

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

# Navigating our report

# Our strategic levers



OPTIMAL STRUCTURE



SERVICE MODEL



OUR PEOPLE



TECHNOLOGY



EXPLORING DISRUPTIVE MODELS



PRIMARY CARE, PRIMARY HEALTH INSURANCE AND OCCUPATIONAL HEALTH



PHARMA CLUSTER



OUR CLIENTS AND MEMBERSHIP GROWTH

#### **Our capitals**



FINANCIAL



SOCIAL AND RELATIONSHIP



HUMAN



MANUFACTURED



INTELLECTUAL



NATURAL



Our strategy informs our

# **business model** and the key performance indicators (KPIs) we use to monitor progress.

Read about our business model on page 24.

#### **Delivering value by transforming healthcare**

The Group has invested significant financial and intellectual capital into analysing the full healthcare spend. This exploration of the challenges and risk environment has informed our approach to developing or acquiring the necessary assets and capabilities to deliver the right solutions to achieve our mission.



These efforts align with a primary United Nations Sustainable Development Goal (SDG) for the healthcare sector and a foremost target – Good Health and Well-being. Our ambitions specifically address the following target within SDG 3:

#### Target 3.8 of SDG 3

Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

We seek to contribute positively across all 17 SDGs (and reference several SDGs within our report). However, we recognise that in light of our purpose and mission, a focus on enhancing health and wellbeing and, more specifically, targeting broader access to healthcare aligns with our **definition of value** and will be our most significant contribution to sustainable development.



Our objectives also align with the **National Development Plan (NDP) – Vision 2030** in its desire to develop a health system that works for everyone and produces positive health outcomes.

Health goal 8 of the NDP: Universal healthcare coverage

Everyone must have access to an equal standard of care, regardless of their income.

To achieve our purpose, we determine the **material** 

#### matters

that are central to our business.

We do this by evaluating our external operating context (see page 32), our stakeholder relationships (see page 35) and the risks and opportunities arising from these (see page 98).

Read about the material matters that are central to our business on page 40.



#### RESPONDING **STRATEGICALLY**



We address these material matters through our

#### strategy.

Read about our strategy on page 52.

We deliver on our strategy through our **business clusters**. Read about our business clusters from page 66.

Medical aid administration, risk management and technology

#### 3.8 MILLION LIVES **UNDER MANAGEMENT**

39% MARKET SHARE -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 contribution to these critical goals

Optimising the healthcare value chain to enhance efficiencies and reduce healthcare costs

# **R2.7 BN R84**

**MANAGED CARE SAVINGS FOR MEDICAL SCHEMES** 

**COST SAVINGS BASED ON FRAUD MANAGEMENT SOFTWARE** 

# 289

FRAUD, WASTE AND **ABUSE (FWA) CASES QUANTIFIED** 

**RECOVERED** 

Digitising to reduce costs and improve client experience

PHARMACY DIRECT LAUNCHED AN ONLINE PHARMACY **AVAILABLE TO OUR** 

**CLIENTS AND THE PUBLIC** 

ENABLED GREATER **ACCESS** TO CARE TO THOUSANDS OF PATIENTS THROUGH VIRTUALCARE™

#### Positioning for success in a National Health Insurance (NHI) environment

Over the years. AfroCentric has been pursuing the diversification of our involvement in the health sector. This places the Group in a strategic position to work with government on the NHI processes as implementation progresses.

# ABOUTI REDORI

66

Our Integrated Report provides information about AfroCentric for the year-ended 30 June 2021.

# HIS

The report is intended for current and prospective investors and interested stakeholders. It provides information on AfroCentric Investment Corporation Limited's (AfroCentric's, the AfroCentric Group's, the Company's or the Group's) governance, material risks and opportunities, performance against strategy, impact on society, and prospects.

#### Integrated thinking

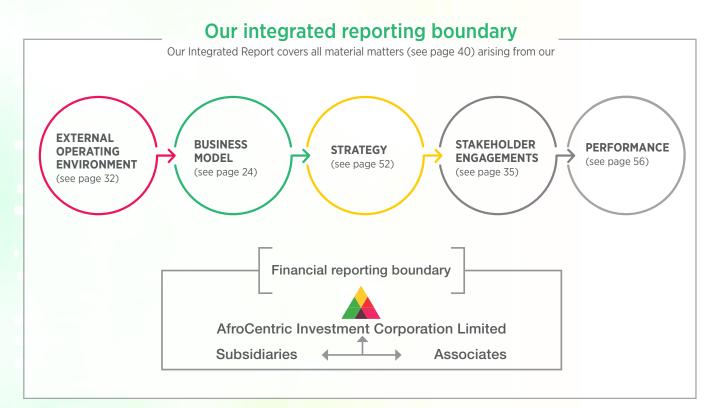
This report has been prepared to provide balanced, reliable, transparent and relevant information to our providers of financial capital and other interested stakeholders. We strive to demonstrate how we execute our strategy to create or preserve value using our chosen business model and taking into account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

By carefully considering the relationship between the capitals that we use and affect, as well as the potential trade-offs inherent in our strategic choices, we manage our resources to provide integrated healthcare solutions for our clients and increase access to sustainable, affordable and quality healthcare for their members. This enables us to create value by sustaining financial returns and enhancing the lives of our stakeholders.

To demonstrate our commitment to sustainable development, we have included references to the SDGs – those that relate to our strategy and to which we can most significantly contribute. Based on our strategic intent, however, our primary contribution is to SDG 3 – Good Health and Well-being – and specifically to target 3.8 (detailed on the IFC).

#### Reporting scope and boundary

Material events between the year-end and September 2021, 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. There were no restatements to comparatives.



#### Reporting approach

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 page 40 for more detail).

The following frameworks have been used in compiling our report:

- » International Integrated Reporting Framework
- » JSE Listings Requirements
- » King Report on Corporate Governance for South Africa, 2016 (King IV)™
- » Companies Act 71 of 2008, as amended (Companies Act)
- » The South African Institute of Chartered Accountants' 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)

#### Reporting suite

Our Integrated Report is supplemented by our full suite of reports, accessible on our Group website at www.afrocentric.za.com.



Our Integrated Report 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
- » Broad-Based Black Economic Empowerment (B-BBEE) verification by Mazars Consulting Services (Pty) Ltd

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



The Group Annual Financial Statements (AFS) provide comprehensive information pertaining to the Group's audited financial statements, prepared in accordance with IFRS.

#### **Assurance**

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



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

#### **Assurance**

- » Management and governance oversight
- Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved. All further use in this document is done with acknowledgement of this ownership.

#### 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:

Chairman's review	Page 30
External environment	Page 32
Our material matters	Page 40
Chief Executive Officer's (CEO's) review	Page 49
Our strategy and approach	Page 52
Chief Financial Officer's (CFO's) review	Page 57
Our performance	Page 56

#### 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.

# Process disclosure and assurance approach

Our integrated reporting process began with the review of the material matters for reporting. Content gathering for the report included engagements across the business and at Board level, as well as drawing from Board and Board committee submissions. We apply a combined assurance approach over the Group's operations. Therefore, internal controls, management assurance, compliance and internal audit reviews, as well as the services of independent external assurance providers, support the accuracy of the disclosures within our published reports.

In line with their mandate, the Integrated Report is reviewed and recommended to the Board for approval by the Audit and Risk Committee. The Board takes final accountability for the approval of the Group's external disclosures.

#### **Board approval**

The Board acknowledges its responsibility for the integrity of this report. This report provides relevant information to providers of financial capital to enable informed capital allocation decisions while supplying information relevant to our broader stakeholders. The report 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 capitals and how the availability of these capitals impacts the Group's strategy and business model. Furthermore, we believe this report demonstrates how the Group seeks to fulfil its purpose and, in this way, creates sustainable value for all its stakeholders. Our opinion is that this Integrated Report presents a fair and balanced view of AfroCentric's performance and outlook. We, as the Board, believe that this report has been prepared in accordance with the International Integrated Reporting <IR> Framework.

This report was approved for release on 13 September 2021.

Dr Anna Mokgokong	Joe Madungandaba	Bruno Fernandes
Chairman	Deputy Chairman	Lead Independent Directo
Alice Le Roux	Dr Shirley Zinn	Garv Allen

**Dr Shirley Zinn** *Independent Non-executive Director Gary Allen Non-executive Director Non-executive Director* 

Ahmed Panderker

Ahmed Banderker Group CEO runo Fernandes
ead Independent Director
Independent Non-executive Director

Gary Allen Dr Nkateko Munisi
Non-executive Director Non-executive Director

Hannes Boonzaaier Willem Britz
Group CFO Executive Director

#### Sello Mmakau

**Jurie Strydom** 

Group Chief Information Officer (CIO)

Independent Non-executive Director

#### **Feedback**

Non-executive Director

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.



#### Living our purpose through the pandemic

#### **Clients and members**

- » Over 1 million tests conducted
- » R868 million paid for tests
- » Over 100 000 cumulative admissions
- » Approximately 15 000 total deaths
- » R11.5 billion paid for COVID-19 related admissions

A **WhatsApp solution** was rolled out to medical scheme members as an additional communication and self-help platform to educate members and update them on the current status of the COVID-19 pandemic



#### **Shareholders**

Operating profit increased by **15.5%**, representing Compound annual growth rate (CAGR) R'000 of 24.4% since 2016



Sustained net cash position with a positive return on equity



CAGR of 24.4% (2016 to 2021)

#### **Employees**

R17 million invested in enabling employees to work remotely



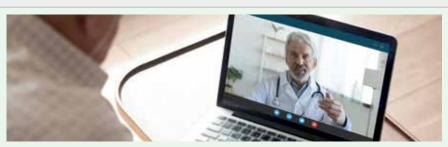


Our people have shown tremendous resilience. At year-end, **21%** of our staff were working remotely while still maintaining our service levels

#### Community

The VirtualCare™ application was rolled out, enabling medical scheme members to consult with healthcare providers using a telehealth platform. In addition, free virtual COVID-19 consultations were offered to all South Africans through VirtualCare™

**4 webinars** hosted for the clinical community relating to COVID-19 and the vaccination process



**10 000 medical-grade masks** supplied for nursing members of the Democratic Nursing Organisation of South Africa

Provided **COVID-19 rapid testing stations** at two major South African airports

#### Fast-tracking the vaccination process

The Group mobilised a national network of over **3 000 nurses** to vaccinate eligible scheme members

190 082 vaccinations administered

6 vaccination sites

R31 million spent on vaccination roll out

"We take our responsibility as a leader in healthcare seriously. We are committed to doing all we can to protect our members, enable the response of the healthcare industry, and the country at large — especially at this challenging and uncertain time."



#### Who we are

AfroCentric is a majority 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. We increase access to sustainable, affordable and quality healthcare through our operating subsidiaries by providing health administration, health risk management, and a range of complementary solutions to our medical scheme clients and their members across the healthcare value chain. A primary lever in our strategy is to reduce the cost of healthcare.



#### WHY WE EXIST

**Our purpose** 

Enhancing the quality of life.



#### WHERE WE ARE GOING -

#### **Our vision**

Transforming healthcare.



#### HOW WE WILL GET THERE -

#### **Our mission**

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



#### WHAT IT WILL REQUIRE OF US -

#### Our values

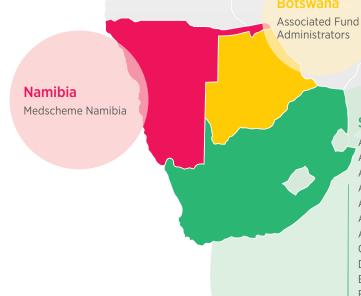
- Act with integrity and
- » Go the extra mile
- » Cultivate uniqueness
- » Thrive together
- » Make a positive difference

#### **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 page 52.

#### Where we operate

We operate in four sub-Saharan African countries.



#### **Mauritius**

Medscheme Medscheme International

Mauritius

#### **South Africa**

Activo Health

AfroCentric Distribution Services

AfroCentric Health Solutions

AfroCentric Integrated Corporate Solutions

AfroCentric Technologies

Aid for AIDS

Allegra

Curasana

**DENIS** 

EssentialMed

Forrester Pharma

Klinikka

Medscheme South Africa

**MMed Distribution** 

**Pharmacy Direct** 

Private Healthcare Administrators (PHA)

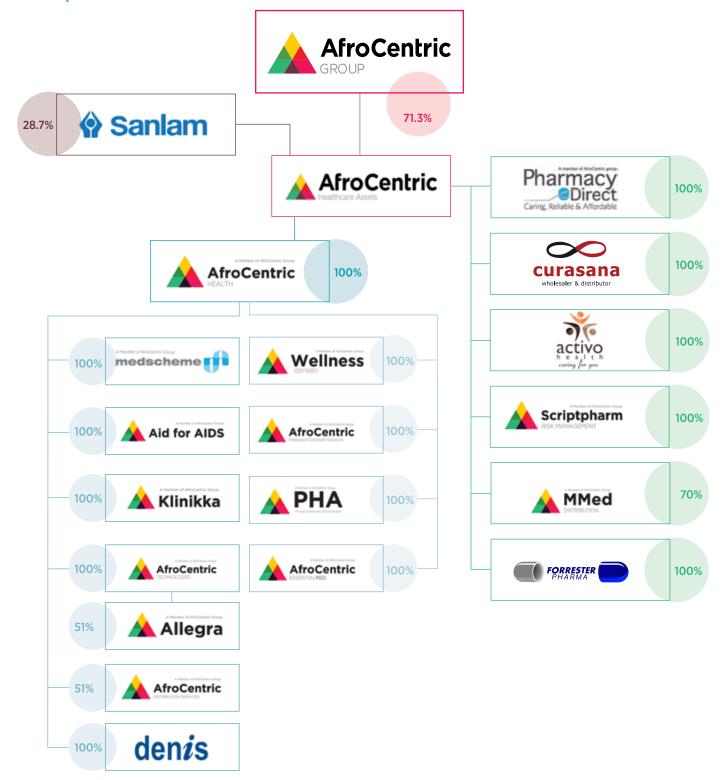
Scriptpharm Risk Management

Tendahealth

Wellness Odyssey

#### **Organisational overview**

**Group structure**<sup>1</sup>



<sup>&</sup>lt;sup>1</sup> The complete corporate/Group structure is included in our AFS on page 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.

#### Strong market positioning

#### Diversified across complementary healthcare services

#### Multiple growth drivers

One of the **largest health administration businesses** in the
South African healthcare sector.

An integrated healthcare business and market leader in managed care.

The **largest distributor of chronic medicine** to government hospitals and clinics.

**Diversification** makes us more sustainable in a changing healthcare environment.

# Pharmaceutical companies contributed 53% in revenue

through organic and acquisitive growth, as well as 27% contribution to operating profit.

Our business model enables the Group to **optimise healthcare costs** to deliver on our mission.

Positioning **start-ups** for success.

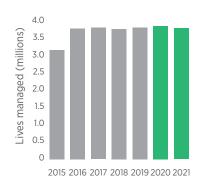
**Digitising** to enhance efficiencies and improve client experience.

Maximising our integrated business model.

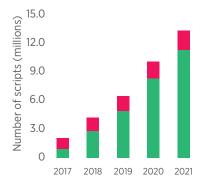
**Partnering** with various institutions to deliver value.

Positioning for success in an NHI environment.

#### 3.8 m beneficiaries



# Average 1.1 m monthly scripts 32% growth in annual scripts



Private

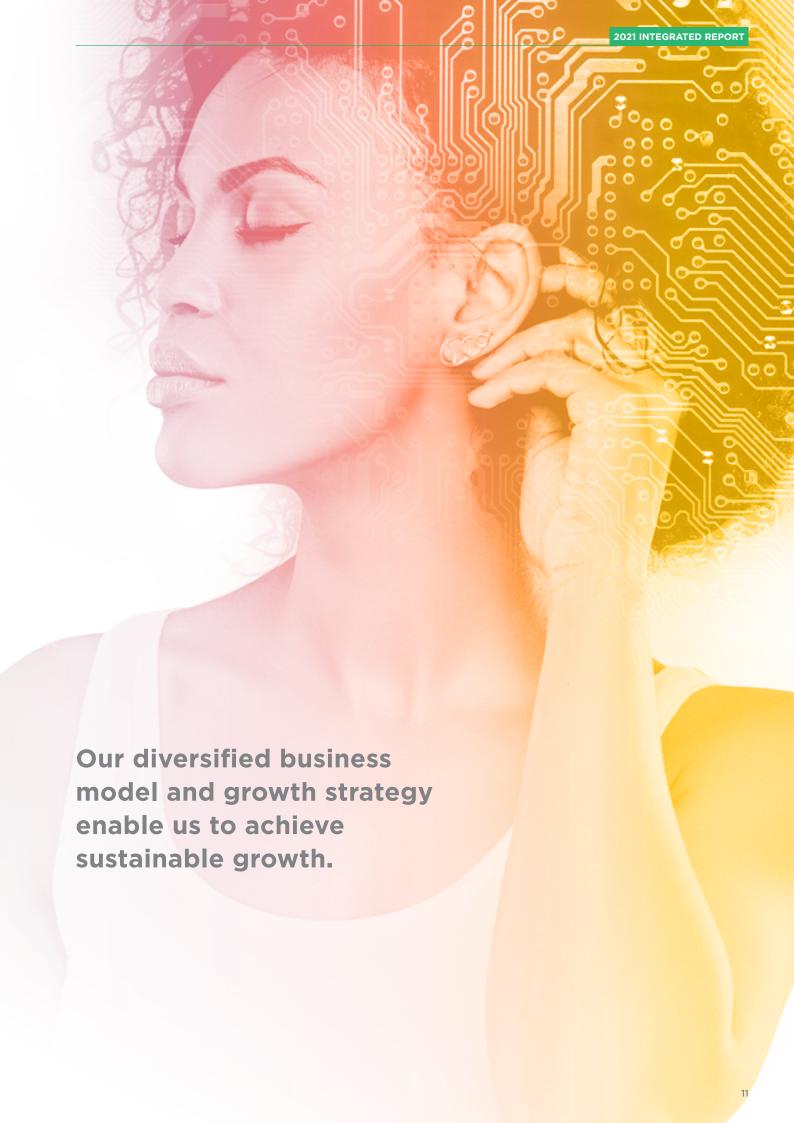
National Department of Health (NDoH)

#### **Revenue growth**

	2020/2021
Pharmacy Direct	37%
Activo	18%
Scriptpharm	58%
Admin	21%

#### A track record of growth







# CUSTORIAL TO THE STATE OF THE S

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

Acquired AfroCentric Health Group (80% effective interest) Increased effective interest in AfroCentric Health to 94.1%

Helios IT Solutions (now AfroCentric Technologies) acquired a 51% interest in Allegra Acquired South African licence of documentbased care (DBC) back and neck rehabilitation programme 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 South African Police Service medical aid (POLMED) scheme contract



















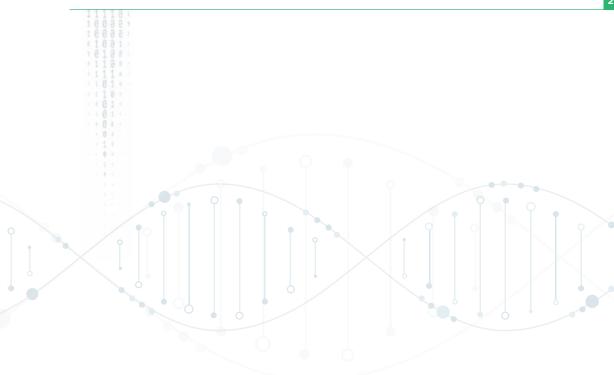












Acquired:

100% of Wellness Odyssey

51% of The Cheese Has Moved

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

#### 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 NDoH Central Chronic Medicine Dispensing and Distribution (CCMDD) contracts, increasing volumes from 50% to an estimated 80%

#### 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

#### Acquired:

ACT Healthcare Assets acquired the remaining 20% of the shares in Scriptpharm Risk Management, effective 1 August 2020

Remaining 17.2% of PHA

Additional 17% of TCHM

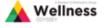
Medscheme won a contract to administer MEDiPOS Medical Scheme ACT Healthcare Assets acquired 100% of the shares in the DENIS Group, which specialises in dental benefits management. The effective date was 1 October 2020

Medscheme was awarded the Government Employees Medical Scheme Managed Care Contract, which includes additional services previously not part of the main managed care contract regarding HIV management, maternity management and expanded services relating to medicine management, effective 1 January 2021

AfroCentric FastPulse concluded a contract to provide COVID-19 occupational health and safety support for the Western Cape's Economic Development and Tourism Department, effective January 2021

Activo Health acquired Exeltis SA (the holding company of Forrester Pharma and Lamar International), effective 1 August 2021





































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.

To better understand the value delivered through our business clusters, please see page 66.

#### Medical aid administration, risk management and technology

3.8 MILLION

LIVES UNDER MANAGEMENT

(2020: 3.8 million)

39%
MARKET SHARE
GROUP (2020: 39%)

SUBSTANTIAL DIGITAL AND TECHNOLOGICAL ADVANCEMENT

#### Our businesses



#### 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.





Driven by our vision, we have consistently delivered innovative, affordable health risk management, medical scheme administration and information technology solutions of exceptional quality to leading medical schemes and corporate clients outside of South Africa. The International division, has established itself through subsidiaries and associate businesses in a number of African countries including Namibia, Mauritius and Botswana

Namibia Health Plan administered by Medscheme Namibia has won the PMR award for excellence in the Namibia medical aid industry for the 11th successive year.



#### 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 to lead fulfilled lives.

PMR, a consultancy and research company based in South Africa, does an annual national survey on Managed Healthcare Companies in South Africa. Aid for AIDS won a Diamond Arrow Award in the category for Disease Management (HIV/AIDS) for the second year in a row.



#### Klinikka

#### Ilinikka

Klinikka is licensed to offer the DBC programme, an evidencebased, multidisciplinary treatment approach to managing musculoskeletal disorders. Klinikka provides DBC equipment and administration services to 26 musculoskeletal treatment centres in Southern Africa.



#### **AfroCentric**

#### **AfroCentric Distribution Services**

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



#### Allegra

#### 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 gather and share vital information seamlessly with appropriate healthcare providers, funders, and other stakeholders, ultimately resulting in enhanced quality of life for patients.



#### **Private Healthcare Administrators**

is a medical scheme administrator that leverages its technologically advanced systems to provide innovative healthcare solutions to its open and corporate scheme clients.



#### **DENIS**

DENIS has 25 years of experience as a managed care company and its focus is entirely on dental management. With DENIS being part of the AfroCentric Group, it adds to the Group's diversity as focused dental managed care is now a new product to offer to all its medical scheme clients.

#### **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

#### Our businesses



#### **Pharmacy Direct**

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



#### Curasana

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



#### Activo Health

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



#### **Forrester Pharma**

owns several registered legal rights to manufacture and distribute specific generic medications (dossiers) and have the right to a substantial pipeline of dossiers in the process of being registered with the South African Products Regulatory Authority.



#### Scriptpharm

Scriptpharm is a registered managed care organisation that manages chronic and acute medicine through capitation arrangement, where healthcare providers are managed in terms of efficiency, cost control and preventative care. The business provides drug utilisation reviews, and Scriptpharm medicine formulary is a list of safe, clinically appropriate and cost-effective medicines for treating 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

#### **PRIMARY CARE**

#### OCCUPATIONAL HEALTH

# FULLY INTEGRATED WITH WELLNESS

#### Our businesses



**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.



#### **EssentialMed**

provides comprehensive medical insurance cover, with private medical facilities.

#### Our governance and leadership



The AfroCentric Board embraces its responsibility for ensuring that fundamental principles of sound corporate governance are observed and institutionalised throughout the Group. Primary among these are the Companies Act, the JSE Listings Requirements, Protection of Personal Information Act (POPIA), Group Memorandum of Incorporation (MOI) and King IV. These enable the Group to be managed ethically and operate within acceptable risk parameters, complemented by its charters and policies.

