MEDICLINIC
INTERNATIONAL

SHAPING OUR TOMORROW

2022 ANNUAL REPORT

MEDICLINIC
INTERNATIONAL

OUR PURPOSE IS TO ENHANCE THE QUALITY OF LIFE

AndreasKlinik
Cham Zug,
Switzerland

Airport Road Hospital,
the Middle East

STRATEGIC REPORT

GOVERNANCE AND REMUNERATION REPORT

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

ICON NAVIGATION USED THROUGHOUT THE REPORT

- Reference to our website
- Page driver to other content
- Case studies
- Video content
- Targets

"

Our purpose drives everything we do as an organisation, galvanising our teams across geographies to deliver care for our clients.

Dr Ronnie van der Merwe
Group Chief Executive Officer

REPORT PROFILE

REPORTING SCOPE, BOUNDARY AND CYCLE

We publish this annual report and financial statements ('Annual Report') in respect of the financial year ended 31 March 2022 (the 'reporting period' or 'year under review' or 'period under review' or 'FY22') with accompanying reports in respect of both the 2021 calendar year and FY22, available on our website from the date of the distribution of this Annual Report and the Company's notice of annual general meeting ('AGM') by no later than 21 June 2022.

2022 Clinical Services Report
2022 Sustainable Development Report
2022 Notice of Annual General Meeting

This Annual Report presents our environmental, social and governance ('ESG'), clinical and financial performance, and reports on the operations of our subsidiaries in Switzerland, South Africa and Namibia, and the Middle East (collectively, the 'Group'). It also compares results with those of the prior financial year ('FY21') and the 2020 financial year ('FY20') representing a pre-pandemic period, and indicates focus areas for the financial year/s ahead ('FY23', 'FY24').

REPORTING PRINCIPLES

This Annual Report contains information deemed useful and relevant to stakeholders, with due regard to their expectations through continuous engagement, or information that the Company's board of directors (the 'Board') believes may influence stakeholders' perception or decision-making.

This Annual Report was prepared in accordance with the:

- listing rules and disclosure guidance and transparency rules of the Financial Conduct Authority ('FCA') ('Listing Rules' and 'DTRs');
- listings requirements of the JSE ('Listings Requirements');
- UK Corporate Governance Code published by the Financial Reporting Council ('FRC') in July 2018 (the 'Code');
- UK Companies Act 2006 (the 'Act') and other relevant UK legislation; and
- UK-adopted international accounting standards.

Our sustainable development reporting (supplemented by the **2022 Sustainable Development Report**, which is available at annualreport.mediclinic.com) was prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards 2016 ('GRI Standards') and the UK non-financial reporting regulations.

EXTERNAL AUDIT AND ASSURANCE

The Company's and Group's annual financial statements were audited by the Group's independent external auditors, PricewaterhouseCoopers LLP (the 'external auditors' or 'PwC'), in accordance with International Standards on Auditing (UK) ('ISA').

The Group follows various other voluntary external accreditation, certification and assurance initiatives, complementing the Group's combined assurance model, as reported on in the **2022 Clinical Services Report** and **2022 Sustainable Development Report**, available at annualreport.mediclinic.com.

APPROVAL OF ANNUAL REPORT AND FINANCIAL STATEMENTS

The Board approved this report, including the Strategic Report and Governance and Remuneration Report (including the Remuneration Report and the Directors' Report contained therein), on 24 May 2022.

Dame Inga Beale
Non-executive Chair
24 May 2022

STRATEGIC REPORT

Louis Leipoldt, South Africa

STRATEGY ROADMAP

OUR VISION

Be the partner of choice that people trust for all their healthcare needs

ENABLED BY

OUR STRATEGY

1. Become an integrated healthcare provider across the continuum of care
2. Improve our value proposition significantly
3. Transform our services and client engagement through innovation and digitalisation
4. Evolve as a data-driven organisation
5. Minimise our environmental impact
6. Grow in existing markets and expand into new markets

See page 16

ENGAGING

OUR KEY STAKEHOLDERS

Clients

Employees, alumni and potential applicants

Governments and authorities

Healthcare insurers

Investors

Medical practitioners

See page 26

OUR APPROACH TO SUSTAINABILITY

OUR PURPOSE

Enhancing the quality of life

THROUGH OUR COMMITMENT TO

CONSERVE

CONNECT

COMPLY

See page 34

REINFORCED BY

OUR VALUES

- Client centred
- Trusting and respectful
- Patient safety focused
- Performance driven
- Team orientated

See page 7

AT A GLANCE

A UNIQUELY INTEGRATED INTERNATIONAL HEALTHCARE PARTNER

We are a diversified international private healthcare services group[1], established in South Africa in 1983, with divisions in Switzerland, Southern Africa (South Africa and Namibia) and the Middle East.

OUR OPERATIONS

74
Hospitals[2]

453
Theatres

5
Subacute hospitals[3]

20
Day case clinics[5]

2
Mental health facilities[4]

22
Outpatient clinics[6]

11 538
Beds

34 964
Full-time equivalents[7]

SWITZERLAND
Hirslanden, the largest private healthcare provider in Switzerland, is recognised for clinical excellence and outstanding client experience.
www.hirslanden.ch

SOUTH AFRICA AND NAMIBIA
Mediclinic Southern Africa, one of the three largest private healthcare providers in the region, boasts highly specialised acute care infrastructure and has a relentless focus on offering value to all its partners and clients.
www.mediclinic.co.za

THE MIDDLE EAST
Mediclinic Middle East is established as a leading healthcare provider in the United Arab Emirates ('UAE') with a trusted brand and strong reputation in this developing region, offering clinical care of internationally recognised standards.
www.mediclinic.ae

THE UK
We have a 29.9% stake in Spire Healthcare Group plc ('Spire'), a leading independent hospital group with 39 hospitals and eight clinics.
www.spirehealthcare.com

See the **Group Chief Executive Officer's Report** on page 10 and the **Group Chief Financial Officer's Report** on page 72 for more on Spire

Notes
1 In addition to three operating divisions, UK and Corporate are not reportable operating segments as they are not separately included in the reports provided to the chief operating decision-maker.
2 Provides patient treatment with specialised medical and nursing staff, and medical equipment.
3 Provides comprehensive goal-orientated inpatient care designed for a patient who has had an acute illness, injury or exacerbation of a disease process.
4 Provides specialised treatment of serious mental disorders.
5 Provides elective procedures, surgical procedures and planned medical procedures, but admits and discharges patients on the same day.
6 Provides consultations (by general practitioner, specialist or allied healthcare professional) with no theatre facilities.
7 Number of full-time employees who could have been employed if reported number of hours worked by part-time employees had been worked by full-time employees instead.

FINANCIAL HEADLINES

STATUTORY

REVENUE

£3 233m ↑ 8%

FY21: £2 995m

FY20: £3 083m

OPERATING PROFIT

£280m ↑ 34%

FY21: £209m

FY20: £(184)m

As a % of revenue

8.7% ↑

FY21: 7.0%

FY20: n/a

EPS

20.5p ↑ 122%

FY21: 9.2 pence

FY20: (43.4) pence

ADJUSTED[1]

REVENUE

10% ↑ in constant currency

EBITDA[2]

£522m ↑ 22%

24% ↑ in constant currency

FY21: £426m

FY20: £541m

As a % of revenue

16.1% ↑

FY21: 14.2%

FY20: 17.5%

OPERATING PROFIT[3]

£311m ↑ 41%

FY21: £221m

FY20: £327m

As a % of revenue

9.6% ↑

FY21: 7.4%

FY20: 10.6%

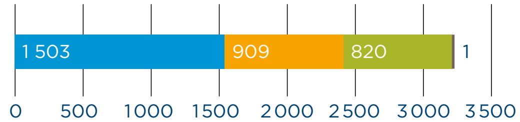
EPS[4]

22.6p ↑ 65%

FY21: 13.7 pence

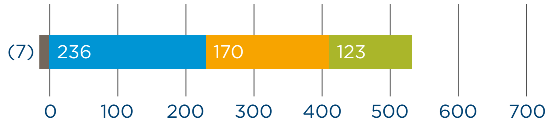
FY20: 24.0 pence

Contribution to revenue (£'m)



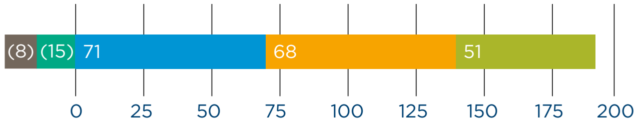
Switzerland	47%
Southern Africa	28%
The Middle East	25%
Corporate	0%

Contribution to adjusted EBITDA (£'m)



Switzerland	45%
Southern Africa	33%
The Middle East	23%
Corporate	(1)%

Contribution to adjusted earnings (£'m)



Switzerland	43%
Southern Africa	41%
The Middle East	30%
Spire	(9)%
Corporate	(5)%

Notes

[1] See page 80 of the **Group Chief Financial Officer's Report** for more on the Group's use of adjusted non-IFRS financial measures Other non-IFRS measures, which include constant currency, cash conversion, return on invested capital ('ROIC'), net incurred debt and leverage ratio, are further discussed, with reconciliations from the most comparable IFRS measure provided, on pages 81–86.

[2] Adjusted earnings before interest, tax, depreciation and amortisation ('EBITDA').

[3] Adjusted operating profit.

[4] Adjusted basic earnings per share ('EPS'). See headline EPS ('HEPS') calculation on page 196

Q&A

WHAT HAS 'SHAPING OUR TOMORROW' MEANT FOR THE BOARD?

We focused on two specific aspects: the continuum of care, which is about delivering integrated healthcare services that meet clients' future expectations; and digital transformation, which will improve service delivery and drive efficiencies inside the organisation.

Dame Inga Beale
Non-executive Chair

Scan the QR code or visit annualreport.mediclinic.com to view the video interview

INNOVATING AND EVOLVING FOR THE FUTURE

SUCCESSFULLY DELIVERING HEALTHCARE DURING THE SECOND YEAR OF THE PANDEMIC

The year under review is the second full year in which Mediclinic has met the challenges of COVID-19 and, I am pleased to report, we delivered further progress in executing our strategy. The **Business model** described on page 25 clearly indicates how well positioned the Group is to create long-term value going forward. The **Market review** on pages 14–15 highlights the long-term drivers of demand for healthcare services, including an ageing population and growing disease burden. The fundamental purpose of investing across the continuum of care is to deliver future growth throughout the various care settings we are expanding into; this will ensure our services remain relevant to the future needs of our clients.

By executing our strategy, the Group is broadening its engagement and strengthening long-term client relationships. During the reporting period, we continued to demonstrate the vital role Mediclinic plays in delivering urgent and emergency healthcare services. Trust in healthcare is critical to long-term success and we have earned that trust over nearly 40 years. Not only does this position us favourably to attract and retain clinical personnel, but it also cements our leading market positions, attracting new clients into the healthcare ecosystems we are creating.

Many of the strategic milestones achieved this year will be covered throughout the report. However, I am particularly excited about Mediclinic's digital healthcare initiatives. The MyMediclinic 24x7 application was launched in April 2021 in the Middle East; during a visit there, I was able to see first-hand the value such software and services create for clients, doctors and healthcare systems. This is a great example of how a Group-wide strategy is being rolled out across the divisions – a key focus area I discussed in last year's annual report – as we seek to demonstrate the unique value Mediclinic can create through its international perspective, scale and expertise.

The Group's financial performance improved significantly in FY22 compared with the previous year, as we continued to adapt to the pandemic's disruptive effects. The results were driven by a strong recovery in client activity, with the Group treating around 750 000 inpatient and day case admissions, driving an associated revenue increase of 7%, and outpatient revenue up

10% from the previous year. With revenue in all three divisions above pre-pandemic levels, we remain focused on encouraging clients to make use of our facilities, digital applications and integrated services, while ensuring that operational efficiencies continue to be delivered as we grow. The detailed overview of financial performance is on pages 72–89.

At the end of FY20, the Board took the prudent and appropriate decision to suspend the dividend as part of the Group's efforts to maintain its liquidity position and maximise its ability to navigate through the pandemic. Given the financial strength of the Company today, the resilience we displayed throughout the pandemic and a more stable outlook, though subject to macroeconomic factors, the Board felt it appropriate to propose a final dividend of 3.00 pence. I would like to thank investors for their commitment and support during the pandemic.

> I am a firm believer that diversity of people drives diversity of thought.

THE COLLECTIVE POWER OF OUR GROUP

During the course of my two years with Mediclinic, the connectivity between all divisions improved significantly under the leadership of our Group Chief Executive Officer ('CEO'), Dr Ronnie van der Merwe, and the Group Executive Committee. This year, some investors asked me why we operate as a Group in three different healthcare systems. The Board believes we are uniquely positioned to benefit in the divisions through our international perspectives and collective power. More so than single-country operators, we are able to see trends and opportunities emerge, standardise our approach to key functions and processes, benchmark internally through active data management, and leverage skills and experience on a global scale.

A HEALTHY CULTURE

Our unique approach to ESG matters is to 'Conserve Connect Comply', which is firmly embedded in both the Group's culture and how we conduct business. From FY23 onwards, we are also proposing the inclusion of certain ESG performance metrics in our long-term and short-term incentive ('LTI' and 'STI') schemes for management in the revised Remuneration Policy. More details are available on pages 144–145 and 147.

While the **Sustainable development overview** on pages 34–46 and the standalone **2022 Sustainable Development Report** detail our strong ESG performance and material issues, we must, and can, do more.

I am a firm believer that diversity of people drives diversity of thought. The results thereof are better outcomes and the advancement of businesses, both financially and socially. In November 2021, during a virtual leadership event, I joined Ronnie in discussing the topic of diversity and inclusion with the top 400 leaders in the organisation. Mediclinic is launching many such initiatives to ensure that every employee not only has an opportunity to contribute to the conversation, but also feels safe and heard.

Mediclinic regards its responsibility towards our various stakeholders and the environment very seriously. We have an exemplary track record, high standards and dedication to transparency – aspects which, I believe, contribute significantly to our reputation as a trusted, respected brand and employer. Our approach to ESG is no different. Having previously set ambitious targets to become carbon neutral and have zero waste to landfill by 2030, this year's focus was on progressing our development of detailed roadmaps to support the achievement of these goals. In FY22, we also aligned our disclosure with the requirements of the Task Force on Climate-related Financial Disclosures ('TCFD') – more details are available on page 47.

OUR VALUES IN ACTION

CLIENT CENTRED

We determine clients' needs, involve them in decisions, actively manage their experiences and deliver on promises.

161 000+

client surveys received in FY22

TRUSTING AND RESPECTFUL

Our people treat others with courtesy and kindness, embrace diversity, provide and welcome feedback, and respect privacy.

3.98

employee engagement grand mean score (out of five)

PATIENT SAFETY FOCUSED

We prioritise clients' safety, identify and manage risks, and accurately record and securely store patient information.

150+

clinical indicators measured

PERFORMANCE DRIVEN

We set objectives and measure progress, honour decisions and address challenges, complaints and inefficiencies.

5

dashboards included in Board reports

TEAM ORIENTATED

We support colleagues, collaborate on problem-solving and decision-making, encourage team spirit and create opportunities for idea sharing.

84%

participation rate in employee engagement survey

EVOLVING THE ROLE OF THE BOARD

As a Board, we must ensure the right balance is struck between providing the necessary governance and oversight for investors while simultaneously looking to the future, supporting and encouraging management to evolve the business. Regarding the latter, we fully embrace the aims and ability of management to deliver on the Mediclinic Group Strategy and encourage rapid execution which, in turn, will support our growth aspirations.

As planned, Alan Grieve and Trevor Petersen stepped down as directors of the Company in February 2022. Both possess exceptional organisational knowledge and have dedicated many years of service to their roles. It has been a pleasure working alongside them and benefitting from their experience. Dr Felicity Harvey succeeded Alan as Senior Independent Director ('SID') and has already engaged directly with the Group's top investors, along with myself, to share her industry knowledge and hear their views.

We remain committed to strengthening and diversifying the Board. In this, I was pleased to welcome two new independent directors: Natalia Barsegiyan – who became a member of the Audit and Risk Committee and the ESG Committee – and Zarina Bassa, who forms part of the Remuneration Committee and will join the Audit and Risk Committee with effect from 1 January 2023. Consequently, we now enjoy equal representation on the Board of male and female Board members. This provides the necessary diversity of views, cultures and backgrounds, in addition to independence, to ensure the appropriate decisions are made with all stakeholders in mind.

A key function of this Annual Report is to aid understanding of how my fellow directors and I have exercised our duties – under Section 172 of the Companies Act 2006 ('Section 172') – to promote the long-term success of Mediclinic, with consideration for all stakeholders' views. While more details are available on page 30, I would like to highlight one key decision: constituting a new ESG Committee, of which I am the Chair, in September 2021. Previously, ESG and clinical governance had been combined under a single committee. Such is the advancement of our ESG strategy that we thought it appropriate to give it the requisite attention. It will support management in adopting the right culture, attracting the right people and providing prominence to the right activities, enabling many key elements of our Group strategy to fall into place.