#### Overview of key corporate governance practices

No supermajority provisions in governing documents

At least one-third of Non-executive Directors offer themselves for re-election at each AGM	Proactive stakeholder engagement programme
Risk appetite set and monitored	Risk management through an enterprise risk management framework
Annual review of Board leadership structure	Succession planning and rotation
Combined assurance approach	Strong Lead Independent Director
Annual Board and committee evaluations	'Overboarding' (directors' external commitments) policy and provisions
Board-approved policy on independent professional advice	No voting rights ceilings
MOI includes provisions on the protection of shareholder rights and the equitable treatment of shareholders	Shareholder right to call special meetings
Safeguards in place to monitor transactions between the Company and our significant shareholders	Related-party transactions monitored and transparently disclosed
Approved malus and clawback policy in place	

#### **Board diversity**



#### Our governance and leadership continued

#### **Board of directors**

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

#### **Non-executive Directors**



**DR ANNA MOKGOKONG** (64)

#### Chairman

Qualifications: BSC, MBCHB,

DCom (HC)

Appointed: 10 June 2010

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





#### **JOE MADUNGANDABA** (63)

#### **Deputy Chairman**

Qualifications: CPA(SA), MDP

Appointed: 10 June 2010

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









#### **GARY ALLEN** (57)

Qualifications: BCom (Hons),

BBus (Hons)

**Appointed:** 12 September 2019

**Expertise:** Business development

and finance









#### **DR NKATEKO MUNISI (55)**

**Qualifications: MBCHB** 

Appointed: 7 December 2015

**Expertise:** Business development

and health and safety

management







#### **JURIE STRYDOM (46)**

Qualifications: BBusSCI, Fellow of Institute of Actuaries, CFA Charterholder, MBA (MIT)

Appointed: 1 August 2020

**Expertise:** Finance and insurance

business development

NC Nomination Committee

RC Remuneration Committee

IC **Investment Committee** 

**SEC** Social and Ethics Committee

**ARC** Audit and Risk Committee

Information and Communication Technology

#### **Independent Non-executive Directors**



#### BRUNO FERNANDES (53)

### 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







#### MMABOSHADI CHAUKE (42)

#### **Qualifications:**

BCom, Bachelor of Accountancy (CTA), CA(SA)

**Appointed:** 1 June 2020

**Expertise:** Accounting, risk management, governance, finance and auditing





# ALICE LE ROUX (47)

**Qualifications:** BComp (Hons), Bachelors (Accounting), CA(SA)

Appointed: 25 May 2020

**Expertise:** Accounting, risk management, governance, finance and auditing





DR SHIRLEY ZINN (60)

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

**Appointed:** 23 November 2018

**Expertise**: Human resources, business leadership and strategy





#### **Executive Directors**



#### AHMED BANDERKER (45)

**Group CEO** 

 $\textbf{Qualification:} \ \mathsf{CA}(\mathsf{SA})$ 

Appointed:

15 December 2015

**Expertise:** Strategy, mergers and acquisitions and leadership

**Committees:** Ex-officio on all committees













#### HANNES BOONZAAIER (47)

**Group CFO** 

**Qualification:** CA(SA)

Appointed:

1 August 2015

**Expertise:** Finance and investment banking

**Committees:** Invitee to committees











#### WILLEM BRITZ (57)

**Qualifications:** BCom, BProc

**Appointed:** 1 August 2015

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

**Committees:** Invitee to committees







SELLO MMAKAU (47)

**Group CIO** 

**Qualifications:** BCom, MBL, BA

Appointed:

30 November 2016

**Expertise:** ICT governance and compliance, including strategy and security



#### Our governance and leadership continued

#### **Combined Board skill set**

Our Board has a unique skill set that enables our Group and its business model to be agile in a volatile economic environment. In terms of skills and expertise, members must have the highest levels of integrity, a deep understanding of governance, appropriate technical, financial and non-financial knowledge, as well as strong interpersonal skills.

#### Our directors' experience (%) Strategy 92 Healthcare 60 Finance, accounting, A competitive advantage for the Board auditing and advisory We see our current Board skill set as a competitive advantage, Leadership with coverage in multiple sectors. We believe our skilled management team complements the Board proficiency. Business development Corporate governance, legal and compliance Investor relations 62 Human resources 69 **Board enhancement for 2021** In line with our evolving business model, a decision was taken Mergers and during the year to appoint a suitable independent Non-executive acquisitions Director with the required ICT skills and experience in due course. Risk management 62

#### **Executive Committee**

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

The Executive Committee is responsible for making recommendations to the Board regarding the Group's policies and strategies, as well as monitoring their implementation according to the Board's directives. From time to time, Executive Directors are invitees to Board subcommittee meetings regarding matters relevant to their areas of responsibility.

Other critical responsibilities for the Executive Committee include developing the annual budget and business plans for approval by the Board and providing overall leadership to the executive senior management and staff of the Group.

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



**AHMED** BANDERKER (45)

CA(SA)

**Group CEO** 



**HANNES BOONZAAIER (47)** 

CA(SA)

**Group CFO** 



**TOBIE DU PREEZ (53)** 

NHDip Marketing

CEO - AfroCentric **Distribution Services** 



**ANDREW** EDWARDS (61)

BSc

**Executive: AfroCentric Corporate Solutions** 



**GAWIE ERASMUS** (47)

CA(SA)

**CEO: AfroCentric Pharma Cluster** 



**AKLAAQ** MAHMOOD (55)

BCompt, MBA

**Director: Group Diversified Investments** 



**SELLO MMAKAU** (47)

BCom, MBL, BA

**Group CIO** 



DR **NOMALUNGELO** NYATHI (40)

MBCHB

Managing Executive: Clinical Risk and Advisory



**NOMPUMELELO** MONYELA (52)

Dip Industrial Relations, BSocSci and GEDP

**Executive Director: Human Capital and Transformation** 



**JOHAN VAN ROOYEN (58)** 

**Chief Operating** Officer: Medscheme

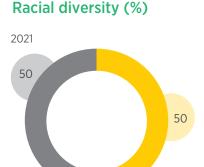


BA LLB HDip Co

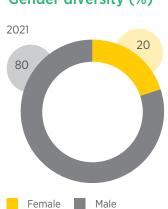
**Holdings** 

#### **Executive Committee diversity**

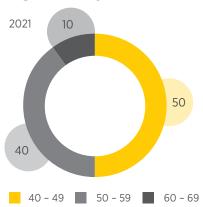
In support and maintenance of our current B-BBEE level scoring, our Executive Committee diversity is as follows:











#### **Board deliberations 2021**

White

The Board serves as the custodian of corporate governance and ensures that sound corporate governance principles are strictly observed and entrenched. These principles are linked to our organisational values and are therefore based on transparency, accountability, ethical management and fairness. For the year under review, the Board deliberated the following matters aligned with the Group's adopted strategy:

**BOARD** SUCCESSION **AND STRUCTURE** 

COVID-19

Black

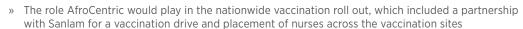
A Board effectiveness evaluation was conducted and discussed at the Nomination Committee. As a result, in terms of the skill analysis linked to the assessment and the growth of the pharmaceutical business of the Group, a dedicated Audit and Risk Committee and a board of directors for the pharma cluster were established. In addition, a further decision was taken regarding the appointment of a suitable independent Non-executive Director with the required ICT skills and experience to be made in due course.

#### Related strategic levers





Monitored the impact of COVID-19 across the business, as well as the role AfroCentric should play in partnering with government to curb the spread of COVID-19. Accordingly, the Board considered:



- Work from home and employee health and safety considerations
- Establishing a COVID-19 task team to monitor and recommend preventative measures and play an advisory role for affected employees and clients

#### **Related strategic levers**





Determining the best opportunities/growth initiatives to enable the creation of a value chain of healthcare enterprises that maximises the purchasing power of citizen's healthcare spend. During the period, the following was discussed and approved:

- ACT Healthcare Assets acquired the remaining 20% of the shares in Scriptpharm Risk Management
- AfroCentric Healthcare Assets acquired 100% of the shares in the DENIS Group, which specialises in dental benefits management
- Activo Health acquired 100% of Forrester Pharma (Exeltis SA), which specialises in manufacturing and marketing pharmaceutical products
- » AfroCentric Integrated Solutions invested in 20% of Medgap Cell Captive within the Guard Risk
- » The Group and AHL are still in negotiations with Sanlam Health for the acquisition of a gap cover business that is supplementary to its current medical scheme offerings. The effective date was 1 September 2021

#### Related strategic levers









RISK AND STRATEGIC REVIEW

- » Risk review and adjustment to ratings and tolerance levels
- » Strategic review and related projects within the current context
- » Considered operating and financial updates

#### **Related strategic levers**

















- » Monitored initiatives to maintain Level 1 B-BBEE status, along with a continual focus on enhancing organisational transformation at every level of the business
- » Particular focus was given to both the skills development and ownership pillars during the year

#### **Related strategic levers**



ENVIRON-MENTAL, SOCIAL AND GOVERNANCE (ESG)

- » Sustainability remains paramount for the Group. Accordingly, we assessed our influence and impact on the environment and the communities in which we operate
- » Considered the growing prominence of ESG factors in investor decision-making and how the Group can enhance practices to meet current and future stakeholder needs while preparing for possible changes in compliance obligations in line with this trend
- » The Group continues to commit to sustainable development in each of its business operations while seeking to reduce our environmental impact

#### **Related strategic levers**







- » Ensured that the appropriate financial procedures were in place
- » Approved the interim and final dividends, having considered the solvency and liquidity status of the Company, as required
- » Approved the Integrated Report 2021

#### Related strategic levers



















- » Approved the compliance framework to ensure that appropriate processes were in place concerning legal compliance
- » Ensured POPIA compliance for the Group and clients

#### **Related strategic levers**

















#### Our strategic levers



**OPTIMAL STRUCTURE** 



SERVICE MODEL



**OUR PEOPLE** 



**EXPLORING DISRUPTIVE MODELS** 



PRIMARY CARE, PRIMARY HEALTH INSURANCE AND OCCUPATIONAL HEALTH



PHARMA CLUSTER



TECHNOLOGY



OUR CLIENTS AND MEMBERSHIP GROWTH

#### Our business model

#### - Inputs -



#### Financial capital

The pool of funds (equity) the Group relies

- » Funds reinvested in the Group
- » Return on investments
- » Revenue generated from services

#### **Key inputs**

- » R3.2 billion net asset value
- » R274 million reinvested funds



#### Intellectual capital

The knowledge-based intangible assets:

- » Systems and processes
- » Customised IT systems
- Licences
- » Business and industry knowledge

#### **Kev inputs**

- » IT systems and relevant licences
- » Fraud management software
- Medical administration



#### **Manufactured capital**

Our service platform:

» 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

#### **Kev inputs**

» 5 957 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

We consume energy, water and paper to provide services

#### **Activities**

AfroCentric's activities are focused on broadening access to healthcare by expanding our presence, integrating our operations and optimising costs across the value chain to measurably improve access to quality care.

Our primary activities at Group level focus on acquiring, developing and integrating businesses that enable us to optimise the healthcare value chain to increase the value of the healthcare Rand. The healthcare value chain comprises primary care, medicine, specialist care Allegra and hospitalisation solutions. AfroCentric AfroCentric medscheme II Wellness **PRIMARY CARE MEDICINE** Pharmacy Direct Scriptpharm FORRESTE PHARMA **INTEGRATING** To optimise costs and the delivery of healthcare to our stakeholders, the Group is organised



**Pharmaceutical** 

into three clusters that incorporate

businesses across the value chain:

**Corporate solutions** 



# Our products and services **Enhanced access to healthcare through:** Health administration and risk management We provide efficient, client-centric administration **ACQUIRING** 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. **Complementary services** » Coordinated day-to-day healthcare Klinikka provision » Medicine delivery medscheme 🚮 **Products** MMed » Medicine and vitamins d for AIDS Vellness **HOSPITALISATION** SPECIALIST CARE medscheme [1] **DEVELOPING**

**Outputs** 

#### Outcomes



## Financial capital

- Normalised headline earnings per share 61.56 cents (2020: 56.04 cents)
- R198 million in cash reserves (2020: R177 million)
- 7.7% dividend vield (2020: 9.2%)
- 20% increase in share price (2020: 25% decrease)
- Operating profit increased by 15.5% (2020: 24.4% increase)
- Total revenue increased by 25.8% (2020: 21.6% increase)



#### **Int**ellectual capital

Cost savings based on fraud management software - R848 million (2020: R1.5 billion)







#### Manufactured capital

- 3.8 million lives under administration (2020: 3.8 million)
- 18 client medical schemes in Southern Africa (2020: 19)







#### Human capital

- R10.7 million invested in training employees (2020: R4.5 million)
- R458 000 invested in bursaries (2020: R400 000)

Skilled and motivated workforce

Training and developing skills







#### Social and relationship capital

- R6.6 million invested in enterprise development (ED) (2020: R2.8 million)
- R13.6 million invested in supplier development (SD) (2020: R6 million)
- R9.6 million invested in socioeconomic development (SED) (2020: R3.3 million)









#### Natural capital

Environmental impact monitoring and management

Optimised energy, water and paper use 13 CLIMATE Enhanced awareness communication Group-wide



#### Unpacking the value derived from our business model for our stakeholders

Value created/capital enhanced



Value eroded/capital reduced



Value preservation



#### **VALUE FOR OUR CLIENTS**

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

We optimise the healthcare value chain by leveraging our market presence and size to reduce costs for our clients and their scheme members.

Voice of the Customer Survey achieved a positive response rate of 81.46% (2020: 81.82%)

Membership on larger schemes between 2016 and 2021 has grown by 3%

Weighted scheme solvency of 39% (2020: 36%)



R2.7 billion managed care savings for medical schemes (2020: R3.2 billion)

**R848 million** cost savings based on fraud management software (2020: R1.5 billion)

R289 million FWA cases quantified (2020: R228 million); R134 million recovered (2020: R141 million)

#### Value created for us

Retaining and growing our medical scheme clients is critical to our sustainability and enhances the organisation's profitability.



Capitals impacted





### **VALUE FOR OUR CLIENTS' MEMBERS**

Enhancing the **quality** and **ease of access** to healthcare services

**101 536** VirtualCare™ consultations

13 million scripts dispensed per annum (2020: 10 million)

Launched our Pharmacy Direct online shop – available to all our patients and the public https://pdonlinewarehouse.co.za/



67 patients made use of the hospital-at-home product

#### Value created for us

Member satisfaction is critical to our clients and therefore top of mind for us. By ensuring member satisfaction for our clients, we therefore support the continued sustainability of our business.

Capitals impacted





# VALUE CREATED FOR OUR SHAREHOLDERS AND INVESTORS

Sustainable returns over time derived from a purpose-driven business model.

Dividend yield of **7.7%** (2020: 9.2%)

Headline earnings per share of **57.26** cents (2020: 53.42 cents)

Operating profit increased by 15.5%

Return on equity of **14.6%** (2020: 14.7)

Diversifying into other revenue streams through our various subsidiaries supports business sustainability

Pharmaceutical companies contributed 53% in revenue through organic and acquisitive growth, as well as a 27% contribution to operating profit

Net working capital – 10.8% decrease year-on-year as a result of 25.8% growth in sales and new product launches.

#### Value created for us

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

Capitals impacted





## **VALUE FOR OUR EMPLOYEES**

A purpose-driven work culture that **fosters inclusivity** and **high performance**.

Passionate individuals who pursue innovation, excellence and career advancement through continued professional development.

**11.3%** employee turnover (2020: 12.8%)

**82%** of the workforce are black (2020: 81%)

70% of the workforce are women (2020: 70%)

57% of the workforce are black women (2020: 55%)

33% black representation at senior management level (2020: 34%)

**247** online courses were undertaken by **3 816** employees (2020: 185 courses taken by 3 725 employees)

R10.7 million spent on developing our employees (2020: R4.5 million)

#### Value created for us

Our people are a key differentiator and enable our continued success. AfroCentric competes for skilled and experienced employees in the global and local healthcare sector. Retention of critical skills, particularly actuarial, IT and medical specialists, is imperative to our continued success.

Capitals impacted







#### Unpacking the value derived from our business model for our stakeholders continued

Value created/capital enhanced



Value eroded/capital reduced



Value preservation



#### **VALUE FOR GOVERNMENT AND REGULATORS**

Enhancing public-private partnership in furthering the aim of enabling access to healthcare for all.

R31 million invested in the vaccination roll out process



Capitals impacted





#### Value created for us

Policy and regulatory decisions directly impact the Group and our subsidiary entities. By engaging with government and regulators, we can 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, we can develop sustainable revenue streams by seeking to support national and provincial spheres of government by delivering services that meet their mandate.

#### **VALUE CREATED FOR INDUSTRY BODIES**

Contributing our technical expertise and in-depth knowledge to pertinent industry topics

Approximately 250 engagements with industry bodies



#### Value created for us

Industry bodies provide vital opportunities to interact with broader industry players concerning critical interests in the healthcare sector. In some instances, they open communication channels to government and regulators, particularly when policymakers and regulators seek industry-wide positions.



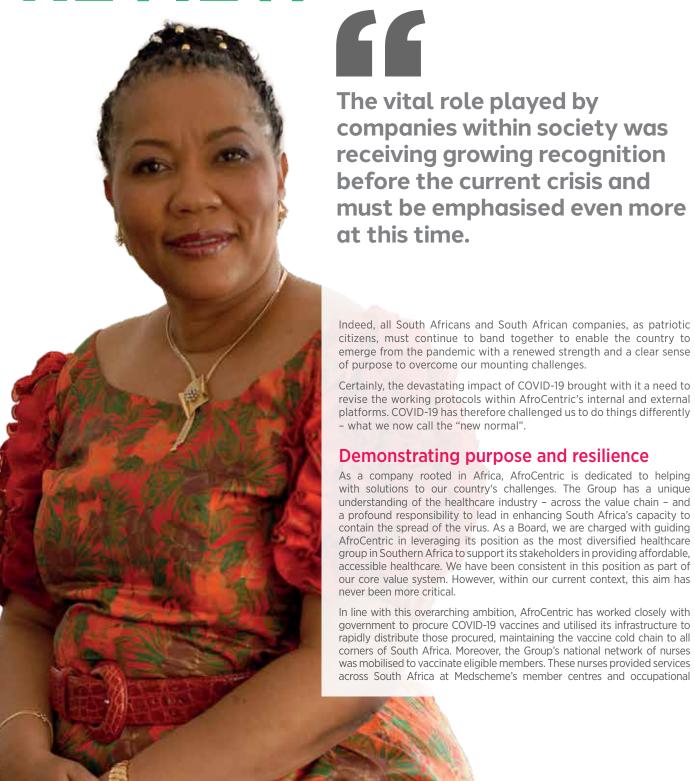








# CHAIRMAN'S REVIEW



health and primary health clinics nationwide. Furthermore, the Group's outreach work-based vaccination programmes have incorporated the use of mobile vehicles to deliver vaccines at members' points of work, which have also included scheme-sponsored pop-up sites. To further support access to healthcare during this time of genuine crisis, innovations such as the Group's VirtualCare™ application enabled free virtual consultations for all South Africans.

The Group's diversification strategy was not developed within a COVID-19 context but has proven its grit and potential during this unprecedented time. The Company's broad base of diversified healthcare businesses has created stability for investors while enabling the Group to meet heightened stakeholder needs. Looking ahead, AfroCentric's diversification strategy also positions the Group well within an NHI context. While several of AfroCentric's subsidiary entities were already working closely with government before the current crisis, the Group's involvement in the COVID-19 vaccination roll out has further demonstrated the Company's capability to support government's ambitions.

# A heightened focus on broader value creation

The COVID-19 pandemic has revealed the underlying inequality gaps evident between countries and within societies. Access to quality healthcare is chief among these. At the same time, the pandemic, and the collaboration necessary to fight it, have also sparked a renewed sense of purpose and desire to tackle pervasive societal challenges. Certainly, ESG matters were gaining traction before the pandemic, however, the need to focus on sustainable development – to build back better – has become a resounding call from all spheres of society.

The Group continues to provide support to vulnerable parts of society through its enterprise development programme with financial assistance to entities aimed at creating employment while also offering bursaries to qualifying employees and medical students. However, in line with AfroCentric's position as a purpose-led business, the Board, through the Social and Ethics Committee, have focused significantly on these matters and sought to intensify our focus on ESG. Through this endeavour, non-financial matters and corresponding ESG performance indicators will be further integrated into strategic discussions to better place the Company for resilience in the future. Moreover, to support transparency and in line with best practice, we have committed to enhancing our ESG disclosure in the coming year.

#### Governance and leadership

The Board's primary role is to steer the organisation ethically and to ensure sustainable value creation. Accordingly, we continued to engage with the Executive Committee around the Group's strategy and assess its relevance within the current context. In addition, the Board provided oversight, guidance and counsel as the pandemic progressed to ensure the business responded agilely within a dynamic operating environment. As the Group continues to seek out growth opportunities, we assessed the composition of our Board, taking into consideration the skills necessary to lead such a diversified business (for more information on the Board skills analysis, see page 20).

I am satisfied that the Board performed its duties according to its mandate, setting the tone for the Group to respond with purpose-driven intent, as well as exercising its oversight role in maintaining effective governance and exercising its fiduciary duty.

#### Wellness

Under the Wellness umbrella, this is what we have managed to do for our employees since the Covid pandemic started:



A COVID-19 support group was established, touching at least 1056 employees' lives. The support group is facilitated by qualified medical professionals, psychologists and social workers, as well as a life coach



We take mental health seriously, which is why we have initiated various mental health campaigns throughout the Group



We continue to track and trace COVID-19 positive cases, and employees do not pay for Company-initiated COVID-19 tests



Our COVID-19 Task Team has provided support, guidance and communication to employees throughout the year

#### Outlook

The short to medium-term outlook is decidedly uncertain. As we consider our post-pandemic future, our determination to put better health within reach of all has never been more central to our every action. 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. Indeed, the challenges presented by the pandemic are confirmation that for the NHI to succeed in similar circumstances, we all need to work together with government for the benefit of all citizens. As a Group, we have adapted our strategies to align our business model to the government's health policy direction and have successfully demonstrated our abilities in these strategies.

#### **Appreciation**

On behalf of the Board, I would like to acknowledge the incredible efforts of AfroCentric's management team and employees during an incredibly challenging year and thank them for their unwavering commitment. My gratitude also goes out to my fellow Board members, whose supervision and guidance continue to drive the Group forward in this endeavour. Knowing the mounting challenges our country faces as the pandemic continues to impact us all, I am truly honoured to be leading an organisation that plays such a significant role in society by transforming healthcare.

The Group suffered the loss of 19 employees due to COVID-19 during the year. The losses deeply sadden me, and my heartfelt condolences go out to their loved ones.



Dr Anna Mokgokong Chairman

#### **External environment**

#### **ACCESS AND AFFORDABILITY**

# Understanding the global trend

COVID-19 has exacerbated the issue of unequal access to health and healthcare. According to the World Health Organization, approximately half of the global population currently lacks access to essential health services, and hundreds of millions of people are pushed into extreme poverty every year due to health-related expenses.

Workplace health is also receiving increasing focus, with as many as half of the confirmed cases of some infectious diseases originating in the workplace, driving employers to play a more proactive role in ensuring access to quality healthcare for their workers

Against this backdrop, the private sector can play a pivotal role in broadening access to healthcare by developing innovative and relatively affordable business models.

# Understanding the trend in our context

Risina healthcare costs continue to affect the affordability of medical scheme cover for millions South Africans. As unemployment levels mount due to weakening economic conditions, quality healthcare become increasingly has inaccessible for most of the population. Furthermore, the pandemic has heightened mental health issues, leaving many more vulnerable in the face of adversity.

The Competition Commission's Health Market Inquiry identified many issues that increase healthcare costs and impact the market forces within the private healthcare sector.

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 establishing an NHI Fund, which will purchase services from accredited public and private healthcare providers.

#### Responding strategically

AfroCentric exists to enhance the quality of life for our stakeholders. We seek to achieve this aim through targeted actions to transform healthcare delivery. AfroCentric 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 to develop, test, and implement mutually beneficial and innovative healthcare delivery models and solutions through partnerships with the National and Provincial Departments of Health. The Presidential Social Compact on Health details actions that the public and private sectors can work on collectively to meet the population's health needs through well-designed and implemented partnerships in 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 our involvement in the health sector. This places the Group in a strategic position to work with government on the NHI processes as implementation progresses.

As a Group, we have 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 medicine to government clinic patients across four provinces.

Our involvement in the COVID-19 vaccination roll out has further demonstrated our capability to support government's ambitions. Beyond vaccination, AfroCentric has been actively doing its part to help South Africa manage the spread of the pandemic in other ways, including rolling out COVID-19 rapid testing stations and making our network of experienced and registered nurses available to travel anywhere in the country to assist in vaccination administration.

#### **Related risks**

- » NHI: Uncertainty surrounding implementation could impact investor perception, and Medscheme's client base may be affected once implemented
- » Loss of clients: Reduction of client base
- » Membership: Attracting/ retaining members for our clients
- » Technologies: Remaining relevant in the face of new disruptive technologies

# Related material matters

- » Access to healthcare and medicine
- » Member satisfaction for clients
- » Legal, regulatory and compliance management
- » Business continuity and business model adaptation

#### Link to strategic levers











https://www.worldbank.org Press release 2017.12.13.

#### **HEALTHCARE TECHNOLOGY AND CYBERSECURITY**

### Understanding the global trend

### Understanding the trend in our context

#### Responding strategically

While COVID-19 has presented challenges beyond measure, the pandemic has created an opportunity to increase digital innovation and has accelerated the use of telemedicine, thereby broadening access to healthcare. Mobile technology, in particular, has presented intriguing opportunities to expand access to care in all parts of the world, including in the more remote areas of developing countries.

The growing use of technology in all areas of life and business is likely to further increase the risk of **cybercrime** and therefore the need for cybersecurity and information security strategies, which require ongoing optimisation, investment and skills development to ensure business preparedness and continuity.

The increasing connectivity and mobility, as well as the growing mobile phone penetration on the continent. opportunities offer to penetrate new markets and reach new members through online automated products and services and to significantly broaden access to healthcare and personalise virtual care.

The development of the National Digital Health Strategy for South Africa, 2019 – 2024, launched in the context of the massive reorganisation of the healthcare system required for the NHI implementation, will see many changes to how healthcare is delivered in our country.

Cybersecurity was rated as the top business risk in South Africa for 2021<sup>1</sup> and is considered one of our business's core risks and priorities.

AfroCentric is leveraging technology to innovate a new integrated model of sustainable healthcare that measurably improves access to quality care to achieve our vision and remain competitive. In addition, our growing data capabilities support our strategy to eliminate inefficiencies within the healthcare industry and optimise the value chain.