FOCUS ON PROFITABLE GROWTH

As we look ahead, the Board believes the opportunities and outlook for the Group remain positive. Momentum is building as we see the effects of the pandemic on our operations lessen and client volumes grow. Financial performance has improved materially. Leverage is reducing and returns are advancing towards our weighted average cost of capital ('WACC'). Management remains focused on driving efficiencies and productivity. These factors are expected to see profitability return towards pre-pandemic levels over the medium term.

Throughout this journey, our people remain central to our success. I thank our dedicated teams of doctors and nurses for living our purpose to enhance the quality of life every day. They have accomplished far more than the Board and management could ever have asked of them, especially during the past two years. Our strategic execution will provide them with new and exciting opportunities as we continue our expansion across the continuum of care in pursuit of further growth. Nurturing and developing their skills and promoting wellness are critical to our prosperity and I look forward to seeing them grow with the business in the years to come.

Dame Inga Beale
Non-executive Chair
24 May 2022

> "Throughout this journey, our people remain central to our success.

INVESTMENT CASE

Klinik Im Park, Switzerland

Following a clear strategic roadmap to accomplishing our vision, we are constantly evolving and expanding our integrated healthcare system to offer clients easy access to convenient, high-quality healthcare in the most suitable care setting at the most appropriate cost. By approaching this with disciplined capital allocation and a commitment to a better tomorrow, we expect to deliver superior and sustainable value to shareholders.

1 PARTNER OF CHOICE

- As a recognised employer and partner of choice, attracts and retains the best talent and independent medical practitioners across all disciplines
- Collaborates with governments and authorities to offer healthcare services and participates in initiatives to strengthen relationships across public and private healthcare sectors
- Innovates with healthcare insurers and industry partners to deliver products and services that meet the changing needs of clients

2 TRUST

- Established leading market positions with nearly 40 years of healthcare experience
- Operates world-renowned tertiary care facilities
- One of the largest private healthcare service providers and doctor networks across the Europe, Middle East and Africa ('EMEA') region
- International expertise across a balanced portfolio of developed (Switzerland and the UK) and emerging market (Southern Africa and the Middle East) operations
- Committed to sustainable development with clear ESG goals that advance the growth prospects of the Group and safeguard our people, clients and planet

3 CLIENT CENTRED

- Internationally recognised clinical expertise and a relentless focus on improving patient safety and clinical outcomes
- Committed to providing cost-efficient, quality care and outstanding client experiences as part of our mission to create value every day
- Digitalisation competencies centred on transforming services to offer seamless, integrated client journeys across physical and virtual care settings

4 OPPORTUNITIES FOR GROWTH

- Market share growth propelled by leading market positions and diverse services
- Focused expansion into new services across the continuum of care through investment in innovation, digital transformation and technology
- Disciplined approach to grow into new geographies by leveraging our core competencies

5 STRONG FINANCIAL PROFILE

- Robust cash generation
- Drives enhanced returns through increased asset turnover and value-oriented capital allocation
- Responsible approach to leverage through proactive management of debt levels, costs and maturity, providing financial flexibility for future growth
- Dividend policy payout ratio of between 25% to 35% of adjusted EPS
- Group benefits of scale and standardisation deliver cost savings and operating efficiencies

6 HIGH BARRIERS TO ENTRY

- Leverages international expertise and internal clinical benchmarking for effective management of large multidisciplinary acute facilities, Centres of Excellence ('CoEs') and specialised services
- Extensive and well-invested asset portfolio providing operational flexibility, including expansion across the continuum of care and other lighter asset investments to grow the business
- Hub-and-spoke healthcare models supported by widespread physical and virtual integrated client referral channels
- Detailed knowledge of complex and diverse reimbursement models underpinned by data science management

GROUP CHIEF EXECUTIVE OFFICER'S REPORT

Q&A

HOW HAVE THE PEOPLE OF MEDICLINIC INSPIRED YOU IN THE PAST YEAR?

To navigate challenges posed by the pandemic, teams across the business had to quickly adapt and evolve. I have witnessed strong teams at our facilities work together more effectively than ever before, and this team-orientated approach has spread throughout the entire organisation.

Dr Ronnie van der Merwe
Group Chief Executive Officer

Scan the QR code or visit annualreport.mediclinic.com to view the video interview

TOWARDS THE MEDICLINIC OF THE FUTURE

DELIVERING AGAINST OUR PRIORITIES

Amid the ongoing challenges posed by COVID-19, the Group made good progress in the achievement of our financial, operational and strategic goals during the year under review, further strengthening our foundation for future growth.

To guide our actions during FY22, I set out four key priorities at the start of the year:

1. Deal with the pandemic effectively;
2. Progress towards pre-pandemic profitability;
3. Execute on the Mediclinic Group Strategy; and
4. Further improve our Group value.

DEALING WITH THE PANDEMIC EFFECTIVELY

Our international perspective and centrally coordinated Clinical Services function proved instrumental in navigating the pandemic effectively, leveraging insight and best practice from across the Group to improve our response to each wave. Through multidisciplinary task forces at Group and divisional level, we continually evaluate our ongoing pandemic response, allowing for optimised treatment pathways. We also remain focused on the safety and wellbeing of every employee and partner doctor, adapting our support as the pandemic's impact evolves.

Since the onset of the pandemic, we have diligently cared for approximately 85 000 COVID-19 inpatients. Even though COVID-19 patient volumes were similar compared with the prior year, we experienced a significant increase in overall client activity, driven by demand for our broad range of healthcare services. In FY22, we treated around 750 000 inpatient and day case admissions, up 14% compared with FY21, with outpatient revenue increasing by 10%.

Collaborating with and supporting public and private stakeholders in all our geographies has proven vital in combatting the pandemic. In Switzerland, we administered over 1 million COVID-19 vaccine doses at our vaccination centres, and partnered with 12 cantons to manage repetitive polymerase chain reaction ('PCR') saliva testing on our digital platform, TOGETHER WE TEST. Our on-site vaccination centres in South Africa assisted with the delivery of a further 360 000 vaccines, while five of our facilities in the Middle East provide ongoing support to the world-class, government-led vaccination and testing programmes in the region.

> Collaborating with and supporting public and private stakeholders in all our geographies has proven vital in combatting the pandemic.

PROGRESSING TOWARDS PRE-PANDEMIC PROFITABILITY

Our ability to provide our full breadth of services improved in FY22 compared with FY21. The Omicron variant proved less clinically severe than previous variants, resulting in fewer COVID-19 inpatient admissions compared with other waves; however, staffing and patient scheduling were severely disrupted at times by the variant's higher transmissibility. Encouragingly, we were able to exit the fourth quarter strongly across all three divisions as the wave receded.

The Group delivered a strong operational and financial performance this year, in line with the improved outlook we indicated at the half-year results. Group revenue in FY22 was up 8% at £3 233m (FY21: £2 995m), adjusted EBITDA was up 22% at £522m (FY21: £426m) and the adjusted EBITDA margin significantly improved by nearly 200 basis points to 16.1% (FY21: 14.2%), signalling our progress towards pre-pandemic profitability (FY20: 17.5%). Reported operating profit was up 34% at £280m (FY21: £209m); adjusted operating profit was up 41% at £311m (FY21: £221m). Reported earnings were up 122% at £151m (FY21: £68m). Reported and adjusted EPS were up 122% at 20.5 pence (FY21: 9.2 pence) and 65% at 22.6 pence (FY21: 13.7 pence), respectively.

Cash and cash equivalents increased during the year to £534m (FY21: £294m), with cash conversion at 127% (FY21: 77%). The leverage ratio reduced to 3.9x at year end (FY21: 5.1x), and ROIC increased to 4.0% (FY21: 3.0%). The Board has proposed that the dividend be reinstated with a final dividend of 3.00 pence per share (FY21: nil).

EXECUTING ON OUR GROUP STRATEGY

The Group strategy aims to position Mediclinic as an integrated healthcare partner, harnessing data, technology and innovation to facilitate our growth across the continuum of care while offering sustainable value to our clients. To facilitate this, from 1 April 2022, we appointed Koert Pretorius, former CEO of our Southern Africa division, as Group Chief Operating Officer and refined Magnus Oetiker's role to focus purely on strategy. I believe these changes will increase the speed of strategy execution while maintaining operational discipline in the business of today. It will also improve project alignment, resource allocation and operational excellence across the Group and divisions, and support our Group priority of returning to pre-COVID-19 levels of profitability.

DIGITAL TRANSFORMATION

Traditionally, we have invested significantly in our global infrastructure, creating a valuable and market-leading portfolio of facilities. The pandemic, however, greatly increased the need for convenience and ease in accessing quality healthcare. We are growing our information and communications technology ('ICT'), electronic health records ('EHRs') and digital initiatives accordingly to enable seamless and coordinated client journeys across physical and virtual care settings.

Through our collaboration with Mehiläinen, we are broadening our capacity to provide innovative digital healthcare solutions for clients and healthcare professionals on the BeeHealthy platform. We have launched client-facing applications in all three geographies, and are piloting various digital patient pathways. This will allow us to foster stronger direct relationships with our clients, enhancing clinical outcomes, client experience and stakeholder value.

Our virtual care initiative digitalises existing services to create a real-time healthcare system which comprises telehealth services, remote patient monitoring ('RPM') and virtual critical care unit solutions. We are also well advanced in robotic process automation ('RPA'), which drives productivity and efficiency gains, and allows our people to prioritise valued-added activities.

INNOVATION

We established our healthcare technology and innovation hub in Switzerland during the year under review, and our precision medicine services have launched in the Middle East and Switzerland, with Southern Africa to follow shortly. These services, led by specialist geneticists, enable disease treatment and prevention tailored to individual clients' genetic, environmental and lifestyle variables.

> "The Group strategy aims to position Mediclinic as an integrated healthcare partner, harnessing data, technology and innovation to facilitate our growth.

Constantiaberg, South Africa

"Our people, clients and the planet are our priority as we seek to build healthier and happier societies for a better future.

GROWTH AND EXPANSION ACROSS THE CONTINUUM OF CARE

In Switzerland, our numerous public-private partnerships ('PPPs') support cantonal hospitals to expand care delivery, while Hirslanden, along with Medbase and the insurance partners Groupe Mutuel, Helsana and SWICA, launched a joint digital ecosystem called Compassana, which will allow Swiss clients to coordinate their care. We also recently opened OPERA Bern day case clinic, our fifth in Switzerland, and are piloting an innovative insurance product in the same region, in collaboration with Medbase and Helsana Insurance, which offers supplementary insured clients access to high-quality, integrated care.

In Southern Africa, we opened two new day case clinics during the period, taking the division's total to 14. Following the opening of our first renal facility in South Africa in partnership with BGM Renal Care in February 2021, three further facilities were opened during the period. Co-locating these services at existing facilities ensures a comprehensive, vertically integrated approach to renal care in the acute and chronic environment. In July 2021, we also partnered with Icon Oncology to open a new flagship oncology service.

We grew our services in the Middle East through the 100-bed expansion and the new integrated oncology unit at Airport Road Hospital in Abu Dhabi. In November 2021, we acquired the remaining 70% shares in the Bourn Hall Fertility Centre to further enhance our *in vitro* fertilisation ('IVF') offering. In Dubai, we successfully launched a new Mediclinic Perform sports medicine and rehabilitation centre, and a cosmetic facility, Enhance, is due to open by the end of May. We entered into the first-ever healthcare PPPs awarded by the Dubai Health Authority to operate two dialysis centres.

RPM and home care services present new growth opportunities. The Group invested in DomoSafety, a Swiss at-home health monitoring business; acquired Ayadi Home Healthcare in the Middle East; and commenced an RPM pilot with the Abu Dhabi Government. Furthermore, we converted 35 licensed beds in the Middle East to provide long-term patient care as we look to these and other specialties like mental health for further expansion.

The Group's entry into the Kingdom of Saudi Arabia together with the Al Murjan Group is progressing well. We expect to open the 236-bed private hospital in 2023.

SUSTAINABLE DEVELOPMENT

Sustainable development is one of our core strategic focus areas and is ingrained in how we do business. Our people, clients and the planet are our priority as we seek to build healthier and happier societies for a better future, which drives value for all stakeholders.

We have allocated around £8m of capital investment per annum over the next three years towards projects that drive environmental improvements as we seek to achieve our 2030 targets, reducing costs and diversifying our energy reliance. Excellent, cost-effective initiatives are already underway, including water usage minimisation, alternatives to traditional energy sources and packaging reduction. During the period, we completed our first sustainability-linked syndicated loan in South Africa and signed agreements to procure renewable energy at lower rates than traditional energy tariffs while transitioning to 100% renewable electricity supply in Switzerland.

> To enhance the Group's position as a market leader, we are not restricted by geography or function, but instead harness the skills, knowledge, best practice and innovation from each of the three continents where we operate.

FURTHER IMPROVING OUR GROUP VALUE

Our purpose, to enhance the quality of life, drives everything we do as an organisation, galvanising our teams across geographies to deliver care for our clients. To enhance the Group's position as a market leader, we are not restricted by geography or function, but instead harness the skills, knowledge, best practice and innovation from each of the three continents where we operate. We have seen clinical collaboration in areas such as virtual critical care units, COVID-19 treatment pathways and RPM. Our Digital Transformation and Innovation functions collaborate with partners from around the globe. Procurement initiatives ensure the consistency and security of supply, as well as competitive pricing which supports our profitability. ESG projects enhance our position as a trusted healthcare partner. All of these are being managed centrally to ensure we benefit from economies of scale, efficiencies and coordinated care, which will continue to set us apart from less diversified healthcare providers.

SPIRE'S PERFORMANCE

Spire's partnership with the National Health Service ('NHS') in the UK continued with a volume-based contract in the first quarter of 2021 – nine Spire hospitals became NHS cancer hubs. Similar agreements were established in the wake of the Omicron wave.

The group delivered a strong financial performance in the year ended 31 December 2021, with revenue growth of 20%. Spire also completed the sale and leaseback of its Cheshire hospital and refinancing of its borrowing facilities, paying down £100m of debt.

We continue to work with the company's management and board to deliver on Spire's strategy of being the first choice for private healthcare in the UK, and a key partner of the NHS, while progressing efficiency programmes and growth initiatives.

POSITIVE GROUP OUTLOOK

It has been four years since my appointment as Group CEO, and three years since we introduced a comprehensive strategy for the entire organisation. During this time, there is no doubt we have matured in our approach to strategy execution and our ability to work cohesively towards enhancing our collective value. This gives me confidence in our future and the opportunities being created for the Group to deliver sustainable value. In FY23, we expect a combination of volume growth and efficiency gains to continue to drive the Group towards pre-pandemic profitability, alongside a meaningful improvement in earnings.

We continually invest in our people, referral networks, innovative insurance products and digital initiatives as we expand across the continuum of care in an integrated and value-focused way. Our organisation's resilience, the trust we have built with our clients and partners, and our ability to seize opportunities are only possible as a result of our people; it is impossible to feign the fortitude, positivity and commitment that our employees display every day, let alone the success that has resulted from their efforts. I wish to thank every employee and supporting doctor for their contribution in this.

Dr Ronnie van der Merwe
Group Chief Executive Officer
24 May 2022

PEOPLE AND CULTURE

CREATING OPPORTUNITY

4 600+
appointments in the past year

DEVELOPING SKILLS

10
partnerships with tertiary institutions to assist with clinical training

EMBRACING DIVERSITY

132
nationalities across five geographies

40%
female and 40% male representation target at senior level

BEING HEARD

30
questions in employee engagement survey

24/7
ethics line available to all employees

ENABLING HEALTH AND SAFETY

1.45m+
COVID-19 vaccines administered during FY22

96%, 96% and 72%
of employees vaccinated against COVID-19 in Southern Africa, the Middle East and Switzerland, respectively

MARKET REVIEW

ALWAYS IN DEMAND

Although COVID-19 has had a fundamental impact on many industries and economies across the globe, the demand for healthcare services has not wavered. Over recent years, the healthcare industry has been adapting to rapid development in the global landscape, most notably driven by ageing populations, a growing burden of lifestyle diseases, advances in new medical technology, the development of virtual care and emerging healthcare consumerism. These provide opportunities for growth across the continuum of care.

> 3x increase
in people aged 80 and older, from 137m in 2017 to 425m in 2050[1]

±50%
of our lives spent in less-than-good health, including 12% in poor health[2]

56%
of the global disease burden by 2030 will be due to chronic disease[3]

USD7trn
global wellness and preventative care spend by 2025, up by over 40% from USD4.9trn in 2019[4]

34x increase
in telehealth use compared with pre-pandemic baseline[5]

Clients
Employees
Investors
Medical practitioners

LIFELONG PARTNERSHIP

Healthcare encounters are changing. Today, clients seek a partner to accompany them through life and champion their wellness and mental health so they can manage their health – regardless of time or place. Due to the rapid advancement of technology and services, their expectations extend beyond treatment and recovery to prevention and enhancement.

Clients
Governments and authorities
Healthcare insurers

AFFORDABILITY

The healthcare regulatory environment is evolving as stakeholders focus on the affordability of care in light of ever-increasing demand. This has resulted in outmigration of care, an approach that aims to reduce the cost of certain low-acuity services and procedures by offering these in more appropriate care settings. In addition, there is an ongoing drive for greater care coordination and data sharing to ensure efficient delivery of enhanced clinical outcomes.