#### Related risks

cyber defence controls and

» Cybersecurity: Ineffective

mechanisms to protect

systems and data against

malicious cyber attacks

critical infrastructure,

## Related material matters

- » Cybersecurity and information security
- » Access to healthcare and medicine
- » Business continuity and business model adaptation

#### Link to strategic levers











- » Technologies: Remaining relevant in the face of new disruptive technologies
- » Loss of clients: Reduction of client base
- » Membership: Attracting/ retaining members for our clients
- https://www.allianz-africa.com/en GB/press-and-media/barometer-risk-2021-allianz.html.

#### **External environment** continued

#### **SPECIALI**SED SKILLS SHORTAGES

### Understanding the global trend

# The skills shortage present in many sectors requires employers to increasingly invest in the development of skills in employees and adopt a broader perspective – where the development of skills not only benefits the business in the short term but also provides long-term benefits to the industry and the country as a whole.

Shifting demographics and different work expectations can also result in a much higher turnover than in previous generations. Moreover, younger generations are not simply looking for employment anymore but choose jobs that offer them personal and professional development opportunities, agency in the team, and a sense of purpose and fulfilment. These shifts significantly change best practices in employee acquisition, development and retention and challenge businesses to find more meaningful ways to engage with employees.

### Understanding the trend in our context

A significant risk affecting employee acquisition and retention is the overall skills shortage present in the sector.

Broader societal problems such as rapid mental health deterioration within a pandemic context also affect employee acquisition, talent management, and retention, increasing the need to foster collaborative models, team building, and employee mentoring.

#### Responding strategically

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 our 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 our Group and expands to the suppliers and communities we directly impact, as well as the broader society through our health management initiatives.



#### Related risks

### Related material matters

» Employee acquisition, talent management and retention

#### Link to strategic levers







- » People risk: Skills shortage or inability to attract necessary dedicated resources
- » Transformation: Maintaining level 1 status
- » Staff retention: Failure to attract/ retain critical staff and scarce skills
- » Organisational culture risks: Necessity to optimise organisational culture to enhance individual and Company performance

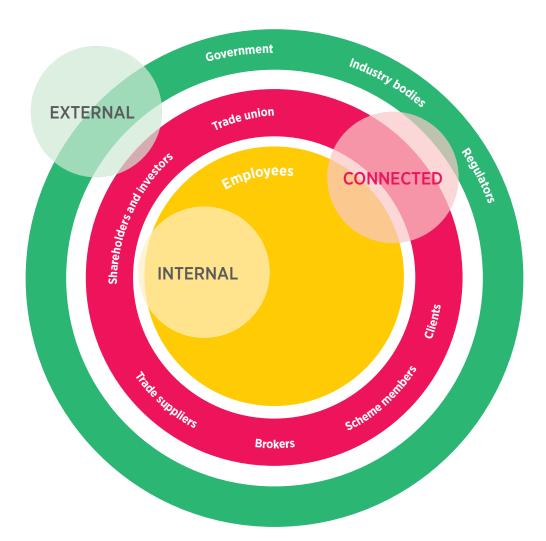
# OUR STAKEHOLDERS

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

AfroCentric considers its stakeholders as individuals and groups who are interested in, or affected by, our activities. We understand that the levels of engagement will vary between stakeholder groups based on their levels of influence or interest. We therefore analyse and classify our stakeholders according to their interests and influence to enable tailored levels of engagement to meet their unique needs.

The Board and executive management adopt an inclusive approach to stakeholder management – 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.



#### Our stakeholders continued

# 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 Services

#### How we engage

- » Integrated report and AFS
- » Interactive Group website
- » Participation at public and industry forums
- » Publications

#### 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 and demarcation products and the need for them to be wound down by no later than March 2022

#### Responding to our stakeholders' needs

A vital contribution that AfroCentric has made on this debate is the submission of technical commentary as an alternative to pursuing the summary decision to wind down demarcation and low-cost benefit option products by 31 March 2022. We recommended that CMS undertake a more consultative approach.

#### **Capitals impacted:**





### **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
- » Doctors' Health Council
- » Public Health Enhancement Forum
- » Business for South Africa

#### How we engage

- » Integrated report and AFS
- » Interactive Group website
- » Participation at public and industry forums
- » Publications

#### 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

#### Responding to our stakeholders' needs

- » Ongoing engagements with government and regulators regarding the NHI Bill
- » Ongoing engagements with government and regulators through various processes to understand strategies for COVID-19 and determine how best AfroCentric can participate and support
- » 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)

#### Capitals impacted:





# EMPLOYEES AND TRADE UNIONS

#### How we engage

- » Integrated report and AFS
- » Ongoing dialogue through established channels
- » Forums
- » Company intranet and newsletters
- » Managers/team dialogues
- » Surveys and employee presentations
- » Focus group sessions
- » Employee culture campaigns

#### Key concerns raised

- » Conditions of employment
- » Wages and benefits (wage negotiations)
- » Creation of a positive working environment
- » Diversity awareness
- » An inclusive journey
- » Reward and recognition
- » Strong, ethical leadership

#### Responding to our stakeholders' needs

We created a culture roadmap based on employee feedback through our ACTFirst campaign and focus group sessions, which was rolled out during the 2021 financial year.

We have established the following forums as part of our stakeholder engagements to deepen dialogue; namely:

- » National Bargaining Forum: This will assist in streamlining all our annual wage negotiations
- » Monthly Union Meetings: These meetings are meant to inform the union on all our current and future strategic projects. This forum is also used to provide updates on topical issues like COVID-19/return-towork project/work-from-home projects and the like
- » Chairpersons Forum: This forum is used to groom Chairpersons within the Group, and to have a panel of available Chairpersons in any given month

#### Capitals impacted:







# 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,
- » Closed schemes: AECI, Barloworld, GEMS, Horizon, MBMed, MEDipos, NedGroup, ParMed, POLMED, SABC, SAMWUMED
- » Outside SA schemes: NAMMED, Namibia Health Plan, Sovereign Health

#### How we engage

- » Integrated report and AFS
- » Presentations
- » Meetings
- » Email communication
- » Symposiums
- » Voice of the customer survey

#### 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

#### Responding to our stakeholders' needs

- » 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 copayments
- » Supplemented administration and managed care services with additional contracts

#### Capitals impacted:





#### Our stakeholders continued

### **QUR** SHAREHOLDERS -AND INVESTORS

» Institutional and individual investors

#### How we engage

- Integrated reports and AFS
- Corporate website
- SENS announcements
- Investor days and roadshows
- One-on-one meetings with executive management
- Interim and annual results presentations

#### Key concerns raised

- Sustainable value creation
- Consistency in delivery on strategy
- Consistent financial performance
- Sound investment returns
- Working capital and capital allocation
- Interest in expanding business to rest of Africa
- ESG issues

#### Responding to our stakeholders' needs

- With effective delivery against our growth strategy, we achieved:
  - Net asset value (NAV) per share of 5.67% (2020: 5.44%)
- We remain committed to engaging with our investors in an open and transparent manner
- We communicate our value creation story and strategy through our Integrated Report
- AfroCentric does not currently have aspirations to expand further into Africa, and we have exited our Zimbabwe and Eswatini operations during the year
- » Enhanced focus on ESG issues and reporting

#### Capitals impacted:







#### Stakeholder matters in focus

We seek to maintain high levels of corporate transparency. This serves to build and maintain trust with our stakeholders, growing social capital that enables value creation and protects against value erosion. Below is a summary of key matters that arose as areas of heightened stakeholder interest during the year.



As the South African healthcare system strives to fast-track COVID-19 vaccinations, the Group has been on the frontline - leveraging our diversified healthcare business to support this critical endeavour.

We believe that our efforts align with our purpose-driven model and have served to demonstrate our capability to support government's healthcare ambitions.

To better understand how we are responding strategically to support government's ambitions to enable universal access to healthcare within an **NHI context**, please see:

- Creating value through purpose, IFC
- » External context Access and affordability, page 32

For more information on our role in the national vaccination roll out, please see:

- » Living our purpose through the pandemic, page 7
- » Chairman's review, page 30
- CEO's review, page 49

- Government and regulators
- Clients
- Shareholders and investors
- Access to healthcare and medicine



The Group continues to follow a prudent approach to capital management, and working capital management has likewise been an area of heightened focus for the year.

For detail on these topics, please see our CFO review on page 57.

- Shareholders and investors
- Access to healthcare and medicine
- » Business continuity and business model adaptation



In early 2019, several healthcare providers and the National Health Care Professionals Association made allegations of unfair treatment by medical aid schemes based on race and ethnicity. As a result, the CMS launched an investigation into these allegations in terms of its regulatory mandate.

It is our fiduciary duty to safeguard members' funds and their access to affordable quality healthcare. Notably, the providers we investigate constitute less than 2% of the total practices paid by Medscheme. At all times, we pursue forensic processes that are fair, transparent and within the law. Following the release of the Section 59 Investigation Panel Interim Report, we submitted a formal response.

Stakeholders	Related material matters					
<ul><li>» Industry bodies</li><li>» Clients</li></ul>	» Access to healthcare and medicine					
" Clients	» Legal, regulatory and					
» Shareholders and investors	compliance management					



AfroCentric does not currently have aspirations to expand further into Africa, and we have exited our Zimbabwe and Eswatini operations during the year. Instead, our ambition is to focus on our South African businesses and our operations in Namibia, Botswana and Mauritius, and sustainably grow these over time.

Stakeholders	Re	elated material matters
Shareholders and investors	<b>&gt;&gt;</b>	Access to healthcare and medicine
	<b>»</b>	Business continuity and business model adaptation

The first arbitration case determined in the Neil Harvey and Associates (NHA) case was NHA's claim regarding Medscheme's use of a copy of an offline and online broker software module known as the EMI Broker software from 2005 to 2007. Medscheme had provided the specifications and assisted in developing this software and therefore considered the organisation entitled to use the software during the above period. Claims relating to this matter amounted to approximately R24 million (as a royalty) plus interest, which NHA sought to claim from about 2005.

The dispute over this issue was heard in July and August 2020, and an award was given during October 2020. The arbitrator ruled that NHA was entitled to only R2.7m, with interest only from October 2020 to the date of payment and costs.

The arbitrator, however, found that Medscheme's contribution fell short of the contribution required for joint authorship and ownership of the software, but as indicated, limited NHA's claim to R2.7m and costs. The arbitrator further dismissed NHA's claims against three of Medscheme's former executives and also awarded Medscheme the costs of a previous postponement of the arbitration.

Thus both NHA and Medscheme were ordered to pay costs. The next part of the case relating to the extension of the licensing agreement of the NHA administration system will commence in February 2022.

Stakeholders	Related material matter
» Shareholders and investors	» Legal, regulatory and compliance management

#### **Our material matters**

During the year, we underwent a full materiality review to determine the relevance of our material matters within a dynamic context. The change in reported matters has resulted from this review.

#### **Determining what matters most**

Our external environment (see page 32) influences our ability to create value and achieve our strategic pillars (see page 52), along with our relationships with our stakeholders (see page 35) and the risks and opportunities derived from these contexts. Therefore, we determine material matters by assessing these factors and aligning them with our strategy.



Our **external 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. (see page 32)





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. (see page 35)





Our **enterprise risk management** process evaluates the external environment and our stakeholders' expectations. We then outline the risks and opportunities that can significantly 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. (see page 98)





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 with 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. (see page 40)





To ensure our **strategy** is both responsive and progressive, a robust understanding of our material matters is critical. We ensure that our strategy incorporates matters that have the potential to influence our ability to create value in the short, medium and long-term. (see page 52)

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



- A. Access to healthcare and medicine
- B. Member satisfaction for clients
- C. Cybersecurity and information security
- D. Business continuity and business model adaption
- E. Legal, regulatory and compliance management
- F. Political and societal risk
- G. Employee acquisition, talent management and retention

#### Access to healthcare and medicine

#### Link to macro trends

» Access and affordability

#### Related capitals







#### Impacted SDG



#### What it entails

This matter covers initiatives aimed at expanding access to comprehensive, quality healthcare services. It includes initiatives that target cost reduction and increasing access to medicine and treatments for more people.

#### Why it matters most

The pandemic has exposed the lack of capacity of most medical systems and led to shortages of medical supplies, lack of support for medical staff and delayed treatment of emergencies and chronic diseases. Furthermore, as unemployment rises and GDP/capita declines, quality healthcare becomes increasingly inaccessible for the majority of the population.

#### How we're responding

- » Implemented disruptive strategies to eliminate inefficiencies in the healthcare value chain
- » Adopted technology and other initiatives to curtail costs
- » Collective bargaining
- » Alternative reimbursement models with risk-sharing agreements
- » Successful tariff negotiations
- » Management of supplier-induced demand
- » FWA initiatives

#### Related risks

- » NHI: Uncertainty surrounding implementation could impact investor perception, and Medscheme's client base may be affected once implemented
- » Loss of clients: Reduction of client base
- » Membership: Attracting/retaining members for our clients
- Technologies: Remaining relevant in the face of new disruptive technologies

#### Related opportunities

The private sector can play a crucial role in funding health for all by developing innovative and relatively affordable business models. The exponential mobile phone penetration growth, combined with the use of new technologies, can offer vast opportunities for member education and disease prevention to increase members' overall health and decrease medical costs. Telemedicine and artificial intelligence for diagnostics provide further opportunities to reduce costs and increase access through automation.















#### Our material matters continued

#### Member satisfaction for clients

#### Link to macro trends

- » Access and affordability
- Healthcare technology and cybersecurity

#### Related capitals









#### What it entails

This matter encompasses strategies and processes that seek to meet or surpass member expectations to create a positive experience and build member loyalty for our clients.

#### Why it matters most

Escalating healthcare costs place pressure on member retention for our clients. Ensuring excellence in customer service models is critical in retaining members considering options due to economic forces. Furthermore, COVID-19 accelerated the digitisation of business and customer engagement models. Successful digitisation impacts customer satisfaction as customers now expect to be serviced digitally.

#### How we're responding

- » Focused on providing innovative digital solutions to meet member needs and enhance efficiencies
- » 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

#### Related risks

- Loss of clients: Reduction of client base
- » Membership: Attracting/retaining members for our clients
- Technologies: Remaining relevant in the face of new disruptive technologies

#### Related opportunities

New technologies offer significant opportunities for automation, thereby reducing the costs and time involved in healthcare, particularly diagnostics. The new technologies also provide enhanced member education and disease prevention options, which can significantly increase member satisfaction and reduce disease and claims. In addition, innovative approaches and collaborations with other industry partners can provide more holistic and patient-centric products and services that support member retention.













#### Cybersecurity and information security

#### Link to macro trends

- » Healthcare technology and cybersecurity
- » Specialised skills shortages

#### Related capitals









Impacted SDG

#### What it entails

This matter refers to securing critical information systems and networks from security breaches, which might disrupt core operations or lead to illegal access, destruction, alteration or disclosure of protected data.

#### Why it matters most

Cybersecurity was rated as the top business risk in South Africa for 2021 by Allianz. The push for telemedicine and virtual care, the development of new technologies, as well as the increase in remote work arrangements significantly heighten the importance of cybersecurity and information security, converting cyber threats and data privacy management into one of the core risks and priorities for business globally. In South Africa, the shortage of skilled workforce in the sector, paired with adverse conditions like power shortages, lack of digital infrastructure and outdated infrastructure only increase cyber risks and the need for cybersecurity and information security strategies and models that are up to date. Furthermore, POPIA became effective during the financial year, escalating the critical importance of protecting personal information.

#### How we're responding

- » 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
- » Implemented Privileged Account Manager, which is a supervisory tool to track activities and changes by privileged users
- » Advanced threat analytics technology strengthens the security of our systems
- » Cybersecurity strategy review ensures continuous updating of systems, including web application firewalls

#### Related risks

» Cybersecurity: Ineffective cyber defence controls and mechanisms to protect critical infrastructure, systems and data against malicious cyber attacks

#### Related opportunities

While cybersecurity is largely defensive, we recognise an opportunity to be a leader in skills development in this area and be seen as a leader in the field.















#### Our material matters continued

# Business continuity and business model adaptation

#### Link to macro trends

- » Healthcare technology and cybersecurity
- » Specialised skills shortages

#### Related capitals











Impacted SDGs



#### What it entails

Refers to the plans, protocols and systems to ensure continuity of business operations during and after crises. It also entails strategies to enable business model adaptation in the face of actual or potential changes in the external environment.

#### Why it matters most

The risk of infectious disease remains high beyond the current crisis (ranked 4th in terms of likelihood in the World Economic Forum's Global Risk Report). In a connected world, an outbreak anywhere is a risk everywhere. Business preparedness in the face of this and other business continuity risks therefore remains critical.

The growing use of technology in all areas of life and business is likely to further increase the risk of cybercrime and therefore the need for cybersecurity and information security strategies to support business continuity. These require ongoing optimisation, investment and skills development to ensure business preparedness and continuity.

Business model adaptation, especially in terms of technological innovation, remains critical to our ongoing success. 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.

#### How we're responding

- » Business continuity planning within the Group continuously updated and reviewed by the Audit and Risk Committee
- » Continuity plans are in place to ensure the services we provide to our clients are not materially impacted
- » ICT Committee reviewed all ICT policies, including the business continuity plan

#### Related risks

- » Technologies: Remaining relevant in the face of new disruptive technologies
- » People risk: Skills shortage or inability to attract necessary dedicated resources
- » Staff retention: Failure to attract/retain critical staff and scarce skills

#### Related opportunities

Business continuity planning is largely defensive in nature – protecting against value erosion resulting from the inability to provide critical services to our clients and their members.

#### Strategic levers















http://ebrary.ifpri.org/cdm/ref/collection/p15738coll2/id/126825.

# Legal, regulatory and compliance management

#### Link to macro trends

» Access and affordability

#### Related capitals







### 3 GOOD HEALTH 8



Impacted SDGs





#### What it entails

Ensuring compliance with relevant laws, policies, and regulations is critical. This matter also includes several processes for recognising and proactively addressing risks of litigation or regulatory action, and seeking to prevent disputes from arising or escalating.

#### Why it matters most

The NHI Bill has come about to address universal access to healthcare in our country. Therefore, we are supportive of the NHI system, believing it will lead to better access and quality of healthcare for all South Africans. This does, however, represent a structural change to the healthcare system and impacts our business from a legal, regulatory and compliance management perspective.

Looking globally, we see an overall global trend towards higher levels of corporate accountability, going beyond regulatory compliance into additional voluntary social and environmental responsibility. Moreover, multilateral agreements such as the Paris Environmental Accord and the African Continental Free Trade Agreement, to which South Africa is a signatory, are likely to affect compliance in the coming years in the areas of emissions, pollution and trade tariffs. The rapid technological acceleration we are experiencing also impacts regulatory compliance criteria.

#### How we're responding

- » Diversified revenue sources and service and product offerings
- » Partnered with government to drive universal healthcare agenda
- » Leveraged existing contractual arrangements with National and Provincial Departments of Health (DoH). For example, CCMDD, to roll out COVID-19 pandemic responses
- » Leveraged existing relationships with private hospital groups to design and implement interventions to support National and Provincial DoH in dealing with COVID-19 related infections
- » Engagement with government to pledge support, offer solutions and identify opportunities for private sector involvement in the COVID-19 pandemic response

#### Related risks

- » Loss of clients: Reduction of client base
- » Membership: Attracting/retaining members for our clients
- » CMS Section 59 investigation: The current CMS investigation into forensic practices (see page 39 for more information)
- » NHA litigation: Alleged Breach of Copyright claim against Medscheme (see page 39 for more information)

#### Related opportunities

AfroCentric is positioning itself as a private sector partner with the expertise and experience to constructively participate in an evolving healthcare environment.

Collaborative approaches that include active engagement and transparent communication with communities and stakeholders can provide significant opportunities to address potential reputational threats early on, enabling AfroCentric to be positioned as an accountable and responsible corporate citizen. We therefore utilise a stakeholder management framework throughout the business.







#### Our material matters continued

#### **Political** and societal risk

#### Link to macro trends

» Access and affordability

#### Related capital



#### Impacted SDGs







#### What it entails

This matter encompasses economic, political and societal issues that may pose risks to the Group.

#### Why it matters most

In South Africa, high levels of inequality remain largely unaddressed, with the country showing the same income and wealth inequality levels as in 1994 (GINI Coefficient 0.66). In addition, increasing living costs and growing unemployment enhance social risk. The social unrest experienced in regions of South Africa during July 2021 can be seen as evidence of this growing risk.

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.

#### How we're responding

- » Maintained our B-BBEE status at level 1 (this status is valid from 22 December 2020 to 21 December 2021)
- 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 through targeted interventions to achieve more inclusive growth
- Create an environment enabling transformational development in an equitable and socially responsible manner
- » Extended relationships with critical stakeholders for the betterment of the organisation in relation to B-BBEE
- Promoted a professional, ethical, dynamic competitive and customer-focused environment with regard to B-BBEE
- Ensured all stakeholders are aware of the purpose of the B-BBEE Act
- » Increased visibility by providing activities, education and resources

#### Related risks

» Transformation: Maintaining level 1 B-BBEE status

#### Related opportunities

Transformation - across all parts of the business - is a critical imperative. We seek to support the national agenda, including alleviation of poverty and inequality and believe that our B-BBEE initiatives should go beyond a tick-box approach to genuinely seeking to redress inequalities and promote real transformation. Considering the lack of quality education for a majority of youth in the country, ongoing long-term investments into skills development and employability programmes for youth can provide a significant opportunity to tackle the general skills shortage while also providing solutions towards youth unemployment, youth disillusionment and civic unrest.





#### **Employee** acquisition, talent management and retention

#### Link to macro trends

» Specialised skills shortages

#### Related capitals







#### **Impacted SDGs**





#### What it entails

This matter includes how we go about recruiting, managing and retaining employees to build a skilled and capable workforce that supports sustainable growth.

#### Why it matters most

Our talented people are the driving force behind our success. An overall skills shortage in the sector is therefore a significant risk. This skills shortage is due mainly to limited skills development, lack of attractivity of the industry and an additional brain drain towards countries with higher revenues. A further significant risk is found in shifting demographics and different work expectations and career trajectories in millennials and younger generations that present a much higher employee turnover than previous generations. Younger generations choose jobs that offer them opportunities for personal growth and a sense of purpose and fulfilment.

#### How we're responding

- » 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
- » Undertook numerous training and development initiatives
- » Developed internal talent pipelines for critical roles
- » Reviewed short-term and long-term incentives

#### Related risks

- » People risk: Skills shortage or inability to attract necessary dedicated resources
- » Transformation: Maintaining level 1 status
- » Staff retention: Failure to attract/retain critical staff and scarce
- » Organisational culture risks: Necessity to optimise organisational culture to enhance individual and organisational performance

#### Related opportunities

Investments in skills development programmes offer an opportunity to tackle the skills shortage, address growing youth disillusionment, benefit the development of the industry while enhancing social capital and social stability.

If harvested, the desire of younger generations for more agency, inclusion and purpose on the job offers significant benefits to companies. AfroCentric, as a purpose-driven Company, is wellpositioned in this regard. In addition, initiatives to improve mental health within the Company and the local community also provide long-term health and financial benefits and further strengthen human and social capital.

# Strategic levers (\*\*)







# RESPONDING STRATEGICALLY

# **CEO'S REVIEW**



66

At the start of 2020, we could not have imagined the widespread impact of a virus yet to be named. Moreover, more than a vear and a half on from our first hard lockdown. we find ourselves still in the riptide of the ongoing devastation. By any measure, the world has been dominated by mounting challenges and perpetual uncertainty. However, amid it all, the pandemic has served to clarify our priorities and entrench our purpose in a way we could not have imagined.

#### **CEO's review** continued

# Progressing purpose-driven collaboration in the fight against COVID-19

The world needs the COVID-19 vaccines. A global effort has led to the successful development of multiple vaccines, and further cooperation is necessary to enable the optimum roll out of the vaccination process. There was never any doubt that AfroCentric would use the full might of our diversified business to answer this call.

AfroCentric has therefore remained on the frontline in efforts to help the country in its fight against COVID-19. We have continued to do what we do best by ensuring that our over 3.8 million beneficiaries – who make up a large percentage of those who have, or will be, vaccinated – are protected and given the care they deserve. With more than 10 years of experience in delivering vaccination services to individuals across South Africa, we are proud to be again lending a hand, especially at a time like this.

From the inception of the vaccination roll out, we had our internal war room team working on the logistics required. To achieve this massive undertaking, entities within the AfroCentric Group have partnered to deliver national influenza (flu) and COVID-19 vaccination campaigns on behalf of our clients. We are currently operating six vaccination sites, and the mobile nurse network has delivered outreach services to worksites of participating employer groups. This critical work has been conducted around the clock through innovative models of public-private partnerships and new heights of purpose-driven collaboration.

During the period, we also rolled out COVID-19 rapid testing stations at two major South African airports – OR Tambo International and Cape Town International – where international travellers can receive a COVID-19 antigen test upon touchdown in South Africa. The testing stations are a joint effort between two of our subsidiaries, MMed and FastPulse. MMed provides the medical equipment (including PPE), with nursing staff from FastPulse administering the nasal swab tests to travellers, proving once more how impactful our differentiated and collaborative health offerings can be. These developments, along with many others across our various businesses, further strengthen our efforts to enhance South Africa's capacity to contain the spread of COVID-19.

Education has likewise been a critical area of focus for our roll out plan. Nelson Mandela famously said, "Education is the most powerful weapon that can be used to change the world". We therefore see our educational efforts as being on par with our other actions in the fight against COVID-19. I have taken every opportunity to speak to our staff, the media and other stakeholders. We have also rolled out various initiatives, including educational videos, talks from our registered nurses and one-on-one counselling.