IMPACT ON STAKEHOLDERS

Clients: Increasing need for healthcare, but empowered to demand it on their own terms

Employees, alumni and potential applicants: Training required for new technology; skills shortages

Governments and authorities: Insufficient service provision affecting affordability, skills and access

Healthcare insurers: Growing demand and greater focus on affordable, accessible healthcare solutions

Investors: Opportunity cost of not addressing emerging trends

Medical practitioners: Support needed with next-generation developments; training required for new technology

OUR MARKETS

SWITZERLAND

8.7m
stable population[6]

84 years
average life expectancy, three years more than other Organisation for Economic Co-operation and Development ('OECD') countries[7]

11.3%
of gross domestic product ('GDP') spent on healthcare, above the OECD average of 8.8%[7]

3.7%
GDP growth in 2021, recovering from 2.4% contraction in 2020[8]

HEALTHCARE

74%[9]
of bed capacity provided by public cantonal hospitals, the largest providers of healthcare

- Mature, high-quality healthcare system
- Ageing population
- Mandatory health insurance with the option to purchase supplementary cover

OPPORTUNITIES

- Expand across the continuum of care: day case clinics, genetics, radiology, family medicine, virtual care
- Leverage collaboration in the sector to expand referral networks and create new insurance products
- Pursue additional PPPs

OUR MARKETS

SOUTHERN AFRICA

8.9m[10]

stable population of privately insured members

4.9%[11]

recovery in GDP in 2021, following 6.4% decline in 2020

HEALTHCARE

45%[10]

average insurance solvency ratio (25% required by Medical Schemes Act, No. 131 of 1998, in South Africa)

- Mature acute hospital sector
- Network formations common practice

OPPORTUNITIES

- Expand across the continuum of care: primary care, day case clinics, dialysis, mental health, oncology, radiology, genetics
- Develop delivery models and insurance products for private-pay and employed-but-uninsured markets

THE MIDDLE EAST

9.9m[12]

population in the UAE with a five-year compound annual growth rate of 1.3%

89%[13]

expatriate population as a percentage of total population of the UAE

3.4%[14]

expected GDP growth in the UAE in 2021, with an estimated increase of 4.6% in 2022 and 3.9% in 2023

The UAE Government is investing in diversification strategies and stimulus packages to reduce dependency on hydrocarbons, attract expatriates to the region and reduce carbon footprint of power generation by 70% through UAE Vision 2050.

HEALTHCARE

- Mandatory health insurance
- Significant degree of variability in the types of healthcare services offered, the breadth and depth of clinical expertise, business and operating practices, client experience and clinical outcomes

OPPORTUNITIES

- Expand across the continuum of care: oncology, genetics, RPM, long-term care, palliative care, virtual care, diagnostics, sports medicine
- Expand into neighbouring countries
- Introduce new clinical specialties, technologies and high-acuity care to the region
- Leverage strong international brand and reputation

OUR RESPONSE

We are leveraging our expertise and leading market positions to partner and collaborate with other public and private healthcare providers, evolving across the continuum of care. This approach helps entrench us into the healthcare delivery systems of the countries in which we operate, making the Group even more relevant to our stakeholders over the long term.

Although our divisions operate in unique legal, regulatory and economic environments, they share and strive towards the same Group strategic goals and high ESG standards.

See the **Strategy overview** on page 16 for progress during the year

Sources

1 'Ageing and health' fact sheet, World Health Organization
2 'Adding years to life and life to years', McKinsey Health Institute
3 'Lifestyle diseases: An Economic Burden on the Health Services', *United Nations Chronicle*
4 *The Global Wellness Economy: Looking Beyond COVID Report*, Global Wellness Institute
5 'Telehealth: A quarter-trillion-dollar post-COVID-19 reality?', McKinsey Health Institute
6 'Switzerland population', Worldometer
7 'Health at a glance 2021', OECD, describing countries that belong to the OECD, all with high Human Development Index
8 'Switzerland GDP growth rate', Trading Economics
9 'Privatkliniken Schweiz 2020'
10 *Council for Medical Schemes 2020/2021 Annual Report*
11 'The South African economy records a positive fourth quarter', Statistics South Africa
12 'Total population of the UAE: 2020', The World Bank – CAGR 2015-2020
13 'Population of the UAE 2021', Edarabia
14 'UAE to post strong economic growth in 2022 and 2023', Fitch Solutions

POSITIONING TO BE A HEALTHCARE PARTNER

'I carefully considered the nature of the relationship between Mediclinic and those who make use of our services within an evolving healthcare landscape. A patient is a person receiving medical care; a client is a person who receives advice. The latter implies a level of trust and a long-term relationship that extends beyond mere treatment. We want our patients to interact with Mediclinic beyond the conventional treatment process, rather as a client who turns to us to enhance their quality of life.'

Dr Ronnie van der Merwe
Group Chief Executive Officer

GOALS AND PROGRESS

PRINCIPAL AND EMERGING RISKS
(AS DESCRIBED IN THE **RISK MANAGEMENT REPORT** ON PAGE 91)

1. Economic and business environment
2. Regulatory and compliance
3. Information systems security and cyberattacks
4. Pandemics and infectious diseases
5. Disruptive innovation and digitalisation
6. Competition
7. Workforce risks
8. Climate change
9. Patient safety, quality of service and operational stability
10. Availability and cost of capital
11. Financial and credit risk
12. Business investments and acquisitions

1

BECOME AN INTEGRATED HEALTHCARE PROVIDER ACROSS THE CONTINUUM OF CARE

- Develop further service offerings that prevent, care, recover and enhance
- Align reimbursement models with the respective continuum of care offering

PROGRESS DURING FY22

- Expanded through investment in own facilities, bolt-on investments and partnerships

See page 12

- Defined business plans per division
- Continued development of care coordination model

FOCUS AREAS FOR FY23

- Implement standardised BeeHealthy platform

See page 19

- Implement client-centred, seamless care coordination across the continuum of care

LINK TO PRINCIPAL AND EMERGING RISKS

1, 2, 3, 4, 5, 6, 9, 10, 12

LINK TO KEY STAKEHOLDERS

- Clients
- Employees, alumni and potential applicants
- Financial institutions
- Healthcare insurers
- Industry partners
- Investors

CLIENT ACTIVITY BREAKDOWN[1]

Inpatient cases	68%	FY21: 70%
Day surgery cases	8%	FY21: 6%
Outpatient cases	24%	FY21: 24%

Note

[1] Based on financial year healthcare revenue.

OUR STRATEGY IN ACTION: A COMPLETE APPROACH TO CANCER CARE

Our cancer service offering demonstrates how we are integrating care to the benefit of clients.

Cancer is one of the leading threats to life globally, accounting for nearly one in six deaths in 2020. Yet early detection and prompt treatment can significantly improve life expectancy and quality.

The journey of diagnosis, treatment and management is far from straightforward, however. Involving a myriad of services and experts, its fragmented nature can consume valuable time and costs while uncoordinated treatment risks being inefficient.

To address these challenges, in May 2021, we opened an integrated oncology unit in the Middle East at Airport Road Hospital, creating one point of care to provide clients with unswerving support throughout. The new Abu Dhabi unit supplements our Comprehensive Cancer Centre ('CCC') in Dubai, developed in collaboration with our Swiss operations.

At Airport Road, we bring together experts in oncology, radiotherapy and nuclear medicine. A multidisciplinary tumour board discusses each new case to determine an optimal, personalised treatment plan. Sophisticated equipment enables advanced detection and precise treatment while a breast care nurse and buddy service provide personalised support.

This integrated approach is also in evidence at our flagship cancer facility in Southern Africa. The ZAR45-million oncology unit at our Constantiaberg hospital, opened in partnership with Icon Oncology, consolidates clinical capabilities and industry expertise under one roof. Like our advanced oncology units in Switzerland and the Middle East, it boasts a Varian Truebeam Linear Accelerator for targeted radiation therapy. By offering full-service chemotherapy and radiotherapy alongside surgery, we can streamline the client journey and deliver the right care at the right time. The first of its kind in the region, the integrated oncology facility is indicative of our strategy.

We recognise that an individual's health needs are not confined to isolated incidents but span a sequence of episodes necessitating diverse contributions. This is why we are expanding across the continuum of care – our goal is nothing less than accompanying our clients throughout their entire healthcare journey.

SETTING THE STANDARD

One in five Swiss women with breast cancer is treated at one of our breast cancer centres across the country – testament to the high-quality care provided by our teams. Our focus on cancer includes a CCC and a unit dedicated to prostate cancer at Klinik Hirslanden, Zurich. Certification by the Swiss Cancer League and the German Cancer Society demonstrates our commitment to holistic treatment founded on the latest scientific evidence.