As a Group, we are humbled to continue contributing to the government's efforts as we forge ahead with these endeavours that contribute to saving lives, rebuilding our society and restoring economic activity.

# Delivering on our strategic ambitions in an uncertain context

Our diversified business model and focus on sustainable growth have enabled us to continue to achieve our highest ambition of enhancing the quality of life of our stakeholders by transforming healthcare. The impact of the Group's deliberate diversification strategy on our resilience within the current context is particularly evident when measuring the impact of the pharmacy cluster, now fully integrated into the Group offerings.



This critical work has been conducted around the clock through innovative models of public-private partnerships and new heights of purposedriven collaboration.

The medicine management contracts won by Scriptpharm during the previous year have positively bolstered the profits of the pharmaceutical cluster. In addition, we have seen an increasing volume of activity in Pharmacy Direct and pleasing growth within Activo Health, which has been continuously boosted by vitamins and chronic medicine sales. The completion of the acquisition of the DENIS group was another notable contributing factor in generating growth in comparative cluster operating profits in excess of 20.8%. We continued to pursue our Pharmacy Direct automation project with the intent to fully automate our private facility, which serves medical scheme members in South Africa, filling approximately 169 000 scripts per month. We have also pursued the partial automation of our CCMDD facility to enhance efficiencies. Additionally, we are pleased to report that Pharmacy Direct launched an online shop – available to all our patients and the public to strengthen our offerings and utilise other integration platforms in the Group, such as VirtualCare  $^{\text{TM}}$ . The cluster has contributed significant value and relief in meeting all stakeholder needs, particularly during the stressful times under COVID-19.

The medical aid administration, risk management and technology cluster, substantially comprising the medical scheme administration business, has performed well. The Group's continued focus on cost efficiencies and process improvement has yielded satisfactory results. The cluster has leveraged our Group-wide capabilities through our integrated model, resulting in 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. In addition, the cluster has escalated the use of automation solutions and machine learning and artificial intelligence to refine our operational business model. Despite the loss of medical scheme members and members buying down on their medical aid options due to significant economic pressures, the stable and consistent fee structures in this business unit, along with the new measures and more effective cost controls described above, enabled the cluster to increase its operating profit by a satisfactory 15.3%.

### Focusing on growth that sustainably transforms healthcare

AfroCentric has focused on growth initiatives designed to create a value chain of healthcare enterprises to maximise the purchasing power of individuals' healthcare spend. In addition, through models of cooperative partnerships and collaboration, we seek to improve the affordability of patient care, with viable patient outcomes for easier accessibility to a broader community.

In keeping with that principal philosophy, we continued to seek out enabling growth opportunities during the period under review. As a result, ACT Healthcare Assets acquired the remaining 20% of the shares in Scriptpharm Risk Management, effective 1 August 2020. Furthermore, as mentioned earlier, ACT Healthcare Assets acquired 100% of the shares in the DENIS Group, which specialises in dental benefits management. The transaction will enable the Group to focus on innovation and efficiency management in dental treatment offerings to all South African medical schemes and their members.

Activo Health acquired Exeltis SA (effective 1 August), the holding company of Forrester Pharma and Lamar International. The acquisition is consistent with AfroCentric's growth objectives in the healthcare sector and will serve to strengthen Activo's product offering to the pharmaceutical market.

Medscheme was awarded the GEMS managed care contract for the next five years. For AfroCentric, this means we proudly continue our long-standing relationship with South Africa's largest closed scheme, representing 760 000 principal members and 1.9 million lives. The new contract includes additional services not previously part of the managed care contract regarding HIV management, maternity management and expanded services relating to medicine management. Furthermore, the POLMED contract was also renewed during the year.

Pleasingly, FastPulse concluded a contract to provide COVID-19 occupational health and safety support for the Western Cape's Economic Development and Tourism Department. We were also awarded the Black Rock Mine contract for occupational health and associated services.

Given the challenges faced in our operations in Zimbabwe and Eswatini, we exited these areas during the year.

#### Powered by our people

While the fierce headwinds of COVID-19 have put our most deeply held values to the test, our people have, time and time again, proven their resilience and commitment to delivering on our ambition of improving the quality of life of our stakeholders. Through the various alert levels and restrictions, our people have collaborated and supported one another to achieve broader aims.

This was aptly demonstrated post-year-end as we navigated the unrest in areas of the country. Indeed, July 2021 will be remembered as a poignant month in our country's history. The unrest shook us all. As the AfroCentric family, however, we were proud to support our colleagues in KwaZulu-Natal, who were the hardest hit. Our people leaned in to help one another – whether it was lending a hand with the packaging and distribution of food parcels or donating to the aid fund. Seeing the collective efforts of care provided a ray of hope in the midst of a dark time in our country.

Throughout the year, as COVID-19 continued to challenge us on all fronts, creating a safe working environment for our employees, whether they worked from home or the office, remained a top priority. With this in mind, it is with great regret that I report that we lost 19 of our colleagues during the year due to COVID-19 related causes.

Within this context of genuine loss, uncertainty and constant change, we have recognised the need to heighten our focus on mental health and wellbeing – for both our staff and members. We therefore launched the Mental Health Project to address this growing need (see page 69 for more information).

#### Outlook

While almost all South Africans have, in one way or another, been affected by COVID-19, the full impact of the pandemic on our economy is not yet fully measurable. It is anticipated that economic weakness will continue in 2022 and beyond, as South Africa strives to overcome the effects of the pandemic and reboot economic activity.

While medical scheme membership was expected to fall dramatically, we have seen members do everything in their power to retain their existing health cover, not only for their own protection but also for the health needs of their families. Recognising this, and in line with the Group's strategy to reduce the cost of healthcare, we will maintain our focus on driving efficiencies and supporting members' health, with greater emphasis on lifestyle risk management and mental wellbeing.

The financial position of the Group remains sound. We are sufficiently capitalised to meet immediate needs, and management will continue 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 our strategy in response to any such events.

Our future focus will remain on enhancing 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**

I am profoundly humbled by the opportunity to lead AfroCentric as we seek to meet critical needs through our purpose-driven model. I would like to extend my heartfelt gratitude to all those who have assisted in the fight against the pandemic, which most certainly includes our people across the Group. The ability of the business to continuously pivot to meet changing regulatory and stakeholder needs is a testament to the strength of our people, who have prioritised service excellence at every juncture – recognising the critical nature of the work we do.

The last year has not been easy. I thank all the members of the Board for their invaluable contributions, guidance and oversight. The management teams have also gone above and beyond in ensuring we are able to deliver sustainable healthcare in a context when it has been needed most.

The Group is grateful for the ongoing support from our operating subsidiaries, our schemes, and other stakeholders. We remain steadfastly focused on delivering on our commitment to transform healthcare, both in and beyond the current crisis.

Ahmed Banderker

**Group CEO** 

#### Unpacking our strategy and approach

### Our strategy informs our business model for sustained value creation

AfroCentric is the most diversified healthcare company in Southern Africa. By completing the integration of new acquisitions into our business and leveraging the power of technology to transform client service, we are evolving our business model and moving closer to achieving our ultimate goal of transforming healthcare.

# OUR LONG-TERM OBJECTIVE

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





# THIS REQUIRES THAT WE

**Grow** and strengthen our businesses

Diversify our business mix with new products and services

Achieve greater operating excellence

Our strategic pillars (medium-term objectives)

# WHICH WE'LL ACHIEVE THROUGH

#### **Our strategic levers**

(short- to medium-term objectives)



OUR PEOPLE



OPTIMAL STRUCTURE



OUR CLIENTS AND MEMBERSHIP GROWTH



SERVICE MODEL



TECHNOLOGY



PHARMA CLUSTER

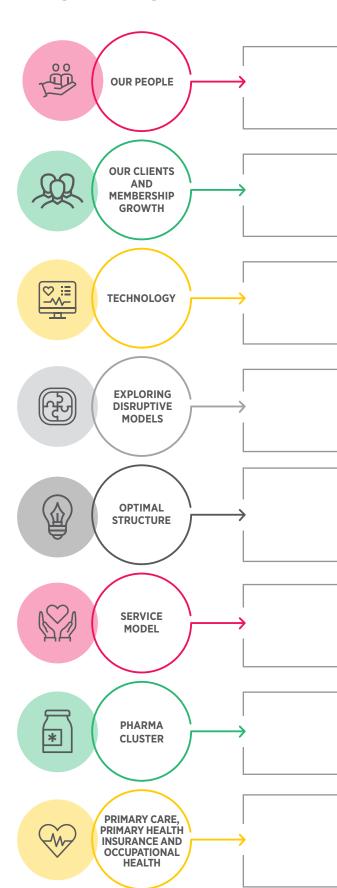


EXPLORING DISRUPTIVE MODELS



PRIMARY CARE, PRIMARY
HEALTH INSURANCE
AND OCCUPATIONAL HEALTH

### **Executing our priorities** through our strategic levers



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 out acquisitions that will further our endeavours, during 2021, we focused on assimilating the elements of our value chain to leverage the full benefits of being the most diversified healthcare group in Southern Africa. We are currently in the process of refining our KPIs in relation to this next phase of our strategy to report on relevant indicators per strategic lever. Progress for the year in terms of these levers includes:

	Overview of our performance
Our people are a critical differentiator. We are devoted to helping them grow and fostering a high-performance culture that will help us achieve our strategic goals.	<ul> <li>We implemented the Six Sigma methodology across our business units, which is a method that provides organisations with tools to improve the capability of their business processes</li> <li>Over R17 million spent on enabling staff to work remotely</li> <li>R408 000 spent on bursaries</li> <li>R10.7 million spent on training and development</li> </ul>
We create access to sustainable, affordable, quality healthcare through innovative expertise. We deliver this through an efficient, seamless experience.	<ul> <li>POLMED tender retained</li> <li>GEMS tender retained, with an extension of services and now with over two million lives under management</li> <li>Awarded COIDA contract for clinical coding services</li> <li>Overall scheme growth was 1% despite the negative economic outlook</li> </ul>
We provide cutting-edge technological platforms and transactional systems that are among the best in the world with services such as hosting, switching, administration, health risk management, and clinical applications.	<ul> <li>DevOps implemented in line with our cultural philosophies and practices to increase our ability to deliver applications and services at high velocity</li> <li>Hospital Benefit Management processing has increased, which has reduced our overall human full-time equivalent requirement</li> <li>4% reduction in permanent staff per 1 000 lives while improving service levels</li> </ul>
Our Smart Care integrated strategy promotes tight collaboration between us, schemes and providers, as well as improved access to care for long-term sustainability.	<ul> <li>Over R2.7 billion saved for client schemes through our Smart Care approach</li> <li>Implementation of Outcomes Based Model for our disease management programmes</li> <li>The hospital-at-home product continued to add value during the ongoing COVID-19 pandemic by increasing access to care</li> </ul>
A taxonomy geared towards the business strategy, business goals, and execution, all of which enables us to deliver consistent business outcomes.	<ul> <li>Implementation of real-time availability monitoring effective 1 July with the first 300 users</li> <li>Augmented automated dashboards for operational monitoring, which went live on 1 August</li> <li>Implementation of Single Service Measure as an operational tool to drive functional output at the highest levels</li> <li>Agile methodology adopted for all Medscheme initiatives (226 Group initiatives)</li> </ul>
We leverage big data and best practice analytics to achieve superior operating excellence linked with modern, simple service tools.	<ul> <li>4%+ reduction in calls per 1000 lives</li> <li>Ranked number two on HelloPeter for Bonitas and top 10 for Fedhealth</li> <li>15% increase in self-service channels</li> <li>Our automation rate has improved by an increase in straight through processing</li> </ul>
We offer world-class distribution services for medicine and pharmaceutical products through our value-chain capabilities.	<ul> <li>Acquisitions of Forrester with new dossiers to increase our product range</li> <li>Over R13 million scripts managed</li> <li>32.3% increase in scripts under management</li> </ul>
We enable expanded access to care by leveraging the latest technology and data approaches while driving a superior service experience for all our stakeholders.	<ul> <li>» Implementation of VirtualCare™, which gives patients access to safe, affordable virtual consultations</li> <li>» The acquisition of DENIS enables the Group to focus specifically on cost-effective treatment and innovation in the dental treatment offerings to medical scheme members</li> <li>» Medscheme's online Mental Health Resource Hub was launched to support</li> </ul>

members who may be experiencing mental health issues

#### Understanding our strategic trade-offs

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







The alignment of our core purpose with national and global goals positions us well within a changing South African healthcare context. To successfully achieve our purpose, however, requires a long-term perspective - acknowledging that short-term costs across all six capitals may be incurred in the pursuit of long-term value. This central trade-off plays out in all the decisions listed below.

#### Responding with purpose in the fight against COVID-19

#### Related material matters

- Access to healthcare and medicine
- Business continuity and business model adaptation

#### Link to strategic levers

















#### Analysing the trade-off

Lives lost. Rising unemployment. Social unrest. The pandemic has hit our country hard. There was never any doubt that as a purposeled business, AfroCentric would use the full weight of our diversified healthcare business to respond to the current crisis. This response has gone above and beyond what is required of us contractually to meet the needs of our clients' members. There have been shortterm financial costs (financial capital), as well as additional pressure on our people (human capital) resulting from this above-andbeyond approach. However, taking a long-term view, we recognise that the sustainability of our business relies on the stability of our operating environment. Responding swiftly - utilising our own resources to fight the pandemic - was therefore a strategic imperative. While our chosen response resonates with our purpose and mission, we also believe that our role in supporting government's efforts has further demonstrated our ability to act as a strategic partner within an NHI context (social capital). Moreover, significant lessons have been learnt in the process, which we believe will assist in establishing innovative models of public-private collaboration in the future (intellectual capital).

Financial and human capital invested in our COVID-19 response.





Intellectual and social and relationship capital gained through the process.







# Pursuing operational excellence

#### Related material matters

- » Employee acquisition, talent management and retention
- » Business continuity and business model adaptation
- » Member satisfaction for clients
- » Legal, regulatory and compliance management

#### Link to strategic levers







#### Analysing the trade-off

Our purpose is to enhance the quality of life of our stakeholders. We tangibly achieve this purpose by transforming healthcare – making it more affordable and widely accessible. 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. Achieving the operational excellence required to reduce costs, however, at times necessitates human capital trade-offs. In line with our overarching objective of transforming healthcare, we therefore took the decision to outsource certain elements of our IT requirements to improve operational excellence (reducing financial capital investment requirements) while strengthening our IT capacity (manufactured and intellectual capital) to strategically position the Group within a changing healthcare environment. Pleasingly, however, through discussion with our service providers, many of our retrenched employees were re-employed within these companies.

Retrenchment of employees (**human capital**) as a result of outsourcing of services.





**Intellectual and manufactured capital** of specialist organisations delivering services at reduced costs (**financial capital**) to the business.





## Investing in a future-fit workforce

#### Related material matters

- » Employee acquisition, talent management and retention
- » Business continuity and business model adaptation
- » Legal, regulatory and compliance management

#### Link to strategic levers







#### Analysing the trade-off

As digitisation and automation continue to impact the way we work, we recognise that this also accelerates the rate at which historical jobs become obsolete. This process of change needs to be managed strategically, as rising unemployment in our country places unsustainable pressure on the stability of the operating environment. We therefore invest in upskilling and reskilling our people in line with our changing business needs and investing in change management initiatives to support this process. Furthermore, we invest in job-creating initiatives through our enterprise and supplier development initiatives.

**Financial capital** invested in upskilling and reskilling our employees.

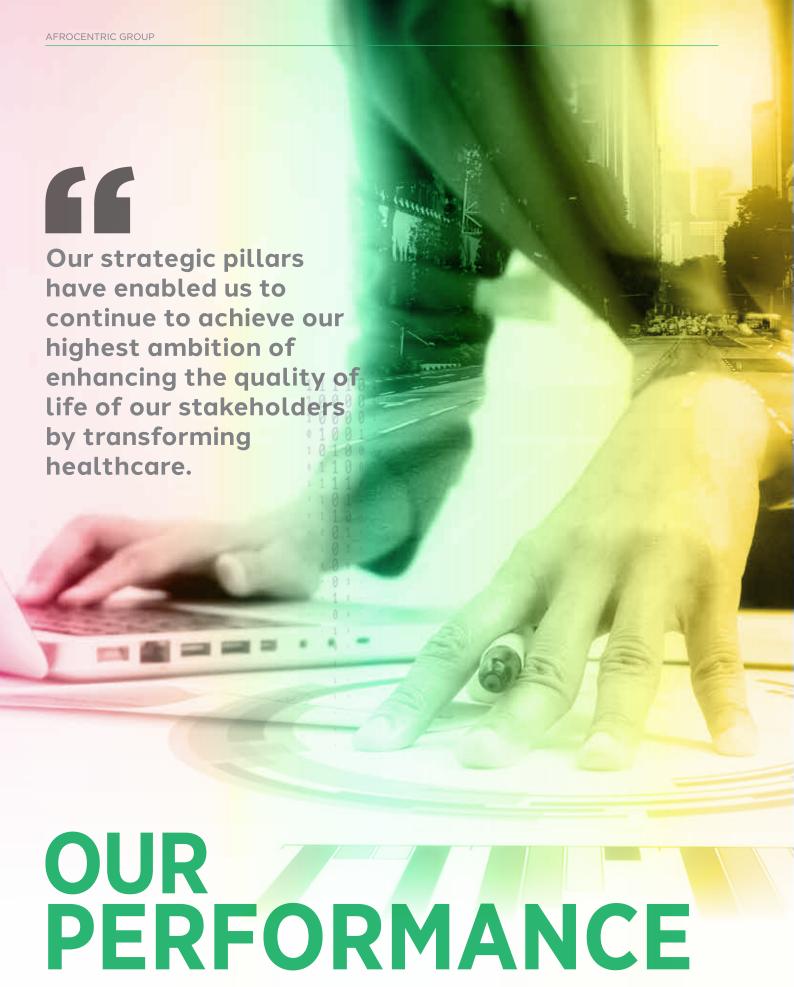




**Human and social and relationship** capital increased through initiatives that upskill and reskill employees and those that serve to stimulate wider employment.







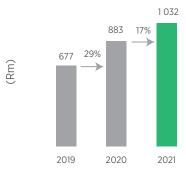
# **CFO'S REVIEW**



#### CFO's review continued

#### Three-year summary of Profit before tax

#### Operating profit\*



\* Operating profit stated after actual lease costs paid to be in line with 2017 standard pre IFRS 16 implementation

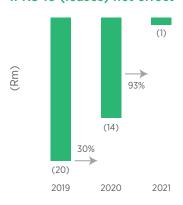
### Net cash finance income/(cost)



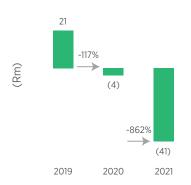
#### Depreciation/amortisation



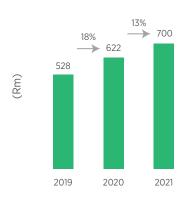
IFRS 16 (leases) net effect



Other (impairments, share based payment)



**Profit before tax** 



During the 2021 financial year, AfroCentric achieved its goal of exceeding a R1 billion earnings before interest, taxes, depreciation, and amortisation (EBITDA) level which was narrowly missed in 2020. As a Group that is still growing and diversifying its product offering in the healthcare market, we are delighted to finally achieve this milestone. While the Group achieved significant growth in its operating profit, this has not filtered down to profit before tax, driven largely by increased depreciation and amortisation in the 2021 financial period. The Group's strategy of diversifying its product offering by investing in the value chain of healthcare services have been the main reason for increased amortisation over the past few years with significant acquisitions like Activo Health in 2019 and Denis in 2020. The investment in our internally developed administration system during 2015 to 2018 with final implementation in the 2019 year have also contributed to enhanced amortisation.

The benefits of the above acquisitions have resulted in growth in the pharmaceutical cluster in excess of 30% whilst the efficiency in which the Medscheme South Africa business is managing its clients are improving with net profit growth of 11% if the Denis acquisition profits are excluded in 2021 (see notes below).

During the year, the Group deployed various digital initiatives where members started interacting directly on a software application or via WhatsApp and even conducting virtual consultations with a general practitioner. These trends and fast growing technology and systems are replacing older client interfacing modules, this has resulted in the Group impairing and derecognising items that are no longer being used. The net impairment impact in 2021 mainly relate to older digital development work that has been replaced.

The Group foresees that we will make similar impairments in the medium to long term as technological advances make software processes more agile and module based and indirectly replaces older development code.

Profit before tax continues to grow in double digits which is aligned to our long term goal of extracting more value out of the healthcare market in South Africa. Notably the strategies and growth rates do vary based on the main healthcare sectors our business units are competing in which is further analysed below.

#### **Healthcare Services Financial Performance**

The traditional medical scheme administration and managed care business that mainly consists of Medscheme have consistently been exceeding expectations in operating profit due to the difficult market conditions they operate in. With limited growth in insured lives in South Africa, the Medscheme membership has been able to retain its membership base consistently in the four largest schemes we manage being, Bonitas, Fedhealth, Polmed and GEMS. In the past twelve months we have recorded net growth in both Bonitas and GEMS which indicates the stickiness the public still have for private healthcare benefits and that the South African middle class have not been impacted too harshly by the reduction in employment.

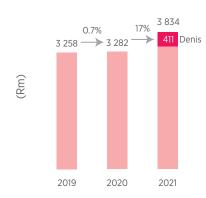
The focus in Medscheme, being the primary subsidiary of the Group responsible for medical scheme administration, has been to build systems and processes of excellence. These projects where different teams compete on a "Single Service Measure" enabled competition in the business units that resulted in

improved customer service and turnaround time of transactions. The rollout of other digital enhancements in the member applications, WhatsApp communication and chatbots have also driven more customer volumes to a digital platform that is 24/7 enabled and reliable. An improved hospital approval system linked to the major hospital groups in South Africa will further enhance the turnaround time, case management and payment cycles of hospital claims and thereby reducing transaction costs for this particular service.

The Medscheme team together with their IT counterparts have continued to deliver sterling results in this mature business unit by reducing costs and improving efficiencies. If the effect of Denis is excluded, the services business were able to increase revenue by 4.3% whilst only increasing operating costs by 2.6%. This resulted in the double digit increase in operating profit of 11% if Denis is excluded.

#### Revenue

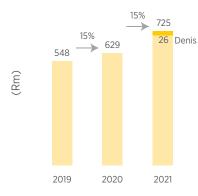
#### **Operating costs**

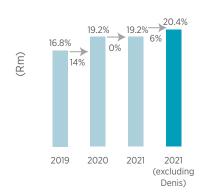




#### **Operating profit**

#### **Operating margin**



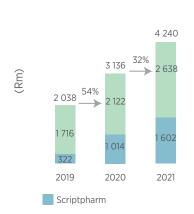


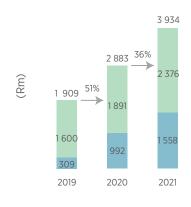
#### Healthcare Retail Financial Performance (Pharmaceutical)

The Pharmaceutical division has continued its expected growth trajectory during 2021 and was specifically supported by the Covid-19 trends during the year. As patients feared the possibility of getting ill, their adherence to prescribed chronic medication increased by ensuring continuing compliance and requesting medicine a month in advance as the concern over logistical transportation continued. The preventative medication in the form of vitamins also recorded record sales not seen before in prior years. These trends in customer demand for products and our Activo brands will support future sales as patients have now been introduced to new products that they might not have experienced before.

#### Revenue

#### **Operating costs**





#### CFO's review continued

#### **Operating profit**

# $\underbrace{\mathbb{E}}_{129} \xrightarrow{275\%} 232$ 116 13 2019 2020 2021

### Operating margin (excluding Scriptpharm)



Pharmacy Direct continued its script growth during the year and consistently delivered in excess of 1 million chronic scripts to public patients, whilst the private medical scheme script count exceeds 170 000 per month. The improved operating profit was however not only due to increased volumes but as a result of improved cost efficiencies in the packing and distribution of the medication. In the latter part of the year, a new robotics system has been installed in the private side of the business and will yield significant return in the 2022 financial year.

#### Capital management

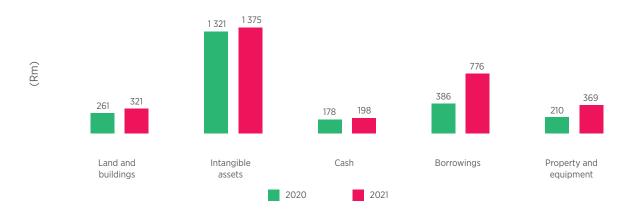
Scriptpharm

The Group has experienced some significant turnarounds in its balance sheet since 2015 by first having excessive cash on hand with the subscription of shares sale to Sanlam and the issue of additional shares that funded the initial pharmaceutical assets. These new businesses compared to a stable cash generating medical scheme administration business have required the management team to look at different ways in which growth can be supported. For this very reason the Group has continued to rather fund acquisitions through debt since 2019, as no gearing was in place then, and the continued working capital needs are being monitored and reviewed on a weekly basis with targets set for each unique business.

These trends of acquisitive growth are the main drivers of significant movements in our statement of financial position at 30 June 2021 as set out below.

Optimising our Capital Structure whilst absorbing new acquisitive opportunities is a balancing act.

#### Significant movements



#### Working capital



The Denis acquisition was the main contributor to some asset growth in the form of a new building that was included as well as IT and office assets.

The objective of matching capital expenditure incurred with regards to IT development and matching it with amortisation is starting to pay off and therefore the increase in intangible assets is most notably the customer relations stemming from the Denis acquisition's purchase price allocation.

The Group continues to optimally manage with an approximate R200 million cash float which is used for short term payments and working capital needs.

Working capital as depicted above has grown, especially inventory, but if the excess inventory as a result of new product launches (slow moving in first two years of launch) is excluded, the inventory levels have actually been managed down from prior years and with cognizance of growth experienced.

#### In conclusion

AfroCentric has a proven track record of acquiring new businesses and integrating their products in a seamless way to provide customers with a continuous experience in healthcare services and products. This philosophy will continue and whilst we are probably nearing the end of a period of acquisitions, the organic growth opportunities will now be focused upon for further expansion.

The optimal capital structure of equity, debt and working capital balanced by a reasonable dividend policy is continuously being reviewed to ensure the sustainability of earnings of the Group and returns for our shareholders.

I would like to thank the Group Finance team for their dedicated hard work and commitment to consistently being innovative in the support to the group from a financial and commercial level which we reap the benefits of in the results shown above.

**Hannes Boonzaaier** 

**Group CFO** 



### Results at a glance

for the year ended 30 June 2021

Audited year ended 30 June							% cha	ange			
Key features		2021	2020	2019	2018	2017	2016	2021/20	2020/19	2019/18	2018/17
Healthcare service revenue	(R'000)	3 834 256	3 282 853	3 258 658	2 910 702	2 715 266	2 098 312	16.8	0.7	12.0	7.2
Healthcare service operating profit Healthcare retail	(R'000)	725 606	629 584	548 421	555 286	495 974	372 072	15.3	14.8	(1.2)	12.0
revenue	(R'000)	4 240 162	3 136 059	2 038 135	1 302 003	1 069 435	-	35.2	53.9	56.5	21.7
Healthcare retail operating profit	(R'000)	306 564	253 772	129 233	67 800	68 135	-	20.8	96.4	90.6	(0.5)
Headline earnings Normalised	(R'000)	329 068	306 750	265 841	260 916	123 838	179 021	7.3	15.4	1.9	110.7
headline earnings Cash generated	(R'000)	353 786	321 822	275 545	264 066	244 113	706.006	9.9	16.8	4.3	8.2
from operations <b>Statutory earnings</b>	(R'000)	1 013 012	939 745	663 536	552 695	450 887	396 996	7.8	41.6	20.1	22.6
<b>per shares</b> - Basic	(cents)	52.56	52.87	48.12	46.29	21.23	32.92	(0.6)	9.9	4.0	118.0
Statutory headline earnings per shares											
- Basic Normalised	(cents)	57.26	53.42	47.29	47.06	22.34	38.26	7.2	13.0	0.5	110.7
headline earnings per share											
<ul> <li>Basic</li> <li>Dividends paid per</li> </ul>	(cents)	61.56	56.04	49.13	47.63	44.03	-	9.9	14.1	3.1	8.2
ordinary share Share price as at	(cents)	34.00	34.00	34.00	32.00	28.00	24.00				
30 June	(rands)	4.42	3.69	4.95	5.75	6.20	5.25				
Return on assets Return on assets		9.31%	10.08%	8.50%	12.21%	6.53%	11.32%				
(excl Goodwill)		12.84%	14.44%	12.24%	17.01%	9.16%	15.12%				
Return/ Equity		14.62%	14.69%	13.21%	14.59%	12.70%	15.38%				
Current ratio  Cash generated		1.66	1.40	1.56	2.31	-	_				
from operating activities		385 264	501 708	663 536	-	-	-				
Capital expenditure	(R'000)	439 019	369 533	498 450	243 000	244 000	234 000				
Number of lives managed	('000)	3 781	3 754	3 700	3 600	3 700	3 200				
Group membership		1 768 251	1 738 527	1 711 014	1 687 982	1 677 455	1 625 196				
Open schemes Closed and		510 185	498 105	444 027	426 795	408 305	365 606				
Corporate schemes		308 952	225 309	280 707	281 491	279 433	287 156				
GEMS SADEC and other		759 685 189 429	735 584 279 529	711 448 274 832	693 467 286 229	692 266 297 451	682 225 290 209				
Number of scripts		13 315 918	10 063 229				-				
NHI		11 287 656	8 320 838	4 897 824	2 799 919	901 682	_				
Pharmacy Direct			1 742 391				-				

#### **Audited final results**

for the year ended 30 June 2021

#### **Summarised Consolidated Statement of Financial Position**

	Audited year ended 30 June 2021 R'000	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	3 808 789	3 539 167	3 364 615	2 306 326	1 927 272
Property and equipment	369 065	210 583	220 409	375 649	211 704
Right of use Asset	176 924	234 980	290 136	-	-
Land and buildings Investment property	321 504 7 765	261 374 15 418	196 149 15 418	- 15 418	15 418
Intangible assets	2 782 866	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 Other investments	29 661	- 3 711	_	65 028	59 976
Investments in associates and joint ventures	31 541	33 307	29 943	- 56 935	38 823
Deferred income tax assets	89 463	84 607	56 548	45 210	82 865
Current assets	1 305 577	1 007 999	1 117 899	823 735	1 141 608
Trade and other receivables	503 270	504 335	531 494	348 527	320 236
Inventory	421 563	297 851	283 732	83 532	73 376
Current tax asset	32 560	28 133	37 377	20 768	25 235
Receivables from associates and joint ventures Other investments	- 149 244	_	-	5 740	13 388
Cash, managed funds and deposits	198 940	177 680	- 265 296	- 365 168	709 373
Total assets	5 114 366	4 547 166	4 482 514	3 130 060	3 068 880
EQUITY AND LIABILITIES					
Capital and reserves	2 326 972	2 216 604	2 095 283	1 940 614	1 793 694
Issued ordinary share capital	18 892	18 885	18 885	18 686	18 686
Share premium	1 084 696	1 080 301	1 080 301	999 058	999 058
Share-based payment reserve Treasury shares	26 802 (2 324)	20 417 (2 324)	11 286 (2 324)	3 501 (2 324)	(2 324)
Foreign currency translation reserve	(6 139)	(14 632)	(3 114)	793	3 454
Capital contribution by non-controlling interest	55 874	55 874	55 874	55 874	-
Distributable reserves	1 149 171	1 058 083	934 376	865 026	774 820
Non-controlling interest	928 752	902 491	787 713	679 277	585 359
Total equity	3 255 724	3 119 095	2 882 996	2 619 891	2 379 053
Non-current liabilities	1 072 665	705 492	881 194	153 860	135 778
Deferred income tax liabilities	250 040	246 809	230 229	121 667	100 627
Non-current borrowings Non-current provisions	655 785 8 350	266 311 8 350	371 566 8 350	8 350	8 350
Post-employment medical obligations	2 137	2 595	2 611	2 665	2 771
Lease liability	156 353	181 427	261 104	-	-
Deferred payment	-	-	7 335	5 263	5 051
Accrual for straight lining of leases	705.077	722.570	710 704	15 915	18 979
Current liabilities	785 977	722 579	718 324	356 309	554 049
Provisions	11 269	8 374	9 606	8 598	8 947
Borrowings Lease liability	120 000 63 764	120 000 96 855	120 000 61 551	_	-
Second tranche payment	-	90 033	01 331	_	194 475
Trade and other payables	436 520	361 488	406 230	284 028	264 394
Taxation	23 808	33 086	32 279	13 729	-
Employment benefit provisions	130 616	102 776	88 659	49 955	86 233
Total liabilities	1 858 642	1 428 071	1 599 518	510 169	689 827
Total equity and liabilities	5 114 366	4 547 166	4 482 514	3 130 060	3 068 880

#### Audited final results continued

for the year ended 30 June 2021

#### **Summarised consolidated Statement of Comprehensive Income**

	Audited year ended 30 June 2021 R'000	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	
Healthcare service revenue	3 834 256	3 282 853	3 258 658	2 910 702	2 715 266	2 399 669	
Healthcare service operating costs	(3 108 650)	(2 653 269)	(2 710 237)	(2 355 416)	(2 219 292)	(2 055 514)	
Healthcare service operating profit	725 606	629 584	548 421	555 286	495 974	344 155	
Healthcare retail revenue	4 240 162	3 136 059	2 038 135	1 302 003	1 069 435	748 477	
Healthcare retail cost of sales	(3 438 009)	(2 477 796)	(1 641 279)	(914 305)	(836 734)	(588 204)	
Healthcare retail operating costs	(495 589)	(404 491)	(267 622)	(319 898)	(164 566)	(128 067)	
Healthcare retail gross profit	306 564	253 772	129 233	67 800	68 135	32 206	
Total healthcare operating profit	1 032 170	883 356	677 654	623 086	564 109	376 361	
IFRS 16: Lease reversals	86 456	85 460	94 418	-	-	-	
Total healthcare operating profit (Including lease reversals)	1 118 626	968 816	772 073	623 086	564 109	376 361	
Other income	1 747	-	-	-	-	-	
Profit/(loss) on sale of investments	1 314	-	-	(2 717)	-	-	
Fair value gains or losses	(6 307)	183	-	-	-	-	
Loss on disposal of intangible assets	(26 793)	-	(40 000)	-	-	-	
Fair value gain on investment disposal	-	-	118 715	-	-	-	
Impairment of assets and loans	(10 378)	(2 919)	(68 587)	(1 667)	(19 851)	(21 469)	
Net finance and investment income	(36 498)	(45 224)	(14 891)	43 481	16 106	29 964	
- Finance and investment income	20 595	26 503	37 524	45 343	62 773	59 471	
- Finance costs : Lease liability	(21 420)	(27 839)	(31 822)	-	-	-	
- Finance cost : Conditional put option	-	-	-	-	(45 906)	(24 960)	
- Finance cost	(35 673)	(43 888)	(20 593)	(1 862)	(761)	(4 547)	
Share-based payment expense	(10 694)	(8 876)	(7 785)	(3 501)	(2 096)	(6 444)	
Fair value of second tranche consideration	-	-	-	-	(59 582)	-	
Indemnity expense	-	-	-	(3 150)	(14 787)	-	
Share of profits from associates and joint ventures	8 294	7 990	18 479	23 626	14 306	10 118	
Profit before depreciation and amortisation	1 039 311	919 970	778 004	679 158	498 205	388 530	
Right of use asset Depreciation	(66 564)	(71 026)	(82 666)	_	_	_	
Depreciation	(78 202)	(62 179)	(55 909)	(51 109)	(45 098)	(38 011)	
Amortisation of intangible assets	(195 027)	(164 091)	(110 941)	(89 603)	(86 450)	(79 332)	
Profit before income taxation	699 518	622 674	528 488	538 446	366 657	271 187	

% change

2021/20	2020/19	2019/18	2018/17	2017/16	CAGR
16.8%	0.7%	12.0%	7.2%	13.2%	8.1%
-	-	_	_	_	
15.3%	14.8%	(1.2%)	12.0%	44.1%	13.2%
35.2%	53.9%	56.5%	21.7%	-	-
-	- -	-	-	-	-
20.8%	96.4%	90.6%	(0.5%)	_	_
16.8%	30.4%	8.8%	10.5%	49.9%	18.3%
-	-	-	-	-	-
-	_			_	
-	-	-	-	-	-
_	_	_	_	_	_
_	_	_	_	_	_
-	-	_	-	-	_
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	- -	-	-	-	_
_	_	_	_	_	
-	_	-	-	_	_
-	-	-	-	-	-
-	-	-	-	-	-
13.0%	18.2%	14.6%	36.3%	28.2%	17.8%
-	_	-	-	-	-
 -	-	-		-	
12.3%	17.8%	(1.8%)	46.9%	35.2%	17.1%

#### Cluster performance

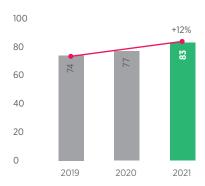
# MEDICAL AID ADMINISTRATION, RISK MANAGEMENT AND TECHNOLOGY

AfroCentric primarily operates in administration and health risk management through Medscheme. Leading medical schemes in Southern Africa rely on the Group for effective, client-focused administration services. Furthermore, by recognising and managing clinical and financial risks for our client schemes, we may lower healthcare costs, reduce scheme contributions, and improve the quality of treatment.

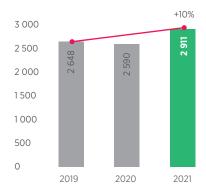
- OVER R2.7 BILLION
  IN CLAIMS COSTS
  WERE SAVED FOR OUR
  SCHEMES DUE TO MANAGED CARE
  PROGRAMMES (2020: R3.2 BILLION)
- MEDSCHEME WAS AWARDED THE
  GEMS MANAGED
  CARE CONTRACT,
  AND THE POLMED CONTRACT
  WAS RENEWED
- OUR AUTOMATION RATE HAS INCREASED STRAIGHT-THROUGH PROCESSING, WITH A 15% INCREASE IN SELF-SERVICE CHANNELS

- AID FOR AIDS WON
  A DIAMOND
  ARROW AWARD
  IN THE CATEGORY
  FOR DISEASE
  MANAGEMENT
  (HIV/AIDS) FOR THE
  SECOND YEAR IN A ROW
- AUTOMATION AND PROCESS IMPROVEMENTS HAVE ENHANCED OPERATIONAL EXCELLENCE TO THE BENEFIT OF SCHEMES AND THEIR MEMBERS
- LOSS OF THE SASOLMED CONTRACT

#### Client scheme value under management (R'bn)



#### Operating costs (R'm)



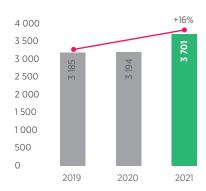
#### Overview

Medical schemes have transitioned from being solely claims administrators to actively monitoring their members' health. Furthermore, the ease with which members and healthcare professionals expect to interact with medical plans is now significantly influenced by the technology that is already a part of our daily lives. The COVID-19 pandemic has illustrated how quickly the healthcare environment can change, as well as the vital need for healthcare systems to be able to adapt and do so swiftly.

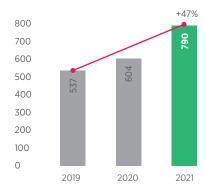
#### Our capabilities in executing on our priorities

- » robotic process automation
- » agile project management
- » improved business sustainability
- » decision services
- » data-driven insights
- » data management
- » accuracy and consistency

#### Revenue (R'm)



#### Operating profit (R'm)



#### Our performance

The administration business, in particular, is concentrating on improving the operational delivery of services. Technology was used to enhance interaction with members and providers, including online and mobile technologies for their day-to-day administrative needs. Increased usage of automation, machine learning, and artificial intelligence have also been areas of focus.

#### **Cluster performance** continued

#### **Operations**

The medical aid administration, health risk management, and technology cluster has remained focused on cost reduction through increased efficiency and an enhanced operating model. This included a 4% reduction in permanent staff per 1 000 lives while improving service levels. This has resulted in Medscheme achieving a positive budget variance while absorbing new costs.

#### Membership

Despite the reduction in the medical scheme membership base and/or members downgrading their medical aid options due to significant economic pressure in the current environment, the cluster was able to increase its operating profit by a pleasing 15.3%. This performance can be largely attributed to our stable and consistent fee structures, as well as new measures to enhance operational excellence and more effective cost controls.

Weighted scheme solvency grew by 39%, which is good news for the sustainability of our clients. We observed that during the pandemic, medical schemes continued to see considerably lower claims, owing to the deferral of discretionary and elective healthcare procedures. After the peak of COVID-19 in South Africa, a recovery in discretionary and elective healthcare utilisation is envisaged and is being included in our decision-making processes, particularly in managed care.

#### **New contracts**

Medscheme was awarded the GEMS managed care contract, which includes additional services previously not included in the managed care contract, such as HIV and maternity management, and enhanced medicine management services. The contract became effective on 1 January 2021. Pleasingly, the POLMED contract was also extended this year. Sasolmed, unfortunately, gave notice during the 2020 financial year, with effect from December 2020.

#### Health risk management

Successful collective bargaining was conducted on behalf of our schemes for hospital-based treatments, enabling the negotiation of reduced rates, thereby lowering the cost of care.

We continued to harness our Group-wide strengths through our integrated architecture, resulting in creative solutions that satisfy vital demands while enhancing healthcare savings. Smart Care is one such new solution, aiming to deliver a full managed care concept to lower members' health risks, detect risk quickly, and cover the cost of care in an efficient way. In addition, the programme's goal is to establish a supporting structure to deliver a comprehensive care plan and improve members' quality of life.

#### **Innovation**

Medscheme also concluded the development of a new Hospital Benefit Management system that enables digital engagement with providers and members seeking hospital authorisations. 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.

VirtualCare™ is an innovative platform from Allegra that gives patients access to safe, affordable virtual consultations with registered medical professionals. Bonitas was the first to roll out VirtualCare™ through its mobile app, offering free virtual COVID-19 related consultations for all South Africans – including non-Bonitas Medical Aid members too. The team is working hard to keep improving this service, offering more people safe healthcare, and investing in various business solutions to deliver service excellence in real-time and on-demand.

The acquisition of DENIS enables us to focus specifically on cost-effective treatment and innovation in the dental treatment offerings to medical scheme members. In DENIS, we have gained a partner to fast-track our strategic business objectives and expand our expertise.

#### Outlook

To reduce the cost of care, we will maintain our focus on supporting 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. In addition, we are 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.

We are looking forward to the roll out of additional programmes in the new year and the benefits these will supply to members.



Information from the World Health Organization and South Africa's NDoH show that the proportion of visual impairment due to untreated cataracts is higher in emerging countries such as South Africa. In response, Medscheme introduced a network structure that aims to reduce the costs of these operations.

With an average cost of R30 000 per procedure and over 30 000 cases per annum, Medscheme observed significant data variations that point to inefficiencies in the value chain, which can be resolved through collaborations and models that are mutually beneficial to healthcare providers and customers.

"Through the network, members needing the procedure have the assurance of high-quality care while healthcare providers are assured of the member's affordability through the medical schemes," says Managing Executive of Medscheme's Clinical Risk and Advisory Division, Dr Lungi Nyathi. "Overall, the costs are stabilised, leading to greater access to care. By collaborating and finding sustainable interventions, we can prevent South Africa from lagging behind and ensure that cataract surgery waiting lists are reduced."

As the country moves towards NHI, coupled with the challenges around providing access to sustainable healthcare, and a need to ensure that healthcare providers can sustain their practices and bring much-needed skills to society, we encourage all role players to take part in this new approach and be open to ongoing engagements to further sustain healthcare in our society.

REDUCING THE COST OF CATARACT PROCEDURES



Initiatives like this, together with a collaboration with healthcare providers aimed at reducing costs, are important in responding to the health burden of our country.



Over the past year, Medscheme has observed an increasing trend in mental health-related hospital admissions. As a result, the Mental Health Project was launched to help manage the associated financial risk for our clients and ensure that members have access to the care they need.

### **Progress to date**

- » Medscheme's online Mental Health Resource Hub was launched to support members in the understanding of, and self-management with regards to, their mental wellbeing. For more information, see http://www.medscheme.com/mental-wellness-resource-hub/
- » A select group of GPs participated in an online mental health upskilling course, which will enable a broader base of primary care providers
- » The Mental Health Screening Tool has been launched on the Mental Health Resource Hub to help members identify potential mental health strain or illness early

## **Cluster performance** continued

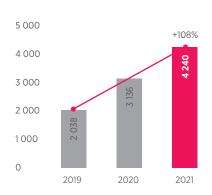
## **PHARMACEUTICAL**

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

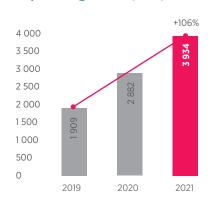
- FORRESTER IN LINE WITH OUR GROWTH OBJECTIVES, SERVING TO STRENGTHEN ACTIVO'S PRODUCT OFFERING TO THE PHARMACEUTICAL MARKET
- PHARMACY
  DIRECT ONLINE
  SHOP
- DIRECT ROBOTIC
  AUTOMATION
  DISPENSARY
  PROJECT
- PRODUCTS
  INCREASED AS A RESULT
  OF THE PANDEMIC, FOR EXAMPLE,
  IMMUNE BOOSTERS AND VITAMINS

- OTHER PRODUCT CATEGORIES
  WERE
  NEGATIVELY
  IMPACTED DUE TO
  COVID-19, SUCH AS MALARIA
  MEDICINE AND MEDICINE RELATED
  TO ELECTIVE SURGERY
- COVID-19 RELATED
  CHALLENGES, SUCH AS
  DELAYS IN OUR
  AUTOMATION
  PROJECT DUE TO COVID-19
  IMPACTS ON THE DELIVERY OF
  EQUIPMENT
- UNPREDICTABLE
  CONSUMER
  SPENDING
  PATTERNS AS A RESULT
  OF COVID-19

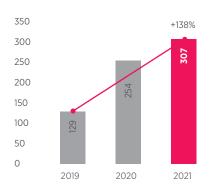
## Revenue (R'm)



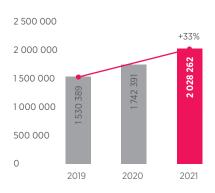
## Operating costs (R'm)



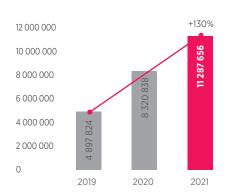
## Operating profit (R'm)



## **Private script growth**



## **DoH script growth**



## Overview of the cluster

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 28% of the Group's operating profit.

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

## Our performance

The level of uncertainty that accompanied the COVID-19 pandemic and its resultant impact on the economy required the pharma cluster to remain agile and adaptable to constant changes in the market and consumer spending patterns. We did this by growing the customer base, adjusting to changes to market demand and implementing efficiencies to drive down the cost of doing business.

The pharma cluster's performance during the financial year was supported by a diverse customer base in the private and public sectors. The private sector comprises retail entities, hospitals and open and corporate schemes, whereas the public sector supports the NDoH Project and POLMED.

## **Business 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 10% growth in operating profit compared to 2020. This success can be attributed, in part, to the business's diversified basket of products. Unfortunately, specific product categories suffered due to COVID-19. For example, demand for anti-malaria medicine dropped significantly due to limited travel. Likewise, demand for medicine related to elective surgeries also declined. In contrast, however, demand for other products such as immune boosters increased over this time.

Furthermore, Activo Health concluded its acquisition of Forrester on 1 August 2021 to expand its product offering to the pharmaceutical market. Forrester owns several registered legal rights to manufacture and distribute specific generic medicine (dossiers) and have the right to a substantial pipeline of dossiers in the process of being registered with the South African Health Products Regulatory Authority. The acquisition is consistent with AfroCentric's growth objectives in the health sector and will strengthen Activo's product offering to the pharmaceutical market.

## **Cluster performance** continued

### Curasana

Curasana is a speciality pharmaceutical wholesaler and distributor to all major wholesalers in Gauteng. The business improved its distribution capability to extend its service offerings within the value chain during the year.

## **Pharmacy Direct**

Pharmacy Direct distributes and delivers chronic medicine to urban and rural areas for medical scheme clients and government's CCMDD programme. Despite the challenges presented by the COVID-19 environment, the business achieved positive growth in operating profits.

We continued to pursue our automation project with the intent to fully automate our private facility, which serves medical scheme members in South Africa, filling approximately 169 000 scripts per month (2020: approximately 155 000 scripts per month). The project was completed on budget, and the intended efficiency gains are being realised.



In addition, initiatives such as building more of our own delivery capacity rather than that of third parties and digital initiatives that enable the business to reduce the cost of dispensing a script, along with other efficiency gains, contributed to positive growth in profitability. The increase in sales was, however, offset by a reduction in revenue per script due to an antiretroviral price decrease.

Our second facility fills approximately 940 000 scripts per month on behalf of government's CCMDD programme (2020: approximately 700 000 scripts per month). We also went live with an automated packaging and labelling solution for a SKU (Stock Keeping Unit) which comprises 60% plus of all items dispensed. The bulk of the dispensary is operated on a manual basis and automation thereof may be considered in the future.



Within the current context, we were able to assist government in fighting COVID-19 by alleviating congestion in high-risk, public healthcare facilities while also improving treatment compliance and reducing the cost of delivering chronic medicine.

We launched our Pharmacy Direct online shop – available to all our patients and the public. We have several products available and will continue enhancing our offerings and utilising other integration platforms in the Group, such as  $VirtualCare^{TM}$ .



During 2020, special legislation was passed that any script up to schedule four could be automatically renewed for 12 months. This legislation remained relevant and assisted the business in enabling better planning and continued service delivery due to reduced gaps in treatment for these patients. We were, therefore, able to focus our efforts on supporting these patients to ensure continuous care.

The business was challenged by disruption in its supply chain due to the COVID-19 related restrictions and delays. As a result, we increased stock levels of specific product categories to ensure we could fill patient scripts. As restrictions eased, stock levels normalised.

### Scriptpharm

Scriptpharm manages chronic, oncology and HIV medicine through arrangements with specific schemes, whereby Scriptpharm incentivises efficiency, cost control and preventative care. The Group acquired the remaining 20% of the shares in Scriptpharm Risk Management during the year, effective 1 August 2020. We also established a Retail Pharmacy Network to create an organised, well-coordinated and managed pharmacy network.