STRATEGY OVERVIEW CONTINUED

2

IMPROVE OUR VALUE PROPOSITION SIGNIFICANTLY

- Partner with clients to create true client centricity
- Aim for zero preventable harm to clients
- Reduce the 'cost of us'

PROGRESS DURING FY22

- Elevated client experience as integral part of clinical care
- Introduced Net Promoter Score® ('NPS®') as new client experience measure and integrated into management incentive metrics
- Implemented safety event reporting system
- Enhanced research collaboration and established research committee in Southern Africa
- Established minimum standards for obstetrics and surgical safety

FOCUS AREAS FOR FY23

- Implement minimum standards for safe surgery and obstetrics
- Improve clinical cost efficiency and care effectiveness by:
  - implementing Early Recovery After Surgery principles;
  - optimising care process through digitalisation and virtual care; and
  - managing outcome and cost variation in elective surgery
- Gain integrated view of client needs and incorporate their voice in decision-making by:
  - improving NPS® across all care settings; and
  - embedding client advisory groups

LINK TO PRINCIPAL AND EMERGING RISKS

1, 2, 4, 5, 6, 7, 9

LINK TO KEY STAKEHOLDERS

- Clients
- Employees, alumni and potential applicants
- Healthcare insurers
- Industry partners
- Medical practitioners

OUR STRATEGY IN ACTION: PROMOTING CLIENT CENTRICITY

We have expanded our client experience measures to ensure we thoroughly understand clients' needs and adapt our care accordingly.

Client feedback is crucial for service excellence, perhaps nowhere more so than in healthcare. Measuring client experience not only enables us to shape our care services to better meet their needs, it also helps us achieve our goal of zero preventable harm to patients.

Research has shown that better patient experience is associated with favourable outcomes. Satisfied clients make better use of the clinical advice given and there are lower rates of in-hospital complications. We have, therefore, been surveying inpatients since 2014 using the internationally recognised Press Ganey® survey and this has now been expanded to include clients in other settings such as day case clinics and emergency centres. Additionally, we provide multiple feedback channels to capture the client's unfiltered voice. In FY22, we introduced a taxonomy to systematically analyse complaints and implement quality improvement projects in response. We furthermore have employees dedicated to handling these matters across all our geographies.

But our expansion across the continuum of care has necessitated the implementation of a single client experience metric that applies across physical and virtual settings.

For this reason we have implemented NPS® to track customer satisfaction. Moreover, from FY23, management's variable remuneration will be linked to NPS® achievement.

See page 144 for more

UNDERSTANDING NET PROMOTER SCORE®

One question = top indicator of customer loyalty

'How likely are you to recommend us to a friend, family member or colleague?'

NOT AT ALL LIKELY

0–6 DETRACTORS
Dissatisfied clients whose negativity can harm a brand

7–8 PASSIVES
Satisfied but indifferent, will switch readily

9–10 PROMOTERS
Loyal clients that refer others

EXTREMELY LIKELY

HOW IS NPS® DETERMINED?

% promoters – % detractors = NPS®

INTERPRETING THE SCORE

NPS®	RANKING
-100–0	Needs improvement
0–30	Good
31–70	Great
71–100	Excellent

3 TRANSFORM OUR SERVICES AND CLIENT ENGAGEMENT THROUGH INNOVATION AND DIGITALISATION

- Establish radical innovation capability
- Optimise through automation
- Drive digital transformation
- Establish comprehensive virtual care offering
- Optimise people, technology and data through healthcare informatics to improve care

PROGRESS DURING FY22

- Partnered with Mehiläinen (business-to-consumer tool BeeHealthy) to launch client app in Switzerland, virtual clinic in Southern Africa and virtual clinic pilot in the Middle East

See alongside

- Established Centre of Expertise for automation and solid pipeline for initiatives
- Mapped Group digital capabilities and expanded on virtual intensive care unit ('ICU') project
- Established innovation hub in Switzerland
- Launched innovation and digital transformation ambassadors
- Initiated cultural transformation projects

FOCUS AREAS FOR FY23

- Drive innovation pipeline with at least 11 distinct innovation projects across three horizons
- Build relationships with other innovation centres and start-up curators
- Increase uptake of automation
- Drive adoption and expand use cases for BeeHealthy
- Establish baseline for real-time sensing capability

LINK TO PRINCIPAL AND EMERGING RISKS

3, 4, 5, 6, 10, 12

LINK TO KEY STAKEHOLDERS

- Clients
- Employees, alumni and potential applicants
- Industry partners
- Medical practitioners

OUR STRATEGY IN ACTION: INNOVATIVE SERVICE DELIVERY THROUGH TECHNOLOGY

Our Mediclinic apps deliver on clients' expectations of a healthcare experience that is convenient, personalised, and easy to use.

Our promise of 'Expertise you can trust' is being realised in novel ways through our client-facing apps. Made possible by our partnership with Nordic healthcare provider Mehiläinen, our healthcare apps utilise the BeeHealthy platform to combine authoritative content with digitally delivered expert healthcare.

Since April 2021, Swiss mothers-to-be can turn to us for health support via their smartphones. On discovering she is pregnant, a woman might first use the Hirslanden app to work out her due date and receive customised weekly information on her progress. If she suffers from morning sickness, she can chat to a midwife and make an appointment if in-person care is recommended. When it comes to choosing a maternity hospital, she can take a virtual tour, then visit her chosen facility in the real world for a birth preparation course. This journey will soon be expanded to incorporate IVF and family planning for prospective parents, and early infant care for those who have just welcomed a baby.

This interplay between our physical and virtual offerings enables us to proactively guide clients through seamless, well-defined healthcare journeys and achieve better outcomes as a result, as well as improve client experience. Clients who might have delayed consulting a doctor can get medical advice and an e-prescription via smartphone where and when it suits them. This enables Mediclinic to reach clients outside of our normal sphere and opens up opportunities to enhance our service. Already the pregnancy journey has been expanded to include paediatrician and GP chats as well as lifestyle coaching in Switzerland. Additional products such as birth kits can be offered through an online shop.

The end-to-end solution is not only a benefit for clients; it offers us several strategic advantages. Continuous insight into client needs and preferences empowers us to improve our offering, shaping not only the business of today, but the business of tomorrow through the use of data. This allows us to become a more business-to-consumer-focused organisation. We are working on BeeHealthy as a Group and sharing the learnings across the geographies, which has accelerated implementation. In September 2021, our subsidiary, Intercare, launched a pilot for a digital clinic in Southern Africa. This on-demand service uses chat-based symptom assessments and offers video consultations. Roll-out to the public is planned during FY23.

Furthermore, apps offer operational benefits through the use of digital services to find a doctor or make an appointment. Online bookings decrease the burden on our engagement centres – in the Middle East, some 28 000 appointments a month are now booked digitally. They also reduce the number of non-arrivals at appointments due to the ease of cancelling and rescheduling. This makes more efficient use of doctors' time and frees up our employees to do what they do best: bring the human touch to healthcare.

STRATEGY OVERVIEW CONTINUED

4

EVOLVE AS A DATA-DRIVEN ORGANISATION

- Build data lake that curates all data assets
- Manage data as strategic asset
- Develop company culture of using data every day for fact-based decision-making
- Implement data-driven innovation using advanced analytics, artificial intelligence and machine learning

PROGRESS DURING FY22

- Established data lake and commenced Cloud migration, enabling us to source and integrate data (structured and unstructured) across many applications and processes, and support different data usage scenarios, including real-time predictive and prescriptive analytics
- Created solutions for ESG, mobile device management and continuum of care scenario evaluation in support of other strategic goals

FOCUS AREAS FOR FY23

- Create data solution to better understand clients, learning how they engage with us in order to improve our value proposition
- Develop machine learning solutions that:
  - identify revenue leakage;
  - reduce cost; and
  - support value-based and virtual care

LINK TO PRINCIPAL AND EMERGING RISKS

3, 5

LINK TO KEY STAKEHOLDERS

- Clients
- Employees, alumni and potential applicants
- Governments and authorities
- Healthcare insurers
- Industry partners
- Medical practitioners

5

MINIMISE OUR ENVIRONMENTAL IMPACT

- Become carbon neutral by 2030
- Have zero waste to landfill by 2030

PROGRESS DURING FY22

- Centralised environmental data management
- Reached agreement with Energy Exchange of Southern Africa (‘Energy Exchange’) to initially procure renewable energy for five facilities in Southern Africa
- Procured 38 554MWh of clean energy in the Middle East
- Finalised roadmaps to become carbon neutral and have zero waste to landfill in Southern Africa
- Ongoing implementation of ISO 14001:2015 environmental management system (‘EMS’) in Switzerland and the MIddle East
- Achieved most qualitative targets to reduce carbon emissions and waste to landfill