### MMed

During 2021, MMed – which focuses on the reduction of surgical product costs utilised during hospitalisation – maintained its monthly sales value of R28 million (2020: R28 million). In addition, MMed launched its first medical scheme direct member procurement initiative, whereby the procurement capabilities of MMed are utilised to source and supply cost effective and quality 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 was implemented in the current financial year. As a result of launching several cost effective quality medical products, MMed was able to save members of participating schemes in excess of R5 million for the year in external device costs.

MMed pursued direct sales with schemes regarding surgical devices and other necessary medical equipment and supplying the DENIS Group with dental products. MMED also secured the exclusive rights for a surgical range to be distributed in South Africa and the Southern African Development Community region.

Furthermore, MMed is rolling out a value-based procurement initiative with three focus areas: cardiovascular disease, spinal and cataracts.

### Outlook

The outlook for the cluster remains positive for the new financial year. Oncology will be a crucial focus over the next few years across the value chain. We will continue to grow our Pharmacy Direct online offering while MMed's value-based procurement initiative will remain a focus for the business. The pharmacy cluster will also continue to drive value realisation from various digital projects to position the cluster strategically and enable greater efficiencies within a highly competitive environment. Seeking to secure the new CCMDD contract in the new year will also be an area of critical focus.

MMed was granted licensing rights to manufacture and distribute rapid COVID-19 test kits locally. This forms part of our continued efforts to manage COVID-19 by improving the country's capacity and access to test kits.

"COVID-19 has challenged all countries and companies to be innovative, especially at a time when demand for products was high while supply was limited. As MMed, we are proud to have risen to the challenge and secured the capacity to produce PPE-related products and rapid test kits for our country and the region," says MMed CEO, Josh Burger.

This development will not only help ease the constraints around the supply of internationally recognised, reliable rapid test kits but facilitate distribution and utilisation through a reputable medical company. The rapid test kits' quick results – within 10 to 20 minutes – are achieved in accordance with government protocols. A registered healthcare professional administers the kits, and results are reported to the National Health Laboratory Service. The procedure for the rapid test has a low risk of infection when testing others and has more than 97% accuracy.

MMED RISES TO THE CHALLENGE - SUPPLYING COVID-19 TEST KITS



This development will help address the many needs of the country in general, contribute to government's efforts, and strengthen South Africa's capacity for timeously identifying cases of COVID-19.

## **Cluster performance** continued

## **CORPORATE SOLUTIONS**

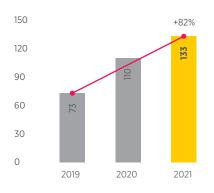
Through our corporate solutions cluster, we seek to deliver integrated health and wellness solutions for the workplace.

- PRIMARY HEALTH
  INSURANCE
  PRODUCT FOR
  CORPORATES
- SHOWED IMPRESSIVE
  GROWTH
- AWARDED THE BLACK
  ROCK MINE
  CONTRACT FOR
  OCCUPATIONAL HEALTH AND
  ASSOCIATED SERVICES

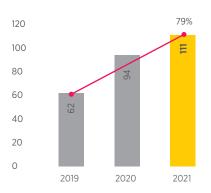
AFROCENTRIC WELLNESS (PREVIOUSLY WELLNESS ODYSSEY) PLAYED A SIGNIFICANT ROLE ACROSS THE COUNTRY, UTILISING

ITS SCREENING
AND TESTING
CAPABILITIES
IN THE FIGHT
AGAINST
COVID-19. HOWEVER, THE
PANDEMIC HAD A NEGATIVE IMPACT
ON ITS CORE BUSINESS ACTIVITIES

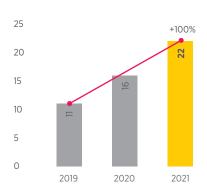
## Revenue (R'm)



## Operating costs (R'm)



## Operating profit (R'm)



## Overview

AfroCentric is uniquely positioned to deliver financial value to both employers and their employees, given the Group's focus on implementing integrated healthcare solutions that reduce costs by disrupting and creating efficiencies in the healthcare value chain.

The corporate solutions cluster comprises various entities that support the overall aim of offering uniquely integrated, employee-focused health and wellness solutions to corporate and institutional clients. The cluster's interfacing components seek to contribute to a reduction in primary care costs while increasing productivity and reducing absenteeism in the workplace, delivering tangible savings to employer groups. In this way, 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.



## Our performance

The cluster continues to show significant growth, producing notably improved results with integration efforts coming to fruition.

EssentialMed continued to deliver strong financial growth, including growth in its corporate book. The launch of the new, low-cost AfroCentric primary health insurance product for corporates was a key highlight.

Pleasingly, AfroCentric Occupational Health showed impressive growth, becoming profitable in its second year of trading. This performance was primarily driven by strong partnerships and the contributions of the leadership team, gaining significant contracts in the financial year.

AfroCentric Wellness – previously Wellness Odyssey – was negatively impacted by social distancing measures and their impact on the business's core offerings. However, the business played a significant role in the fight against COVID-19 through the provision of screening and testing.

AfroCentric WorkCare assisted in developing an integrated approach adopted by the cluster leadership and successfully onboarded major clients. Despite challenges faced due to the pandemic, the entity managed to achieve its budgeted target for the year.

### Outlook

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.

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 efficiency gains in delivery.



## **Cluster performance** continued

AfroCentric's membership base of over 3.8 million lives includes GEMS, POLMED, Bonitas, Fedhealth and other medical schemes that support South Africa's frontline workers. For example, through Wellness Odyssey, we have utilised our network of experienced and registered nurses to enable the vaccination of our police force at sites located in all corners of South Africa. Due to the nature of their work dealing with the public daily, ensuring our police force were vaccinated as quickly as possible was critical.

This was the mission of the police force medical scheme, POLMED, which provides health insurance to 80% of South Africa's police force. Together with AfroCentric, POLMED kicked off the police force vaccination drive on 5 July 2021 by utilising a vaccination site at Orlando Stadium in Soweto, Johannesburg, with the mission of vaccinating 20 000 active police force members in three days – starting with the Minister of Police Bheki Cele.

Neo Khauoe, Principal Officer of POLMED, said none of this would have been possible without the wide range of support from AfroCentric, playing an essential role in the drive to protect South Africa's police. AfroCentric supported the process with vaccine storage, provision of the nurses needed to administer the vaccines, as well as the supply of all necessary consumables (i.e. syringes, masks, gloves, etc.)

Following the police vaccination drive, POLMED continued to roll out vaccinations at the Tshwane Police Academy, nearby centres and police stations across the country, ensuring all provincial police force members had access to the vaccine.

A RACE AGAINST THE CLOCK TO VACCINATE SOUTH AFRICA'S POLICE FORCE

Our police force members play a critical role in our society at all levels. We must ensure we are protecting them as much as they are protecting us. We were therefore excited to be working in unison with the scheme to achieve this goal. As the country's largest black-owned healthcare group, we are perfectly positioned to comprehensively provide vaccination support where it is needed most.

- Ahmed Banderker, AfroCentric Group CEO



## **Human capital and transformation**

AfroCentric was founded on the philosophy of empowerment and transformation. We are committed to empowering our people by investing in training to meet current and future business needs. In addition, we believe that highly skilled and motivated employees are vital in delivering the Group's strategy.

Empowerment is likewise a critical imperative. Our commitment to transformation stems from a deep commitment to sustainable development – not only within the healthcare sector, but in our wider operating environment. Furthermore, being an empowered company enables the recruitment and retention of skilled employees aligned with the Group's vision.



INVESTED

**R10.7 MILLION** 

IN EMPLOYEE TRAINING

(2020: R4.5 million)



82.50%



SINCE THE BEGINNING OF THE FIRST NATIONAL LOCKDOWN



## **MENTAL HEALTH**

AROSE AS A MATERIAL HUMAN CAPITAL THEME ACROSS THE GROUP WITHIN THE CURRENT CONTEXT

## **Employee culture journey**

To remain an employer of choice, we seek to drive a desired culture across the Group. Therefore, priority has been placed on developing strong leadership competence supporting a high-performance culture while ensuring a highly skilled, engaged, and healthy workforce.

IMPLEMENTATION
OF THE ACTFIRST
CULTURE
TRANSFORMATION
JOURNEY

- » Strong Exco focus, commitment and buy-in
- » Well-defined culture roadmap
- » Well-functioning change leadership task team
- » Active group of staff change agents
- » Values reboot roll out exercise (Values ReENACT)
- » Human Capital team initiatives in support of a strong culture included:
  - > Formal leadership development programmes
  - > Implementation of the Grow Coaching Model
  - LeadStrong Leadership Competency Model (LCM)
     360 degree assessment
  - Formal career planning
  - > Scarce and critical skills assessment
  - > Succession management planning

10 POSITIVE
CHANGE
AGENTS
IDENTIFIED
ACROSS THE

**GROUP** 

## **Employee engagement**

A key driver in building a strong culture is to maintain high levels of employee engagement. We utilise surveys to gain an understanding of matters that are top of mind for our employees.

VOICE OF THE EMPLOYEE SURVEY The Voice of the Employee survey was a Group-wide initiative, including subsidiaries and entities that:

- » Measured employees' perception against key engagement drivers
- » Identified key positive drivers, including strengths in:
  - > Supporting our leaders in managing hybrid teams and a high-performance culture
  - > Driving a values-based culture
  - > Building levels of employee engagement

3 038 EMPLOYEES COMPLETED THE SURVEY WITH AN OVERALL SCORE OF 82.50%

CEO'S UPDATES

We sought to enhance authentic leadership engagements through more frequent and less curated communication from our leaders.

**27 UPDATES**DURING THE YEAR

**PULSE SURVEY** 

We administered pulse surveys in the Medscheme business unit as a pilot programme, this entailed:

- » Monthly measure of what employees are thinking or feeling (levels of engagement)
- » High levels of interest and response rates
- » Excellence recognised by using our Single Service Measure Awards

## **Human capital and transformation** continued

## Skills development

We are committed to developing our people to create a high-performance culture that enables the achievement of our strategic objectives. The Group provides comprehensive learning and development opportunities, an employee wellness programme and other upliftment opportunities.

## **ONLINE LEARNING** -

FROM JULY 2020 TO JUNE 2021,

247 ONLINE

COURSES WERE

UNDERTAKEN BY 3 816 EMPLOYEES

The AfroCentric Online Academy offers online training. Employees have constant access to legislative courses, Company policies and functional training courses.

## LEADERSHIP DEVELOPMENT

31 LEADERS STUDYING TOWARDS A FURTHER EDUCATION AND TRAINING CERTIFICATE: GENERIC

MANAGEMENT NQF4 LEARNERSHIP AND 13 LEADERS STUDYING TOWARDS A NATIONAL CERTIFICATE:

GENERIC MANAGEMENT NQF5
LEARNERSHIP

Leadership development remains a key priority within the Group as part of our cultural transformation journey that started in 2019. The AfroCentric Leadership Competency Model, encompassing our five leadership competencies of ownership, credibility, influence, collaboration and entrepreneurship, drive our leadership behaviours across the Group. Leadership Competency Enablement workshops, Grow Coaching workshops and Lessons in Leadership sessions took place for all leaders across the Group to continue to educate our leaders on those competencies required of an AfroCentric leader.

Through our accredited Learning and Performance Academy, we promote a culture of learning and provide opportunities for leaders to take part in one of our two Team Leader curriculum or one Line Manager curriculum intakes throughout the year.

## SKILLS DEVELOPMENT

## R3.6 MILLION INVESTED TOWARDS DEVELOPING DIFFERENTLYABLED PEOPLE

During the past financial year, both Sector Education and Training Authority and industry-funded learnership initiatives were implemented and prioritised across the Group.

AfroCentric Health worked with two groups of unemployed learners with disabilities through Business Beyond Boundaries, hosting 72 learners offsite.

AfroCentric Health hosted an additional eight learners.

## LEARNERSHIPS AND BURSARIES

## 124 EMPLOYEES AND 129 UNEMPLOYED

YOUTH PARTICIPATED IN LEARNERSHIP PROGRAMMES

The programmes help candidates earn qualifications and gain valuable working experience.

In the past financial year, we invested in bursaries for four black female medical students. As a result, one student is currently undertaking her fifth year of studies at Sefako Makgatho Health Science University while three students are undertaking their fourth year at the University of Pretoria.

## **Employee wellbeing**

We recognise that employees feel more competent and valued when their holistic needs are catered for, including physical, mental, and financial.

COVID-19 MANAGEMENT AND COMMUNICATION Since the initial COVID-19 lockdown in South Africa, AfroCentric has been monitoring its COVID-19 infection rate closely.

To date, 530 employees of the 562 who tested positive have recovered fully. Unfortunately, one employee was diagnosed with COVID Long Haul and is on temporary disability. Regrettably, we lost 19 employees who succumbed to COVID-19 related complications since the onset of the pandemic.

Health screening has also assisted in managing the overall health of our employees. Data availability is enabled through the usage of our Health App, which assists the organisation in being proactive in advancing interventions for our employees.

## 1 021 EMPLOYEES TESTED ACROSS THE GROUP

COVID-19 SUPPORT AfroCentric continues to offer emotional and medical support through the monthly COVID-19 support groups facilitated by professional therapists and medical practitioners.

1 335 EMPLOYEES PARTICIPATED IN SUPPORT GROUPS

VACCINATION STATISTICS

A vaccination educational drive is ongoing across the Group to encourage employee vaccination.

1698 EMPLOYEES VACCINATED AS PART OF EARLY FRONTLINE WORKER VACCINATION ROLL OUT AND 46% OF OUR EMPLOYEES HAVE BEEN VACCINATED TO DATE.

WORK FROM HOME Our business model innovations are aligned to help us deliver services using automated platforms, virtual interfaces and digital services. In addition, automation of business processes is assisting in moving our employees to areas where they can add more value.

Medscheme implemented a work-from-home pilot project to assess the viability of a permanent work-from-home model. The project will now be rolled out to the Group.

1 179 EMPLOYEES ARE
WORKING FROM
HOME AS PART OF THE

MEDSCHEME WORK-FROM-HOME PILOT

MENTAL HEALTH CAMPAIGN

In the current context, both physical and mental health became critical areas of focus across the business. As a result, enhancements in support, communication and education have been pursued. In addition, mental health services have been made available to our employees and their families.

MENTAL HEALTH CAMPAIGN THEMED

## "YOU ARE NOT ALONE"

WAS HELD TO ENCOURAGE AND SUPPORT EMPLOYEES DURING LOCKDOWN

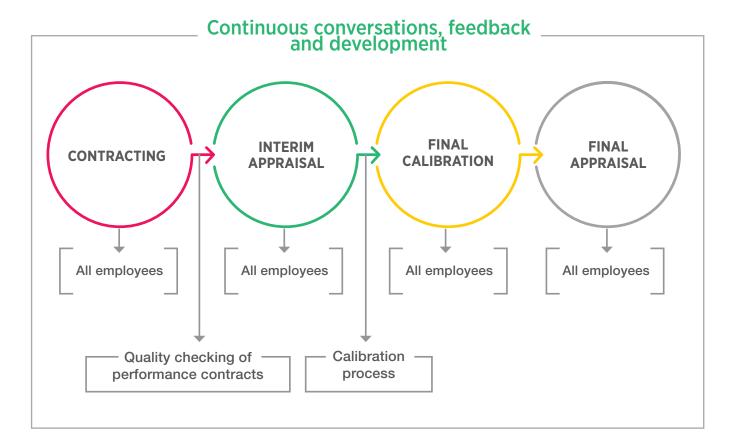
## Human capital and transformation continued

## Performance management

AfroCentric uses a balanced scorecard approach for performance management. The balanced scorecard provides the tools for management to drive competitive success. It translates the organisation's strategy into performance measures that provide the framework for a strategic measurement and management system. To be a progressive organisation, we continuously research best practice to build a high-performance culture.

When managing individual performance, we aim for a mutually beneficial environment where managers and employees share clear expectations and objectives from the outset. Employees participate in all phases of the performance management process and share ownership of the outcomes with the organisation.

Performance management process for permanent employees



Managing performance is not an annual event but a continual process of feedback and collaboration. Performance discussions are therefore expected to cover more than simply performance ratings. Instead, leaders should have regular, meaningful conversations to close performance gaps and enable individuals to understand how their performance and behaviour link to the organisational strategy and how their contributions drive business growth.

Our performance management system aims to enable:

- » A streamlined performance management process to direct line manager's time from administrative activities to that of ongoing performance conversations
- » High-quality performance discussions, giving employees more frequent feedback and addressing performance gaps in real-time
- » The creation of a high-performance culture within the organisation
- » Employee lead performance management
- » Difficult conversations that drive positive change

## Transformation and B-BBEE

As a black-owned company and the most transformed health-related business listed in South Africa, we are committed to corporate citizenship, driving transformation and upholding our social licence to operate. The Group invests in healthcare-related businesses and our contribution to healthcare extends beyond our products and services. 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.

## B-BBEE creating opportunity while mitigating operating environment risk



## The Group maintained a Level 1 B-BBEE contributor status

AfroCentric's transformation framework supports both national strategic priorities and our purpose of creating sustainable healthcare solutions to enhance our stakeholders' quality of life.

The degree of the Group's alignment of B-BBEE policies and practices to the requirements of the different transformation-related legislation in support of the South African Government's overall economic transformation includes, but is not limited to:

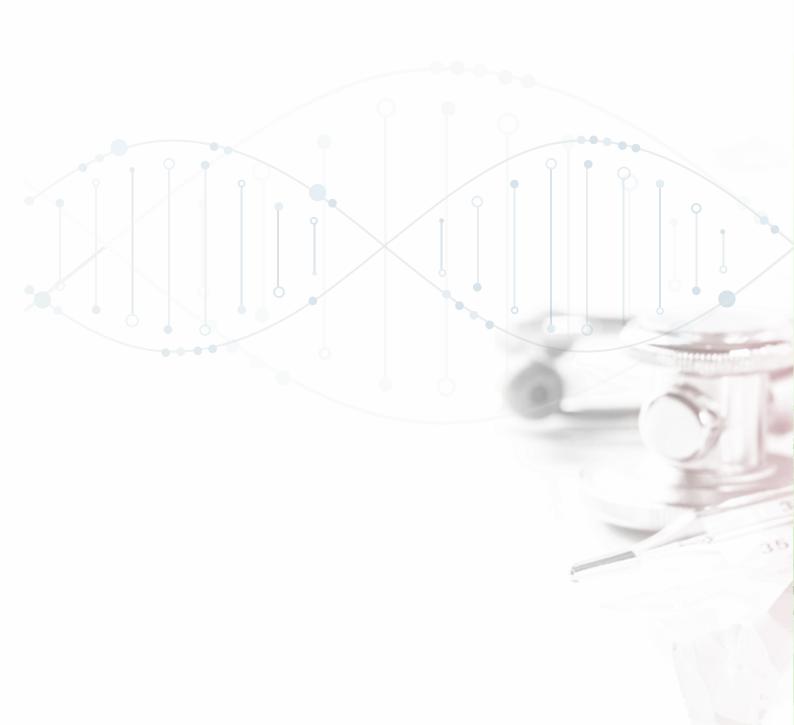
- » The National Development Plan 2030
- » The National Strategy for Broad-Based Black Economic Empowerment
- » The Revised Broad-Based Black Economic Empowerment Act 53 and related amendments
- » The Amended Codes of Good Practice on Broad-Based Black Economic Empowerment of 2013
- » The Employment Equity Amendment Act of 2014 and associated regulations
- » Skills Development Act and related Skills Development Levies Act
- » The Preferential Procurement Act

Element	Weighting	2021	2020	2019
Equity ownership	25.00	25.00	25.00	25.00
Management control	19.00	12.39	12.69	12.79
Skills development	25.00	14.97	20.10	18.24
Enterprise and supplier development	44.00	43.69	39.28	33.76
SED	5.00	5.00	5.00	4.53
Total	118.00	101.05	102.07	94.32
B-BBEE level		Level 1	Level 1	Level 3

## **Human capital and transformation** continued

ACT ownership profile (July 2020¹)	2021	2020	2019
Black exercisable voting rights	51.17	45.72	57.41
Black exercisable voting rights by black females	15.07	11.05	11.38
Black entitlement to economic interest	51.17	45.72	57.38
Entitlement to economic interest by black women	15.07	11.05	11.43
Economic interest that flows through to black designated groups	5.13	4.97	4.39
Involvement of ownership of the enterprise of black new entrants	2.58	2.14	2.08

<sup>&</sup>lt;sup>1</sup> The 2020 B-BBEE verification certificate issued on 22 December 2020 is valid until 21 December 2021.





## **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 strategic 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. The roles of the Chairman and the CEO are not held by the same person and are separate. A Non-executive Chairman leads the Board. In addition, an Independent Lead Non-executive Director has been appointed to ensure there is independence. The operational management of the Group is the responsibility of the CEO.

## 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

## **REMUNERATION COMMITTEE**

## Chairperson: Dr Shirley Zinn

- » 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

## **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 the audit firm and partner
- » Oversees the auditing process
- » Ensures the integrity, accuracy and adequacy of accounting records
- » Evaluates risk strategy, including the outcome of assessments and ensures the application of effective risk management policies and practices
- » Reviews the business continuity planning within the Group
- » Reviews and ensures the quality of the Integrated Report
- » Oversight of ICT

## 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 that may contravene the Code of Ethics

## 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

## Corporate governance review

AfroCentric aspires to become a leading 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 has 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 adhered to the Board Charter and the Group complied with the JSE Listings Requirements, Companies Act and King IV. The Board ethically executed its responsibilities and reported on the outcomes of its direction in line with King IV.

The King IV application can be viewed at https://afrocentric-online.co.za/reports/afrocentric-ar2021/pdf/king-iv-application.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 mitigate risk

## **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 as 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.

All directors have access to the Group Company Secretary. He continued providing dedicated support to the Board and its subcommittees 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 at https://afrocentriconline.co.za/reports/afrocentric-ar2021/pdf/board-charter.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 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 held four scheduled meetings in addition to the AGM and Board strategy session. Before 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
		ARC	ICT	IC	SEC	RC	NC
<b>Dr Anna Mokgokong</b> Chairman and Non-executive Director	4/4*						2/2*
Joe Madungandaba Deputy Chairman and Non-executive Director	4/4			4/4*		5/5	2/2
<b>Dr Nkateko Munisi</b> Non-executive Director	4/4			4/4	4/4*		
Ahmed Banderker Group CEO and Executive Director	4/4	4/4	4/4	4/4	3/4	4/4	2/2
Hannes Boonzaaier Group CFO and Executive Director	4/4	4/4	4/4	4/4	4/4		
Willem Britz Executive Director	4/4			3/4		1/4	
Bruno Fernandes Lead Independent Non-executive Director	4/4	4/4*		4/4			
Sello Mmakau Group CIO and Executive Director	4/4	3/4	4/4				
Alice le Roux Independent Non-executive Director	4/4	4/4					
Mmaboshadi Chauke Independent Non-executive Director	3/4	4/4					
Dr Shirley Zinn Independent Non-executive Director	4/4				4/4	5/5*	
Jurie Strydom Non-executive Director	4/4						
Gary Allen Non-executive Director	4/4	1/1		1/1		1/1	

<sup>\*</sup> Committee Chairperson.

The Board's agenda centred mainly on the following key matters for the 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

<sup>\*\*</sup> The ICT Steering Committee is an internal management committee.

## **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. Therefore, to strengthen good corporate governance as recommended by King IV, Bruno Fernandes is the appointed Lead Independent Non-executive Director. The roles and responsibilities of the Chairman and the CEO are separate.

## Appointment and retirement of directors

In line with the Group's MOI, one-third of directors are required to retire by rotation at the AGM and may offer themselves for reelection. 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.

## **Board effectiveness**

Board evaluations are critical structural processes for assessing the effectiveness of the Board and its committees. In line with King IV, the Board and sub-committees' performance was evaluated and reported to the Nomination Committee as part of its adjudication process on effective performance of individual Board members. In consultation with the Chairperson, the Group Company Secretary 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.

The Remuneration Committee determines Executive Directors' remuneration 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 balanced scorecard. Our remuneration policy represents good corporate governance, as outlined in King IV.

Further information on directors' remuneration appears on page 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 particular responsibilities to committees to assist the boards of AfroCentric Investment Corporation Limited and the major subsidiary, AfroCentric Health (RF) Proprietary Limited, in meeting their oversight responsibilities. However, the delegation of authority does not absolve the Board or its directors of their fiduciary duties. 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 AfroCentric Health Limited (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 perform 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**



## Ensuring adequate accounting and internal controls remains critical to support continued value creation and to protect against value erosion.

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



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 Lead Independent Non-executive Director (Chairperson)	4/4	100
Alice le Roux Independent Non-executive Director	4/4	100
Mmaboshadi Chauke Independent Non-executive Director	4/4	100
Invitees		
Ahmed Banderker* Group CEO and Executive Director	4/4	100
Hannes Boonzaaier Group CFO and Executive Director	4/4	100
Sello Mmakau Group CIO and Executive Director	3/4	75
Gary Allen** Non-executive Director	1/1	100

<sup>\*</sup> Ahmed Banderker attends the committee in his ex-officio capacity and is a permanent invitee as the Group CEO.

## 100%

## INDEPENDENCE OF COMMITTEE



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

<sup>\*\*</sup> Appointed as a permanent invitee to the ARC on 8 March 2021.

## **Investment Committee**



## With the continued uncertainty within the current context, ensuring investment decisions support resilience and business sustainability is critical.



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

Member	Number of meetings	Meeting attendance (%)
Joe Madungandaba Non-executive Director (Chairperson)	4/4	100
Dr Nkateko Munisi Non-executive Director	4/4	100
Bruno Fernandes Lead Independent Non-executive Director	4/4	100
Gary Allen* Non-executive Director	1/1	100
Invitees		
Ahmed Banderker** Group CEO and Executive Director	4/4	100
Hannes Boonzaaier Group CFO and Executive Director	4/4	100
Willem Britz Executive Director	3/4	75

<sup>\*</sup> Appointed as member of the Investment Committee on 8 March 2021.



- » Considered the acquisitions or disposals and first-time investments in the Group
- » Considered the viability of capital projects and/or acquisitions and/or disposals and their potential effect on the Group's cash flow and overall strategy
- » Monitoring of investment returns post acquisition reviews
- » 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

<sup>\*\*</sup> Ahmed Banderker attends the committee in his ex-officio capacity and is a permanent invitee as the Group CEO.

## **ICT Steering Committee**



## We're leveraging technology to achieve our ultimate aim of making quality healthcare accessible for all.



The ICT Steering Committee oversees 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)	4/4	100
Ahmed Banderker Group CEO and Executive Director	4/4	100
Hannes Boonzaaier Group CFO and Executive Director	4/4	100

The ICT Steering Committee is an internal management committee.

A decision was taken during the year to appoint a suitable independent Non-executive Director with the required ICT skills and experience in due course. The ICT Steering Committee reports to the Audit and Risk Committee, as well as the Investment Committee.

KEY MATTERS OF FOCUS

- » Reviewed all ICT policies, including the business continuity plan
- » Reviewed and recommended the digital ICT strategy
- » Monitored progress of development project
- » Ensured the alignment of the business and technical project management functions
- » Recommend budget spend for ICT infrastructure and software development
- » Monitored cybersecurity threats

## **Nomination Committee**



## Determining the appropriate structure and composition of the Board within a constantly evolving context will enable the Group's ability to create sustainable value.



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

Member	Number of meetings	Meeting attendance (%)
Dr Anna Mokgokong Non-executive Director (Chairperson)	2/2	100
Joe Madungandaba Non-executive Director	2/2	100
Invitees		
Ahmed Banderker* Group CEO and Executive Director	2/2	100

<sup>\*</sup> Ahmed Banderker attends the committee in his ex-officio capacity and is a permanent invitee as the Group CEO.



- » Formulated and adopted a clear process for the selection, nomination and appointment of directors to the Board and monitoring performance
- » Provided 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 Nonexecutive Directors appointed to the Board
- » Ensured succession plans are in place, particularly for the Chairperson and Group CEO positions
- » Liaised with the Board in the preparation of the committee's report to shareholders, as required
- » Assessed and deliberated the outcome of the Independent Board Assessment report

## **Remuneration Committee**



## Remuneration that supports value creation across all six capitals is a critical focus.



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

Member	Number of meetings	Meeting attendance (%)
<b>Dr Shirley Zinn</b> Independent Non-executive Director (Chairperson)	5/5	100
Joe Madungandaba Non-executive Director	5/5	100
Gary Allen* Non-executive Director	1/1	100
Ronnie Wa-Mundalamo Independent member	5/5	100
Invitees		
Ahmed Banderker** Group CEO and Executive Director	4/4	100
Willem Britz Executive Director	1/4	25

<sup>\*</sup> Appointed as member of the Remuneration Committee on 8 March 2021.



- » Agreed and developed the Group's general policy on executive and senior management and employee remuneration. This general policy will be referred to shareholders to pass a non-binding advisory vote on AfroCentric's annual remuneration policy
- » Approved the remuneration report for purposes of disclosure as per King  $\ensuremath{\mathsf{IV}}$
- » Determined the specific remuneration packages for Executive Directors of the Company
- » Identified the criteria necessary to measure the performance of Executive Directors in discharging their functions and responsibilities
- » Reviewed the terms and conditions of Executive Directors' service agreements, taking into consideration information from comparable companies, where relevant

<sup>\*\*</sup> Ahmed Banderker attends the committee in his ex-officio capacity and is a permanent invitee as the Group CEO.

## Social and Ethics Committee



## Ensuring the Group demonstrated its purpose throughout the Covid-19 pandemic has remained a critical focus for the committee.



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

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

<sup>\*</sup> Ahmed Banderker attends the committee in his ex-officio capacity and is a permanent invitee as the Group CEO.



- » Ensured Group compliance to the B-BBEE Act
- » Reviewed the Company's environmental, health and public safety performance, including the impact of the Group's activities, products and services
- » Ensuring the Group works towards ESG objectives
- » Reviewed results of the Employee Climate Survey that detailed the Company's standing in terms of the International Labour Organization's Protocol on decent work and working conditions, its employment relationships (such as treatment of unions and labour disputes), skills development, the promotion of equality and prevention of unfair discrimination (including policies and interventions)
- » Oversees stakeholder engagement
- » Monitored ethical standards within the Company

## 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 critical 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.
- » POPIA: We complied with legislative requirements and the General Data Protection Regulation. To effectively manage this project, the 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 POPIA; 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 in place 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 conducted 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 the advantage of third parties.

## **Dealings in shares**

Directors and officers are prohibited from dealing directly or indirectly in AfroCentric's ordinary shares based on 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 specific 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.

No compliance concerns were raised during the year in respect of directors' dealings. An information and share dealings policy exists and other controls are in place. The Board was inducted on the JSE rules regarding share dealings. Updates are provided to the Board via the Group Company Secretary.

## Enterprise risk management

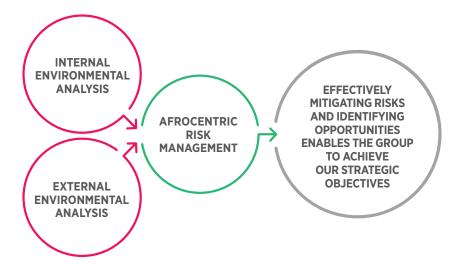
Our robust approach to risk management supports the implementation of our strategy and enables the Group to mitigate risks through identification of solutions and opportunities.

AfroCentric's risk management is overseen by the Board and its sub-committees and managed by governance structures. 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.

### **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 risk management within the Group.

We gain insight into our risk landscape by considering external and internal factors that 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.

## Overview of our top risks

For information on how we are responding to our risks and identifying related opportunities, please see our material matter discussion on page 40.

Remains unchanged Trend improving Trend worsening

## 1. IT RISKS

People risk: Skills shortage or inability to attract necessary dedicated resources.

IT infrastructure: Obsolete and legacy IT infrastructure that has reached end-of-life and is no longer supported.

System stability/availability: Unavailability and unreliability of critical IT systems leading to business disruption.

Cybersecurity: Ineffective cyber defence controls and mechanisms to protect critical infrastructure, systems and data against malicious cyber attacks.

Technologies: Remaining relevant in the face of new disruptive technologies.

# Trend Risk rating 20 12 19 4

## 2. ECONOMIC/GROWTH RISKS

NHI: Uncertainty surrounding implementation could impact investor perception, and Medscheme's client base may be affected once implemented.

12

4

Transformation: Maintaining level 1 B-BBEE status.

 $\rightarrow$ 

16

Membership: Attracting/retaining members for our clients.

 $\rightarrow$ 

16

Loss of clients: Reduction of client base.

 $\rightarrow$ 

12

Slower than desired integration of new acquisitions: Timeous integration of new acquisitions into the Group to extract the synergistic value as intended.

 $\rightarrow$ 

9

## 3. BUSINESS/REPUTATIONAL RISK

COVID-19 risk: Failure to implement COVID-19 regulations and ensure continuity of the business.

 $\rightarrow$ 

9

CMS Section 59 investigation: The current CMS investigation into forensic practices (see page 39 for more information).

 $\rightarrow$ 

9

Business continuity management: Failure to ensure proper business continuity in the event of a disaster/crisis in the organisation.

ተ

8

## 4. EXTERNAL FRAUD AND INTERNAL FRAUD

External fraud: Fraud, waste and abuse – losses due to acts by a third-party healthcare professionals, facilities and members defrauding schemes and escalating healthcare costs.



12

Internal fraud: Losses resulting from internal employees involved in unauthorised activity with the intention to defraud the Company, including any form of bribery, corruption, dishonesty or unethical behaviour.



9

## 5. PEOPLE RISKS

Trend

Risk rating

Organisational culture risks: The current organisational culture may inhibit individual and Company performance and may lead to the loss of critical skills.

 $\rightarrow$ 

12

Staff retention: Failure to attract/retain critical staff and scarce skills.

**-**

12

## 6. REGULATORY AND COMPLIANCE RISKS

POPIA: Non-compliance to POPIA regulatory requirements.



9

## 7. FINANCIAL RISKS

Budget/growth target: Highly stretched target of 15% growth resulting in high-risk projects/clients/acquisitions being made.



8

## 8. LEGAL RISKS

Contractual agreements: Failure to prevent, detect contraventions of the terms and provisions of contractual agreements and related documents entered into with clients, counter parties or suppliers.



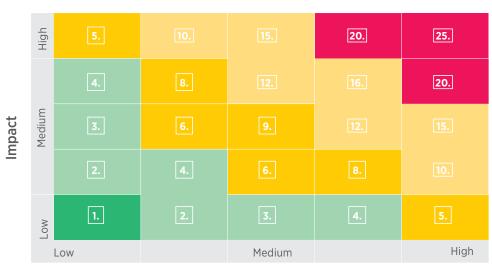
12

NHA litigation: Alleged Breach of Copyright claim against Medscheme (see page 39 for more information).

 $\rightarrow$ 

12

## Risk heat map



Likelihood

### 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 2021.

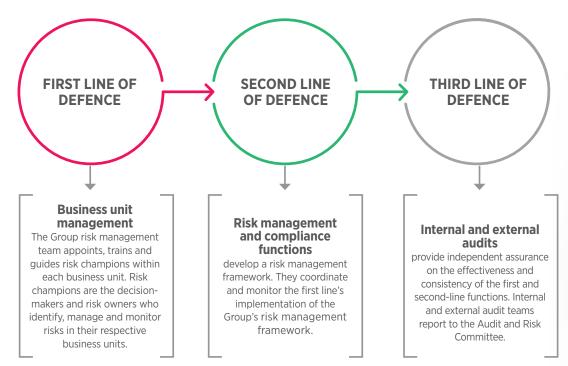
### **Business continuity planning**

Throughout the COVID-19 pandemic, increased focus was placed on business risk in relation to business continuity management to ensure our services, which were deemed as essential, continued. We invoked business continuity plans (BCPs) at the start of the pandemic and enabled remote working across the Group as we continued to deliver these essential services. Additionally, we focused on ensuring that our IT systems were stable and available, and undertook stress-testing scenarios and modelling potential economic outcomes to determine strategic direction and whether changes to the BCPs were necessary. We continue to institutionalise BCP within our processes, including audited BCP tests for mitigating against any potential disruptions to operations.

### Combined assurance

Our combined assurance framework is supported by the three lines of defence model that specifies and delegates accountability for managing, overseeing and independently assuring risk mitigation 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.



### **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. An internal audit charter governs the internal audit function. The charter is annually reviewed and approved by the Audit and Risk Committee.

### Internal audit

Internal Audit is an independent, objective assurance and consulting function that is designed to add value and improve the organisation's operations.

The vision of the internal audit department is to add value on a proactive, and independent basis to assist in the achievement of the Group's strategy and objectives while upholding AfroCentric's core values at all times.

The approved internal audit charter directs and informs the internal audit activities, which includes the application of the core principles as listed below to ensure the function is operating effectively:

- » Demonstrates integrity
- » Demonstrates competence and due professional care
- » Is objective and free from undue influence
- » Aligns with the strategies, objectives and risks of the Group and Medical Schemes
- » Is appropriately positioned and adequate
- » Demonstrates quality and continuous improvement
- » Communicates effectively
- » Provides risk-based assurance
- » Is insightful, proactive and future focused

The Chief Audit Executive reports at each Audit and Risk Committee meeting and has a direct reporting line to the Chairman. Internal Audit operates independently of executive management and is not authorised to perform any operational duties within the Group. For administrative purposes, the Chief Audit Executive reports to the Group CFO.

The internal audit team is fully capacitated with 24 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, where required.

All audit engagements are performed in accordance with the Standards for Professional Practice of Internal Auditing (Standards) and Code of Ethics, as contained in the International Professional Practices Framework. The audits are performed by the utilisation and integration of skills available within the team, along with an effective risk-based planning approach and audit tools that facilitates the delivery of the Annual Internal Audit Plan.

Internal Audit provides assurance to the Audit and Risk Committee regarding management's assertions in relation to internal controls and processes, achievement of objectives, effectiveness, and efficiency of operations, reliability of financial information and compliance with laws and regulations.

The Standards recommend that every audit function must have an independent review performed once every five years. Internal Audit abides by this, and as such an independent Quality Assurance Review (QAR) is performed at least once every five years. The objective of a QAR is to determine whether an internal audit function is compliant with the International Standards of Internal Auditing promulgated by the Institute of Internal Auditors and to determine whether the internal audit function is effectively meeting management's needs.

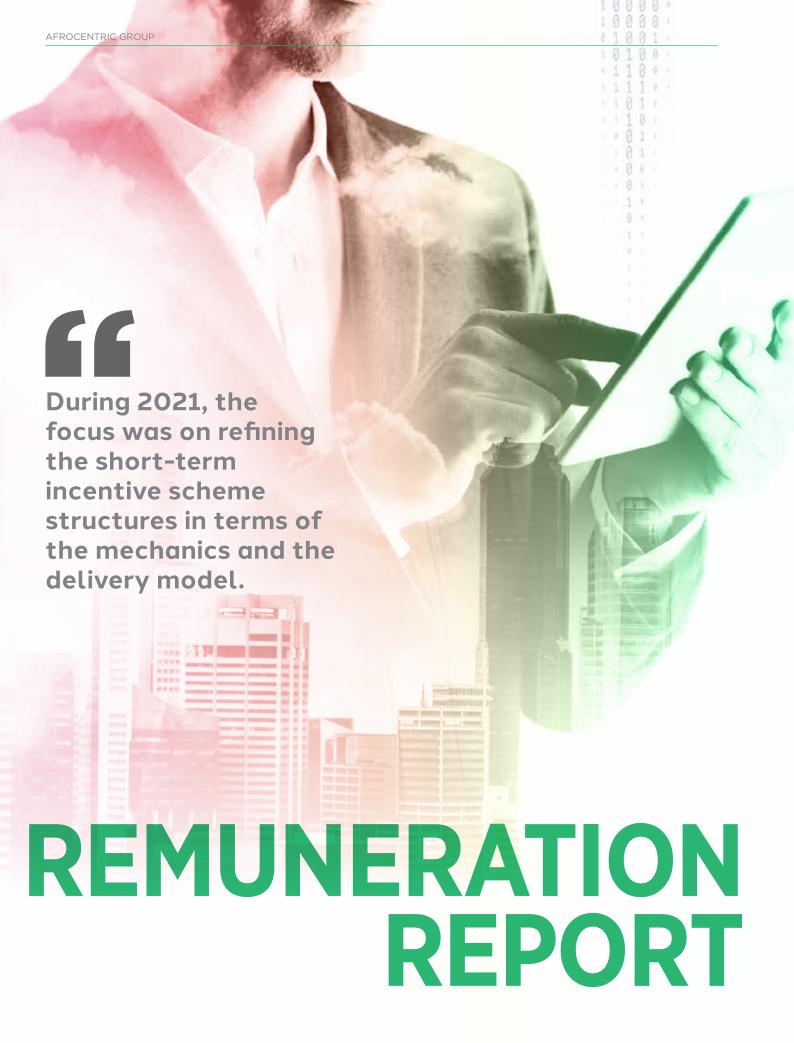
## Information and security governance

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 and formalise the good governance requirements stipulated in King IV.

In addition to applying appropriate governance across our IT areas, external auditors conducted an extensive review of our ICT controls (ISAE3402) within our governance framework. The report was shared with our clients as further assurance.





## **Background statement**

## Remuneration Committee Chairperson's report

On behalf of the Remuneration Committee (the committee), I am pleased to present AfroCentric's remuneration report for the year-ended June 2021. This report supplements the information provided in the corporate governance report on pages 85 to 101, 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 2021, the focus was on refining the short-term incentive scheme structures in terms of the mechanics and the delivery model. To that end, the committee approved changes to the performance contracting and the formula for the bonus calculation. These changes will foster clear alignment of executives and general managers' performance to the business unit objectives and ensure that profitable business units are not subsidising business units that do not achieve the financial targets. It is critical that top performers are rewarded for their individual strategic contributions to the organisation's success.

An additional driver to the strategic incentive scheme amendments was to ensure that the interests of employees (key and critical staff) are aligned with that of shareholders and drive individual, business and Group performance. Furthermore, the amendments seek to enable the retention of key staff who are entrenched in the business and contribute to the success of AfroCentric's short-term business objectives and longer-term sustainable value creation for members and shareholders.

The committee also approved a single payment point of the various short-term incentive structures within the Group to ensure that employees are incentivised to maintain enhanced performance throughout the entire performance period. This further creates alignment and consistency of incentive structures throughout the organisation and strengthens the direct link between performance bonuses and performance outcomes.

The incentive policies for the Group's entities in other jurisdictions (Mauritius and Namibia) were strengthened and approved by the committee.

## Operating context and performance highlights

The Group set itself an aggressive target of achieving an EBIT deliverable of R806 million for the 2021 financial year after recording a R740 million EBIT in 2020. It is encouraging to report that the Group achieved an EBIT of R794 million despite an uncertain operating context, where the impact of COVID-19 continues to unsettle the environment. The Group also fared well with the other balanced scorecard (BSC) components, where the transformation, governance, culture and strategic impact key performance areas were met, and even partially exceeded in certain instances. To that end, the Group was able to declare bonuses and settle the bonus payments under the strategic and management incentive schemes. The total management performance bonus pool approved for distribution by the committee was R88 million (2020: R88.5 million).

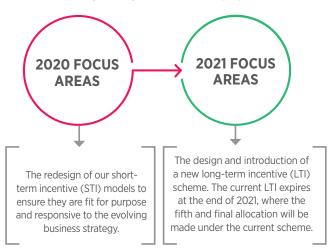
Further detail on the Group's overall performance is provided in our CEO's and CFO's reviews.

## Changes to the remuneration and related policies

In keeping with our philosophy of ensuring fair and responsible remuneration, the committee continuously reviews the Group's remuneration policies and practices to ensure that they remain relevant and responsive to organisational imperatives. No material changes were made to the Group's remuneration policy for the year under review.

## Focus areas

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



## Shareholder engagement and voting

## Shareholder voting results

	November	November
Resolution	2020	2019
Ordinary resolution on non-binding advisory vote on remuneration policy	93.90%	96.89%
Ordinary resolution on non-binding advisory vote on implementation report	99.33%	96.89%
Special resolution on Non-executive Directors' fees	99.34%	99.47%
Special resolution on general authority to repurchase shares	99.75%	99.96%

The remuneration policy and implementation report were presented for shareholder voting at the AGM held on 10 November 2020. The policy was endorsed by 98% of our shareholders, and the implementation report received an in favour vote of 97%.

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 on pages 120 to 121.

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.

## **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 committee responsibly and professionally discharged its obligations.

Thank you to our shareholders for your support and engagement in 2021.



Dr Shirley Zinn

## **Remuneration Committee Chairperson**

13 September 2021

## 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

Approve Non-executive Directors' fees and nonbinding approval of the remuneration policy and implementation report

### BOARD OF DIRECTORS

Approval of the remuneration policy

Provide Group Remuneration Committee with specific mandates

## GROUP REMUNERATION COMMITTEE

Recommends the policy and monitors implementation of the remuneration policy

### GROUP CEO AND EXECUTIVES

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

Our people are at the core of our business success as 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:



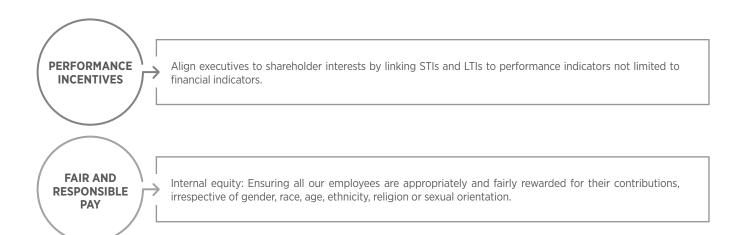
Pay-for-performance methodology, linking executive reward to business performance. This allows for differentiated increases based on the individual's contribution and performance.

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 within the organisation.



#### Pay for performance

Executives' remuneration is based on their 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 support the delivery of our strategic objectives

#### Strategic impact

- » Enhancing our operating model
- » Stabilising IT systems and enhancing the infrastructure
- » Launching and implementing primary care products to create a unique value proposition for the Group
- » Delivering a successful medicine capitation model with full value chain optimisation

# FINANCIAL (40% WEIGHTING)

**GOVERNANCE (10% WEIGHTING)** 

TRANSFORMATION (10% WEIGHTING)

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 with the business unit and individual performance objectives.

### Remuneration arrangements for other employees

Recognising the need to remunerate executive management fairly and responsibly in the context of the overall remuneration, we award higher increases to bargaining unit employees than to executive levels (see page 110). Increases for the bargaining unit are negotiated annually with National Education, Health and Allied Workers' Union (NEHAWU), the recognised labour union, considering various 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.

# 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 positions below the 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.

# Remuneration oversight and policies continued

# **Remuneration model**

AfroCentric's remuneration model balances short-term and long-term financial and non-financial rewards to drive a high-performance culture. The critical 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 <sup>1</sup> 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

<sup>&</sup>lt;sup>1</sup> 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 with 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 the 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, business unit 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 that aligns their interests with those of the Group's shareholders

#### **Mechanics**

#### » Executive Committee members, general management<sup>1</sup>, senior management<sup>2</sup> and management<sup>3</sup> 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
- » A 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
- » The committee approves any payments in respect of performance-based STIs
- » Other STIs, as general staff performance bonuses 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 three one-third, year four – one-third, and year five – one-third
- » Governance 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 longterm individual performance and potential
- » Share value is determined by volume-weighted average price measured 30 days before award date
- » Group performance targets include EBIT (40%), governance (10%), organisational culture (5%), transformation (10%) and strategic impact (35%) (see page 108)

#### **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**

» The employee's job grade determines the maximum allocation

# **Number of participants**

489 FOR MANAGEMENT

3 193 FOR GENERAL STAFF

#### **Number of participants**

**59** 

- General management is defined as positions at grade levels E1 to E3 on the Paterson grading scale.
- <sup>2</sup> Senior Management is defined as positions at grade levels D3 to D5 on the Paterson grading scale.
- Management is defined as positions at grade level D2 on the Paterson grading scale.

# Remuneration oversight and policies continued

#### STI schemes

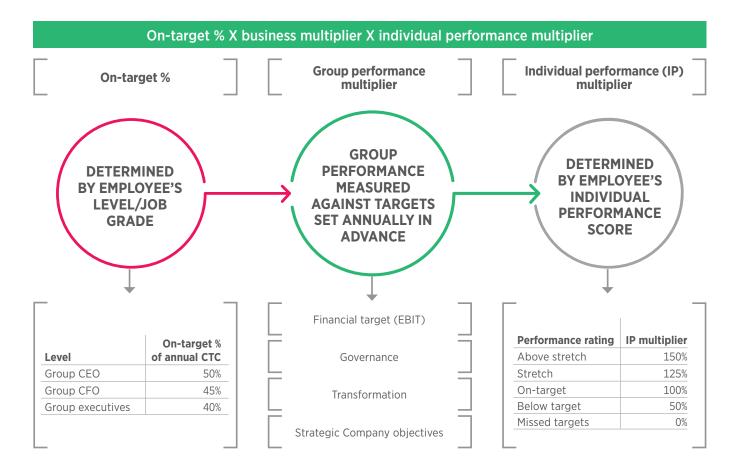
The Group relies on various bonus schemes designed to achieve its strategic objectives.

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



#### **Group performance**

The Group achieved an EBIT of R794 million compared to a budget of R806 million which falls within an acceptable range (5%) of the target being met.

#### 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 by rewarding 100% of the 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 Remuneration Committee approves the allocations for all participants.

#### Malus and clawback

Where defined trigger events take place, provision is made for redress against remuneration through either malus (pre-vesting forfeiture) or clawback (post-vesting forfeiture). Malus and clawback provisions and the application thereof to trigger events are governed by the Group Malus and Clawback policy.

#### Vesting share scheme

#### Award mechanism

Linked to job grade and allocated by the committee. The Remuneration Committee has discretion within a range per job grade with a maximum number of shares set per grade.

#### **Bonus shares**

Discretionary allocation by the committee considering scarce skills, personal performance ratings, leadership and potential.

#### Vesting

Five-year vesting based on the anniversary of allocation: Year three – one-third, year four – one-third and year five – one-third.

#### **Participation**

Individual participation is reviewed annually by the committee to ensure alignment with the strategic objectives of the Group, and consideration is given to:

- » Individual long-term performance (over three years)
- » Scarce and critical skills, particularly at other levels
- » Strategic importance of the role
- » 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 that 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 2021 financial year for Non-executive Directors. These policies also apply for the 2021 financial year and form the underlying basis for the fees tabled for approval at the AGM to be held on 11 November 2021.

#### Chairperson

#### **Deputy Chairperson**

#### **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 Chairperson and Deputy Chairperson 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.