FOCUS AREAS FOR FY23

- Finalise action plans to reduce anaesthetic gases and N_2O emissions in Southern Africa and the Middle East, respectively
- Finalise Swiss roadmap to become carbon neutral and develop roadmap to reduce waste and increase recycling
- Finalise Middle East roadmap to become carbon neutral and have zero waste to landfill
- Progress ISO 14001:2015 EMS implementation in Switzerland and the Middle East

LINK TO PRINCIPAL AND EMERGING RISKS

8

LINK TO KEY STAKEHOLDERS

- Clients
- Communities
- Employees, alumni and potential applicants
- Financial institutions
- Industry partners
- Medical practitioners
- Professional societies
- Suppliers

See the **Sustainable development overview** on page 34

6

GROW IN EXISTING MARKETS AND EXPAND INTO NEW MARKETS

- Grow in existing markets based on the continuum of care goal
- Expand into new markets

PROGRESS DURING FY22

- Proactively searched for and investigated growth opportunities
- Completed market analyses of identified priority areas, including country and site visits

FOCUS AREAS FOR FY23

- Deliver on geographical strategies for growth across the continuum of care
- Continue with building and preparing to open first hospital in Kingdom of Saudi Arabia

LINK TO PRINCIPAL AND EMERGING RISKS

1, 2, 5, 6, 10, 12

LINK TO KEY STAKEHOLDERS

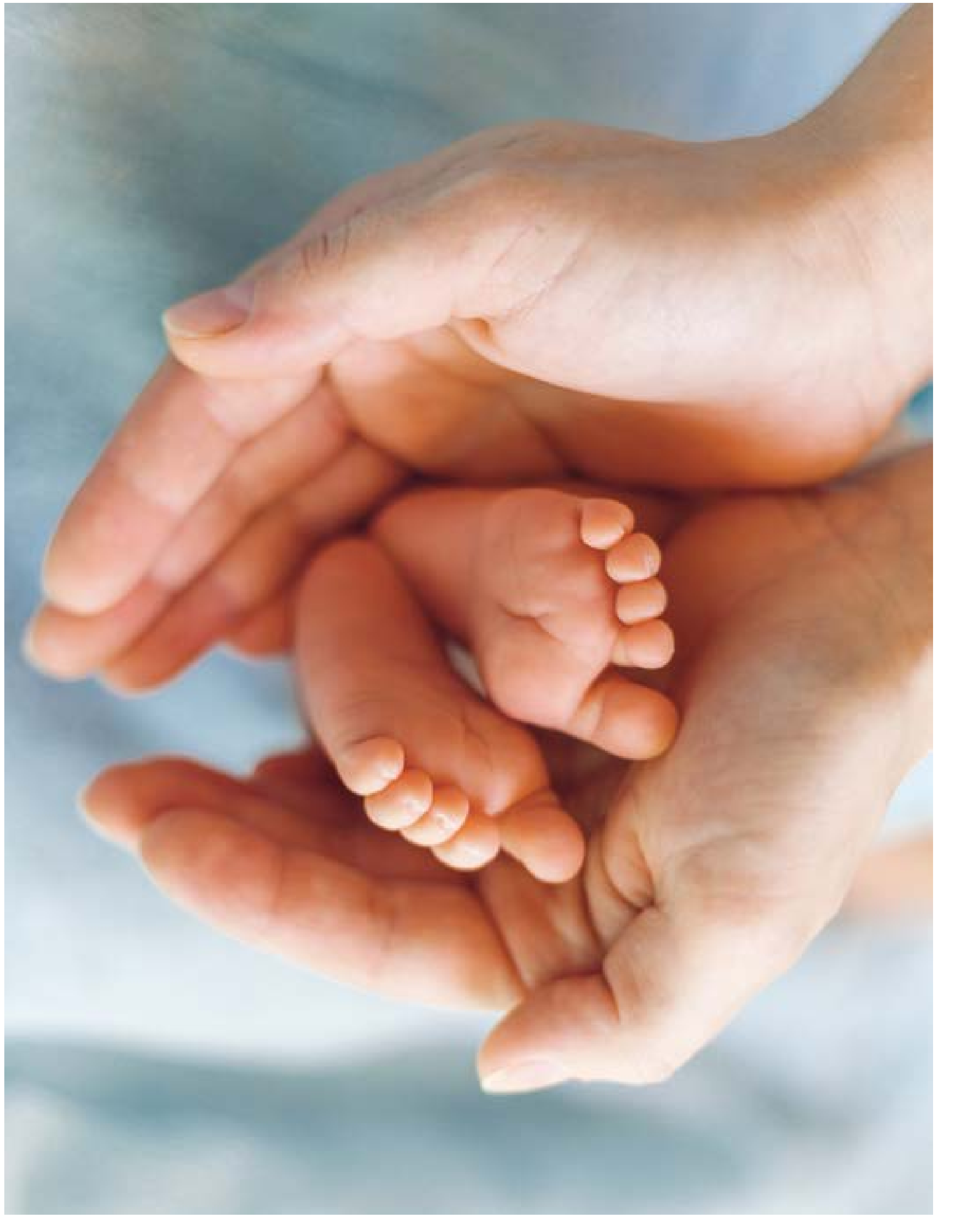
- Clients
- Employees, alumni and potential applicants
- Financial institutions
- Industry partners
- Investors
- Medical practitioners

OUR STRATEGY IN ACTION: GROWTH ACROSS THE CONTINUUM OF CARE

PREVENT, CARE, RECOVER AND ENHANCE

Innovation both inside and outside healthcare is increasingly influencing the way clients perceive the quality of care, as well as how and where it should be offered. Expansion across the continuum of care widens our service focus, improves accessibility, delivers integrated care solutions and creates the opportunity to form a lasting relationship with clients. It also allows us to deliver services in the most appropriate care setting at an optimal cost.

During the year under review, we continued to expand our service offering through acquisitions, partnerships, collaborations and own investments. We also made strides in strengthening existing services through technology and innovation, laying the foundation for coordinated care.



STRATEGY OVERVIEW CONTINUED

OUR STRATEGY IN ACTION: **GROWTH ACROSS THE CONTINUUM OF CARE** CONTINUED

PREVENT

- Launched precision medicine service

CARE

- Invested in at-home health-monitoring company DomoSafety in Switzerland

  Acquired Ayadi home healthcare business in the Middle East
- Opened four renal care facilities in Southern Africa and entered into PPPs in the Middle East to operate two dialysis centres
- Opened three day case clinics
- Opened oncology centre in partnership with Icon Oncology in Southern Africa and integrated oncology unit in the Middle East See page 17
- Entered into four PPPs
- Commenced infrastructure expansions at two hospitals
- Finished two hospital expansions, including 100-bed hospital expansion in Abu Dhabi
- Opened two outpatient clinics
- Opened nuclear medicine unit

RECOVER

- Launched sports medicine unit, Mediclinic Perform
- Converted acute care beds to long-term care beds
- Launched HomeCareOnline for RPM

ENHANCE

- Cosmetic centre opening early FY23
- Acquired remaining 70% of Bourn Hall Fertility Centre
- Launched new insurance product with Helsana, Medbase

DIGITAL & CLIENT ENGAGEMENT

- Partnered with Mehiläinen to launch client app in Switzerland, virtual clinic in Southern Africa and virtual clinic pilot in the MIddle East See page 19
- Baby client-journey framework established and implemented
- Launched digital online booking
- Established care collaboration centre for coordination of chronic disease management (incorporating RPM), virtual clinic pilot for staff, and pharmacy home delivery

OUR PERFORMANCE

In pursuit of our strategy execution and value creation, we track a broad range of key performance indicators ('KPIs') that materially impact on the business, and align all our operations in improving these to deliver long-term success.

ALIGNING KPIs WITH REMUNERATION

Our LTI and STI schemes are aligned with the Mediclinic Group Strategy, with specific targets on revenue growth, adjusted EPS, ROIC, gender diversity and carbon emission reduction for LTI participants, and targets on adjusted operating profit, cash conversion, NPS® and operational performance for STI participants. This ensures a comprehensive, transparent approach that balances financial and non-financial metrics.

See the **Remuneration Committee Report** on page 143

LINK TO STRATEGIC GOALS

1. Become an integrated healthcare provider across the continuum of care
2. Improve our value proposition significantly
3. Transform our services and client engagement through innovation and digitalisation
4. Evolve as a data-driven organisation
5. Minimise our environmental impact
6. Grow in existing markets and expand into new markets

FINANCIAL KPIs[1]

REVENUE[2] (£'M)

LINK TO STRATEGIC GOALS

1 6

WHY IS THIS A KPI?

Revenue measures growth generated from both our core business and our expansion across the continuum of care, and aligns with the growth ambition within our strategy.