# 2021 guaranteed pay - base pay increase (%)



<sup>\*</sup> Middle management was awarded a 3.3% increase; senior managers 3%, and general management was awarded a 2.5% increase.

#### **Total remuneration outcomes**

Single figure remuneration (R'000)

	Guaranteed pay				Variable pay					
	Bas	e pay		its and ances	S	TI .	ı	лі	Tot remune	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Executive dire	ectors									
A Banderker	4 948 450	4 781 364	452 817	435 788	4 000 000	3 242 207	-	1 750 000	9 401 267	10 209 360
W Britz	4 142 382	3 975 310	380 481	394 235	-	Waived fee	-	-	4 522 862	4 369 545
H Boonzaaier	3 404 936	3 061 646	314 452	276 436	2 083 405	1 755 613	1 460 000	1 750 000	7 262 792	6 843 695
S Mmakau	3 464 020	3 347 678	337 507	323 939	1 449 711	1 479 066	1 095 000	875 000	6 346 239	6 025 683
TOTAL	15 959 788	15 165 998	1 485 257	1 430 398	7 533 116	6 476 886	2 555 000	5 025 000	27 533 160	27 448 283

# 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 a formal performance evaluation conducted by the Group CEO for executives and by the Remuneration Committee and Board Chairperson for the Group CEO.

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

R59.9 million was paid out on the management performance bonus scheme aligned with individual performance scores.

# Management strategic incentive scheme

Business multip	olier	Ou	tcome	Comments
Weighting - 40%	Finance (EBIT)	3 out of 5	Target met	EBIT of R794 million achieved, relative to the target of R806 million (on-target)
Weighting - 10%	Governance	3.8 out of 5	Target partially exceeded	The risk management processes continue to evolve, with more relevant aspects being monitored earlier in the process. The internal audit findings have been reduced significantly
Weighting - 10%	Transformation	4 out of 5	Target partially exceeded	ACT maintained its level 1 B-BBEE rating. Pharmacy Direct maintained its Level 1 B-BBEE rating, and other subsidiary entities improved ratings from the prior year
Weighting - 5%	Culture	3 out of 5	Target 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 enhancing the infrastructure  » Launching and implementing primary care products to create a unique value proposition for the Group  » Delivering a successful medicine capitation model with full value chain optimisation	3 out of 5	Target met	While the Group achieved its targets of enhanced leadership culture, value chain optimisation and 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 to ensure alignment with the strategic objectives of the Group and consideration was given to individual long-term performance (measured over three years), scarce and critical skills required, the 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 second third of shares awarded in 2017 vesting in 2021.

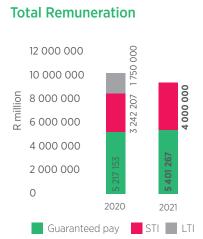
		Number of	Grant	V	Vesting criteria		
	Date awarded	shares awarded	value (R)	Tranche 1 33.33%	Tranche 2 33.33%	Tranche 3 33.33%	
Hannes Boonzaaier	November 2018	200 000	1 000 000	335 333	335 333	335 333	
	November 2019	500 000	1 750 000	583 333	583 333	583 333	
	November 2020	400 000	1 460 000	486 666	486 666	486 666	
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	
Sello Mmakau	November 2019	250 000	875 000	291 666	291 666	291 666	
	November 2020	300 000	1 095 000	365 000	365 000	365 000	

# Implementation report continued

# Individual remuneration outcomes

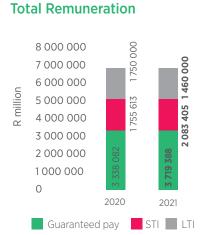
# Ahmed Banderker (Group CEO)

	2021 (R)	2020 (R)
Salary	4 948 450	4 781 364
Medical aid	47 852	44 968
Retirement benefits	325 093	314 260
Other employee benefits	79 872	76 560
Total guaranteed pay	5 401 267	5 217 153
Increase in guaranteed pay	3.5%	4.3%
STI	4 000 000	3 242 207
Number of shares awarded	-	500 000
Value of awarded shares	-	1 750 000
Total variable pay	4 000 000	4 992 207
TOTAL REMUNERATION	9 401 267	10 209 360



# Hannes Boonzaaier (Group CFO)

	2021 (R)	2020 (R)
Salary	3 404 936	3 061 646
Medical aid	52 872	49 444
Retirement benefits	209 988	182 492
Other employee benefits	51 592	44 500
Total guaranteed pay	3 719 388	3 338 082
Increase in guaranteed pay	11.4%	4.31%
STI	2 083 405	1 755 613
Number of shares awarded	400 000	500 000
Value of awarded shares	1 460 000	1 750 000
Total variable pay	3 543 405	3 505 613
TOTAL REMUNERATION	7 262 792	6 843 695

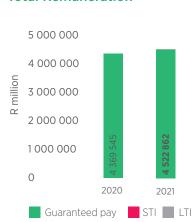


# Willem Britz (prescribed officer)

	2021 (R)	2020 (R)
Salary	4 142 382	3 975 310
Medical aid	104 892	128 272
Retirement benefits	221 234	213 862
Other employee benefits	54 355	52 101
Total guaranteed pay	4 522 862	4 369 525
Increase in guaranteed pay	3.5%	4.3%
STI*	-	-
Total variable pay	-	-
TOTAL REMUNERATION	4 522 862	4 369 525

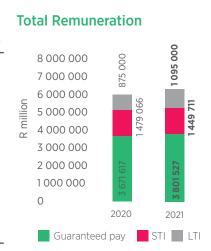
<sup>\*</sup> STI waived due to shareholding. No LTI plan allocation.

# **Total Remuneration**



# Sello Mmakau (prescribed officer)

	2021 (R)	2020 (R)
Salary	3 464 020	3 347 678
Medical aid	59 540	55 680
Retirement benefits	223 143	215 708
Other employee benefits	54 824	52 551
Total guaranteed pay	3 801 527	3 671 617
Increase in guaranteed pay	3.5%	4.3%
STI	1 449 711	1 479 066
Number of shares awarded	300 000	250 000
Value of awarded shares	1 095 000	875 000
Total variable pay	2 544 711	2 354 066
TOTAL REMUNERATION	6 346 239	6 025 683



#### Non-executive Directors' 2021 remuneration

Based on the PwC 2021 non-executive director remuneration report, AfroCentric concluded that the fees for the Chairperson of the Audit Committee, the lead independent and director fees are significantly below the median for companies of similar size. As a result and after careful consideration, the Remuneration Committee considered it prudent to steadily adjust the fees for the 2022 financial year. Accordingly, the directors' fees for 2022 were increased by bigger percentages than previous years to bring the fees closer to aligning with the median for similar size companies as reported in the PwC 2021 non-executive director remuneration report.

The following table sets out the fees for the period 1 January 2021 to 31 December 2021 approved by means of majority vote during the AGM:

		Current 2021 (R)	Proposed 2022 (R)	Recommended increase (%)
Main Board (annualised retainer fee)				
Chairman*	_	L 445 849	1 445 849	0
Deputy Chairman*	1	1 317 844	1 317 844	0
Lead Independent Director		515 802	667 627	29.43
Member		256 875	305 955	19.11
Audit and Risk Committee (per meeting)				
Chairperson		155 745	255 903	64.31
Member		114 645	131 662	14.84
Remuneration Committee (per meeting)				
Chairperson		93 448	132 997	42.32
Member		68 788	72 370	5.21
Nomination Committee (per meeting)				
Chairperson		70 086	132 997	89.76
Member		51 591	72 370	40.28
Social and Ethics Committee (per meeting)				
Chairperson		93 448	123 372	32.02
Member		71 668	71 668	0.00
Investment Committee (per meeting)				
Chairperson		140 172	192 277	37.17%
Member		103 182	105 769	2.51
ICT Steering Committee (per meeting) Member**		51 591	70 513	36.68
Tember		31 331	, 0 313	55.00

<sup>\*</sup> The Chairman and the Deputy Chairman remuneration is all inclusive.

<sup>\*\*</sup> The Chairperson is currently an Executive Director and does not receive fees.

# Implementation report continued

# **Payments made to Non-executive Directors**

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

Name of director	Directors' fees	Social and Ethics Committee	Medscheme Board	ADS Board	PD/Curasana Board	Remuneration Committee	Nomination Committee	Internal Control Review Panel	Pharma Audit and Risk Committee	Audit and Risk Committee	Investment Committee	Total Fees
Dr Anna Mokgokong	1 555 377						52 824					1 608 201
Mokgokong Joe Madungandaba	1 167 449	_	25 958	38 215	- 78 782	98 558	38 884	_	_	_	105 648	1 553 494
Bruno Fernandes	252 526	22 572	25 550	50 215	70 702	-	50 004	22 929	46 724	182 682	67 624	595 057
Gary Allen	290 411	-	_	_	_	19 777	_	_	-	26 368	19 777	356 333
Jurie Strydom	192 775	_	_	_	_	_	_	_	_	-	_	192 775
Prof Shirley Zinn	361 765	96 875	_	_	_	103 965	_	_	_	25 477	_	588 082
Dr Nkateko Munisi	250 360	91 078	-	-	-	-	-	-	-	-	67 042	408 480
Alice Le Roux	302 022	-	-	-	-	-	-	-	-	154 645	-	456 667
Mmaboshadi Chauke	252 526	-	-	-	-	-	-	-	-	134 474	-	387 000
	4 625 211	210 525	25 958	38 215	78 782	222 300	91 708	22 929	46 724	523 646	260 091	6 146 089
Ronald Mundalamo	-	-	-	-	-	67 042	-	-	-	-	-	67 042
Total	4 625 211	210 525	25 958	38 215	78 782	289 342	91 708	22 929	46 724	523 646	260 091	6 213 131

# Termination of office payments

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

# Statement regarding compliance with the remuneration policy

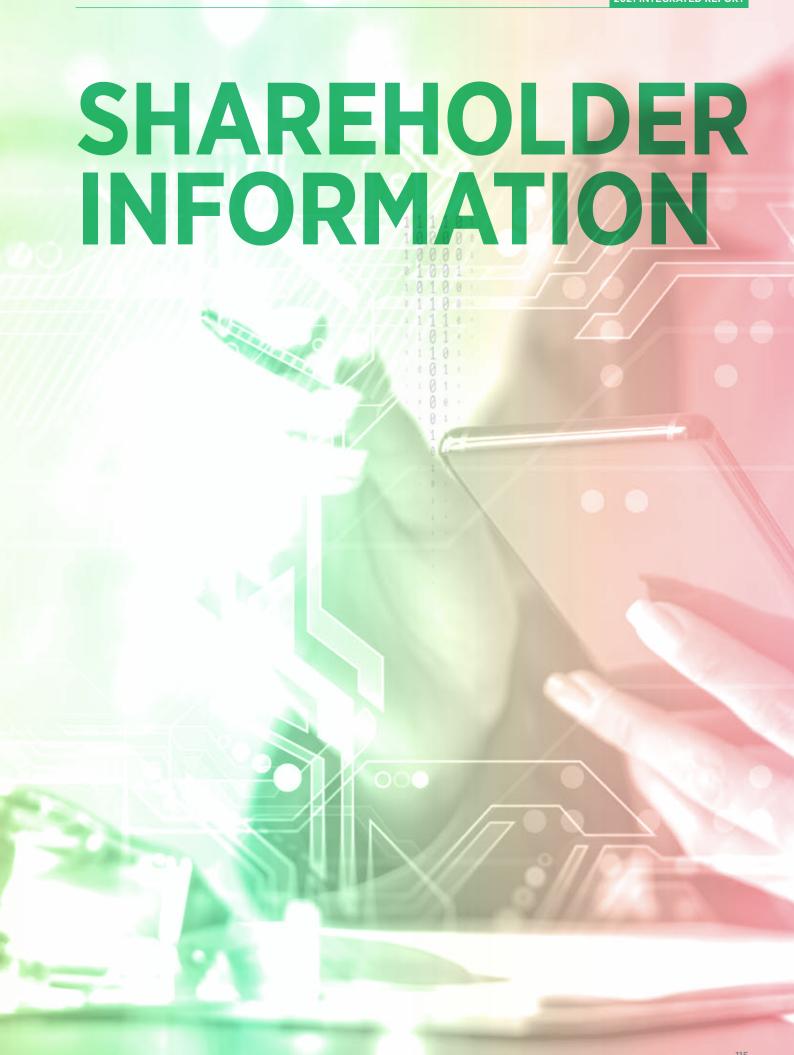
The committee satisfied itself that the remuneration policy, as detailed in the report, was complied with, and there were no substantial deviations from the policy during the year.

#### Advisory vote on the implementation report

The implementation report, as it appears above, is subject to an advisory vote by shareholders at the 2021 AGM. Accordingly, shareholders are requested to cast an advisory vote on the remuneration policy's implementation for 2021.

# Approval of the remuneration report by the Board

The Board approved the remuneration report on 13 September 2021.



# Financial calendar

The salient dates relating to the dividend are as follows:

Last day to trade cum dividend	Tuesday, 9 November 2021
Shares commence trading ex-dividend	Wednesday, 10 November 2021
Dividend record date	Friday, 12 November 2021
Dividend payment date	Monday, 15 November 2021



# **Notice of AGM**

# Notice of the 15th annual general virtual meeting of shareholders to be held on Thursday, 11 November 2021, 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 2021 Annual Financial Statements (AFS), to which this notice of Annual General Meeting (AGM) is attached, shall bear the same meanings when used in this notice of AGM.

Notice is hereby given that the 15<sup>th</sup> AGM of shareholders for the year-ended 30 June 2021 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 Thursday, 11 November 2021 at 10h00 to conduct such business as may lawfully be dealt with at the AGM 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 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.

Although the intention is to hold the AGM as scheduled on Thursday, 11 November 2021 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 2021 AGM agenda in advance by email to the Company Secretary at billym@afrocentrichealth.com.

Shareholders will also be able to follow the AGM remotely via a live audio webcast to be provided on our website https://www.corpcam.com/AfroCentricAGM2021.

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 this 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 what action you should take, please consult your banker, stockbroker, legal adviser, accountant or other professional adviser 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 AGM of the Company on Thursday, 11 November 2021, 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 (**the Act**), from time to time, any person attending or participating in the AGM must present reasonable satisfactory identification and the person presiding at the AGM 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 AGM being the notice record date as Friday, 1 October 2021
- 4. The record date of the AGM for shareholders to participate in and vote at the AGM is Friday, 5 November 2021 (the voting record date)
- 5. The last date to trade in order to be eligible to participate in and vote at the AGM is Tuesday, 2 November 2021

# Notice of AGM continued

#### Salient dates

Please take note of the following important dates:

2021

	2021
Record date for the purposes of determining which shareholders of the Company are entitled to receive notice of the AGM (the notice record date)	Friday, 1 October
Integrated report and notice of AGM to be posted	Wednesday, 13 October
The last date to trade in order to be eligible to participate in and vote at the AGM	Tuesday, 2 November
Record date for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the AGM ( <b>the voting record date</b> )	Friday, 5 November
Last day for lodging forms of proxy by 10h00	Tuesday, 9 November
Date of the AGM at 10h00	Thursday, 11 November
Results of the AGM published on SENS	Thursday, 11 November

Forms of proxy are requested to be lodged with the transfer secretary by 10h00 on Tuesday, 9 November 2021, however, if 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.

# Voting and proxies

A member entitled to attend and vote at the AGM 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 AGM 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

Private Bag X9000, Saxonwold, 2132 Fax: +27 (11) 688 5238

Email: proxy@computershare.co.za

# By no later than 10h00 on Tuesday, 9 November 2021

#### Agenda

The purpose of the AGM is to transact the business set out in the agenda below.

#### Presentation of audited AFS

The audited consolidated AFS 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 2021, will be presented to shareholders as required in terms of section 30(3) (d) of the Act. The complete set of audited consolidated AFS, together with the report of the directors and the independent auditors' report are set out on pages 13 to 18 of the 2021 AFS. The Audit and Risk Committee report is set out on page 3 to 5 of the 2021 AFS. The Integrated Report is also available on the Company's website: www.afrocentric.za.com.

#### Resolutions

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

#### Election of directors appointed during the year under review

There were no directors appointed during the year under review.

#### Ordinary resolution number 1

#### 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 AGM. Accordingly, the following directors retire by rotation at the AGM. The Board has assessed the performance of the directors standing for re-election and has found them suitable for reappointment.

Dr ND Munisi

Mr FG Allen

and

Dr SA Zinn

#### Ordinary resolution number 1.1

#### Re-election of Dr ND Munisi as a Non-executive Director

"RESOLVED that Dr Munisi, 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 1.2

#### Re-election of Mr FG Allen as a Non-executive Director

"RESOLVED that Mr Allen, 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 1.3

#### Re-election of Dr SA Zinn as a Non-executive Director

"RESOLVED that Dr 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 a Non-executive Director of the Company."

Brief résumés for these directors appear on pages 18 and 19 of the 2021 Integrated Report.

For the above resolutions 1.1 to 1.3 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 2

#### **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 AGM and to perform the duties and responsibilities stipulated in section 94(7) of the Act and King IV Code on Governance for South Africa.

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 pages 18 and 19 of the 2021 Integrated Report."

#### Ordinary resolution 2.1

"RESOLVED that, subject to the passing of this ordinary resolution number 2.1, Mr JB Fernandes is elected as a member and Chairperson of the Audit and Risk Committee."

#### Ordinary resolution 2.2

"RESOLVED that, subject to the passing of this ordinary resolution number 2.2, Ms AM le Roux is elected as a member of the Audit and Risk Committee."

#### Ordinary resolution 2.3

"RESOLVED that, subject to the passing of this ordinary resolution number 2.3, Ms M Chauke is elected as a member of the Audit and Risk Committee."

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

#### Reappointment 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 AGM.

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

# Notice of AGM continued

#### **Ordinary resolution number 4**

#### 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 AGM, 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 that 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 AGM, 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% of the weighted average traded price of those shares measured over the 30 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% 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 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 4 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 that might arise in the future.

For above resolution number 4 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 5

#### **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 102 to 114 of the Integrated Report for 2021, be and is hereby endorsed."

#### Reason for and effect

The King IV Code on Governance for South Africa 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 5 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 5 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 6

#### **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 102 to 114 of the Integrated Report for 2021, be and is hereby endorsed."

#### Reason for and effect

The King IV Code on Governance for South Africa 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 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.

The remuneration policy and implementation report set out above as per resolution number 5 and 6 are proposed to shareholders in separate non-binding advisory votes in terms of the notice of AGM. 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 AGM, 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 7**

#### Authorise directors and/or 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 AGM at which these resolutions will be considered."

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.

#### 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 the King Code on Governance for South Africa 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.

Based on the PwC 2021 non-executive director remuneration report, AfroCentric concluded that the fees for the Chairperson of the Audit Committee, the lead independent and director fees are significantly below the median for companies of similar size. As a result and after careful consideration, the Remuneration Committee considered it prudent to steadily adjust the fees for the 2022 financial year. Accordingly, the directors' fees for 2022 were increased by bigger percentages than previous years to bring the fees closer to aligning with the median for similar size companies as reported in the PwC 2021 non-executive director remuneration report.

"RESOLVED as a special resolution in terms of the Act that the remuneration of Non-executive Directors for the period 01 January 2022 until 31 December 2022 be and is hereby approved as follows:

	Position	Current (2021)	Proposed (2022)	Recommended increase (%)
Main Board	*Chairman	1 445 849	1 445 849	0
(annualised fee)	*Deputy	1 317 844	1 317 844	0
	Lead Independent Director	515 802	667 627	29.43
	Member	256 875	305 955	19.11
Audit and Risk Committee	Chairperson	155 745	255 903	64.31
(Per meeting fee)	Member	114 645	131 662	14.84
Remuneration Committee	Chairperson	93 448	132 997	42.32
(Per meeting fee)	Member	68 788	72 370	5.21
Nomination Committee	Chairperson	70 086	132 997	89.76
(Per meeting fee)	Member	51 591	72 370	40.28
Social and Ethics Committee	Chairperson	93 448	123 372	32.02
(Per meeting fee)	Member	71 668	71 668	0.00
Investment Committee	Chairperson	140 172	192 277	37.17
(Per meeting fee)	Member	103 182	105 769	2.51
ICT Steering Committee				
(Per meeting fee)	**Member	51 591	70 513	36.68

<sup>\*</sup> The Chairman and the Deputy Chairman remuneration is all inclusive.

<sup>\*\*</sup> The Chairperson is currently an Executive Director and does not receive fees.

# Notice of AGM continued

#### 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 2022 until 31 December 2022.

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 that may be repurchased pursuant to this authority in any financial year may not in the aggregate exceed 5% of the Company's issued share capital as at the date of passing of this general resolution or 10% 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% above the weighted average of the market value of the shares for the 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 that constitute, on a cumulative basis, 3% 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
- 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 AFS
- » The share capital and reserves of the Company and of the Group are adequate for ordinary purposes
- » 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 2021 AFS

Company's share capital – page 66 of the 2021 AFS

#### Directors' responsibility statement

The directors, whose names are given on page 1 of the 2021 AFS, collectively and individually accept full responsibility for the accuracy of the information pertaining to the special resolution number 2, and certify that to the best of their knowledge and belief there are no facts that have been omitted that 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 2021 AFS, 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 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 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 AGM 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 the 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 AGM 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 that 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 the 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
- » 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

# Notice of AGM continued

#### To transact such other business as may be transacted at an AGM

#### Identification, voting and proxies

In terms of section 63 (1) of the Act, any person attending or participating in the AGM must present reasonable satisfactory identification and the person presiding at the AGM 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 AGM, but who wish to be represented thereat.

Forms of proxy and/or letters of representation may be presented at any time prior to the AGM and also at the AGM, but to enable the Company to ensure prior to the AGM that a quorum will be present at the AGM, 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 Tuesday, 9 November 2021, being 48 hours prior to the AGM.

All beneficial owners of AfroCentric shares who have dematerialised their shares through a Central Securities Depository Participant (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 AGM 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 AGM, be entitled to lodge the form of proxy in respect of the AGM, in accordance with the instructions therein with the Chairman of the AGM.

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 CSDP or broker to notify such AfroCentric shareholder of the AGM.

By order of the Board

Billy Mokale

**Group Company Secretary** 

Roodepoort

13 October 2021

#### **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 (AGM) 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 Thursday, 11 November 2021 or any postponement or adjournment thereof.

Although the intention is to hold the AGM as scheduled on Thursday, 11 November 2021 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 2021 AGM agenda in advance by email to the Company Secretary at billym@afrocentrichealth.com.

Note:

Forms of proxy to be lodged with the transfer secretary by 10h00 on Tuesday, 9 November 2021. 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 AGM 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 AGM in order for the broker or CSDP to vote in accordance with their instructions at the AGM.

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)

Email address:

being the holder/s of shares hereby appoint

1. or failing him/her

3. the Chairman of the AGM

as my/our proxy to act for me/us on my/our behalf at the AGM in accordance with the following instructions (see note 2):

		For	Against Abstain		
Ordinary resolutions					
1.	Re-election of directors				
1.1	Dr ND Munisi				
1.2	Mr FG Allen				
1.3	Dr SA Zinn				
2.	Appointment of Chairperson and members to the Audit and				
	Risk Committee				
2.1	Mr JB Fernandes (Chairperson)				
2.2	Ms AM le Roux				
2.3	Ms M Chauke				
3.	Reappointment of independent external auditor				
4.	General authority to issue shares for cash				
5.	Approval of the Remuneration Policy				
6.	Approval of the Remuneration Implementation Report				
7.	Authority of directors and/or Company Secretary				
Spec	cial 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 AGM 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 AGM 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 AGM 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
  - (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 AGM may reject or accept any form of proxy that 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 AGM
- 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 AGM
- 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:
  - (i) Any one holder may sign this form of proxy
  - (ii) 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 AGM, 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."

# **Abbreviations and acronyms**

AFS	Annual Financial Statements
AGM	Annual General Meeting
AHL	AfroCentric Health Limited
B-BBEE	Broad-Based Black Economic Empowerment
ВСР	Business continuity plans
CAGR	Compound annual growth rate
CCMDD	Central Chronic Medicine Dispensing and Distribution
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
CMS	Council for Medical Schemes
COO	Chief Operating Officer
CSDP	Central Securities Depository Participant
DBC	Document-based care
DoH	Departments of Health
EBIT	Earnings before interest and taxes
ED	Enterprise Development
ERM	Enterprise Risk Management
ESG	Environmental, social and governance
FWA	Fraud, waste and abuse
GEMS	Government Employees Medical Scheme
GP	General Practitioner
ICT	Information, communication technology
IFRS	International Financial Reporting Standards
IPPF	International Professional Practices Framework
IT	Information technology
JSE	Johannesburg Stock Exchange
King IV™	King Report on Corporate Governance for South Africa
KPI	Key performance indicator
LTI	Long-term incentive
MOI	Memorandum of Incorporation
NAV	Net Asset Value
NDoH	National Department of Health
NDP	National Development Plan
NEHAWU	National Education, Health and Allied Workers' Union
NHA	Neil Harvey and Associates
NHI	National Health Insurance
POLMED	South African Police Service medical aid scheme
POPIA	Protection of Personal Information Act
PPE	Personal Protective Equipment
QAR	Quality Assurance Review
SD	Supplier Development
SDG	United Nations Sustainable Development Goal
SED	Socioeconomic Development
STI	Short-term incentive

# 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

Private Bag X9000 Saxonwold 2132

# **Group Company Secretary**

Billy Mokale

Tel: +27 11 671 4725