FY22 PERFORMANCE

Despite ongoing challenges presented by the pandemic, revenue increased by 8% (10% in constant currency terms) during the period, driven by increased client activity, up 9% in constant currency terms compared with pre-pandemic FY20 (FY22 in constant currency: £3 366m).

ADJUSTED EPS (PENCE)

LINK TO STRATEGIC GOALS

1 2 3 6

WHY IS THIS A KPI?

Adjusted EPS measures profitable growth that results from successful strategy delivery.

FY22 PERFORMANCE

Adjusted EPS was up 65%, reflecting a strong operational and financial performance. All three divisions' earnings in local currency were ahead of pre-pandemic levels with only translation differences resulting in Group adjusted earnings being down 6% compared with pre-pandemic levels (FY20: £177m).

ROIC (%)

LINK TO STRATEGIC GOALS

1 2 3 6

WHY IS THIS A KPI?

ROIC indicates the efficient and effective use of capital in our operations by delivering improved net operating profit after tax. By focusing on improved asset turnover and delivery of profitable growth, we seek to achieve our Group WACC[3] over the medium term.

FY22 PERFORMANCE

ROIC increased to 4.0%, driven by the material improvement in Group profitability compared with the first year of the pandemic in FY21, while still reflecting COVID-19-impacted results.

ADJUSTED OPERATING PROFIT (£'M)

LINK TO STRATEGIC GOALS

1 2 3 6

WHY IS THIS A KPI?

Adjusted operating profit measures profitability, which is considered a primary driver of our success, and incorporates depreciation and amortisation.

FY22 PERFORMANCE

Strong operational and financial performance delivered a recovery in adjusted operating profit, which was flat on the pre-pandemic FY20 period in constant currency terms (FY22 in constant currency: £326m).

CASH CONVERSION (%)

LINK TO STRATEGIC GOALS

1 6

WHY IS THIS A KPI?

Cash generated from operations[4] is applied to investments in existing infrastructure and future growth. Driving EBITDA performance and cash conversion provides the liquidity and financial flexibility to pursue our growth strategy.

FY22 PERFORMANCE

Cash generated from operations[4] increased year on year by 101% to £663m (FY21: £330m), supported by strong EBITDA performance and improvement in cash conversion through catch-up of the slower recovery in the prior year.

KEY PERFORMANCE INDICATORS CONTINUED

NON-FINANCIAL KPIs

GENDER DIVERSITY

Female representation at senior management level (%)

LINK TO STRATEGIC GOALS

2 3

WHY IS THIS A KPI?

Gender diversity at senior and executive management levels ensures our people are led by a leadership team that is representative of our gender-diverse workforce.

FY22 PERFORMANCE

Female representation in senior management increased from 36.0% to 36.9% against the Group target of at least 40% female and at least 40% male representation at senior management and executive level.

CARBON EMISSION REDUCTION[5]

Group Scope 1 and 2 CO_2 emissions (tonnes)

LINK TO STRATEGIC GOALS

2 5

WHY IS THIS A KPI?

Carbon emissions play a substantial role in climate change, which, in turn, has a significant impact on the business. By reducing our carbon emissions, we mitigate the effects of climate change on the Company and, globally, improve public health and maintain biodiversity.

FY22 PERFORMANCE

By meeting most qualitative targets to reduce carbon emissions, we reduced total Scope 1 and 2 CO_2 emissions for the Group by 16.2%, despite the increase in client activity during the period.

See the **TCFD report** on page 47

NPS®[6]

LINK TO STRATEGIC GOAL

2

WHY IS THIS A KPI?

NPS® is a client experience metric that measures loyalty. We introduced it during the period as the client experience measure for all physical and virtual care settings because it is comparable across the Group, applies to all service offerings in the continuum of care, and tracks the quality of service provided to our clients.

FY22 PERFORMANCE

In the past, the NPS® was collected as part of the Press Ganey® survey tool, but not actively reported on. As the Group continues to increase its focus on being a business-to-consumer organisation, we created greater awareness and included it in operational dashboards during the financial year.

See the client experience case study in the **Strategy overview** on page 18

Notes

[1] See page 80 of the **Group Chief Financial Officer's Report** for more on the Group's use of adjusted non-IFRS financial measures
Other non-IFRS measures, which include cash conversion and ROIC, are further discussed, with reconciliations from the most comparable IFRS measure provided, on pages 81–86.

[2] Revenue refers to fees charged for medical and other non-medical services, including rental income.
See note 4 to the **Group annual financial statements** on page 190

[3] WACC considers the respective debt and equity costs and ratios.

[4] See note 33 to the **Group annual financial statements** on page 238

[5] Reporting on carbon emission reduction commenced only in 2021 and is disclosed on a calendar-year basis. As such, only two data points are disclosed.

[6] Reporting on NPS® commenced only during the period. As such, no prior-year data is available.

BUSINESS MODEL

We are driven by our purpose – it motivates us every day and aligns more than 34 000 employees

To deliver our purpose, we rely on our capabilities and resources...

TALENT AND EXPERTISE
across more than 415 different roles leverage skills and experience on a global scale for current and future success

NATURAL RESOURCES
are managed responsibly to minimise our impact on the environment, contain operating costs and ensure ongoing access to water and energy supplies

TECHNOLOGY

Digital competencies
transform services to offer seamless, integrated client journeys

Medical technology
enables traditional surgical procedures to be done in less invasive ways in and out of hospital

Data
improves our decision-making and allows us to offer better care

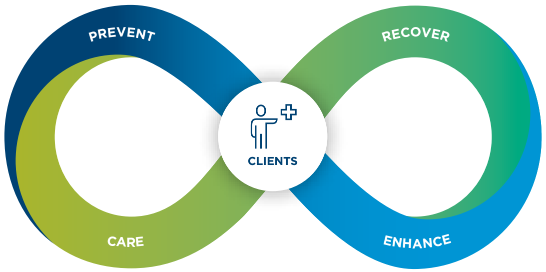
Automation
drives productivity and efficiency gains, empowering our people to prioritise valued-added activities

PARTNERSHIPS AND COLLABORATIONS
facilitate rapid product and service delivery, so we can meet the changing needs of clients

INTERNATIONAL PERSPECTIVE
enables us to identify emerging trends and opportunities, standardise our approach to key functions and processes, and benchmark internally

...enabling us to grow the business of today and the business of tomorrow...

Growing our integrated healthcare offering by expanding across the continuum of care and improving coordination across physical and virtual care settings



Improving our current value to clients through access to the most appropriate care in the most appropriate setting

Investing in regional expansion of existing operations and bolt-on investments

See the **Clinical services overview** on page 58 for more on client value, our services and geographical footprint

...while creating value that benefits all our stakeholders

PARTNER TO CARE
- Improving the health and wellbeing of our people
- Improving overall access to quality healthcare
- Supporting health authorities in combatting COVID-19

±750 000 inpatient and day case admissions

PARTNER TO CREATE
- Creating jobs, delivering training and imparting skills
- Contributing to the economy
- Helping educate and prepare future healthcare workers

£1.5bn employee benefit and contractor costs incurred in FY22

PARTNER TO IMPROVE
- Enhancing clinical outcomes and client experience
- Building and implementing scalable, replicable operations
- Enhancing efficiency and optimising resource use
- Minimising environmental impact

2030 Commitment to achieving carbon neutrality and zero waste to landfill by 2030

See page 26 for more on the value we create for stakeholders

STAKEHOLDER ENGAGEMENT

All stakeholders are important to us, and engagement is prioritised and improved upon continuously. Each year, we identify priority stakeholder groups, and report on the most material ones. This section includes the actions ('A') and decisions ('D') taken during the period in response to feedback received from our key stakeholders, and the outcomes from these and past actions.

See the **2022 Sustainable Development Report** at annualreport.mediclinic.com for a more comprehensive overview of our stakeholders

CLIENTS

LINK TO STRATEGIC GOALS 1 2 3 4 5 6

IMPORTANCE Our business is built on our clients' wellbeing and our ability to build long-term relationships with them

See the **Clinical services overview** on page 58

HOW WE ENGAGE

- Systematic patient rounds during hospital stay
- Dedicated client-experience employees
- 24-hour helplines
- Press Ganey® patient experience index surveys
- Health awareness days and campaigns
- Client-centred product and programme development
- Corporate events
- Client advisory groups
- NPS® feedback

HOW THE BOARD COMPLEMENTS THOSE EFFORTS

- Clinical Performance Committee meets regularly with Group and divisional chief clinical officers; reviews clinical performance indicators, Ward-to-Board accountability reports, client experience data, clinical risk and internal audit reports, ethics reports, and follow-up action plans
- Audit and Risk Committee reviews reports on fraud and ethics, information security and data privacy arrangements
- Investment Committee considers proposals to invest in facilities
- Board reviews summary clinical performance reports and dashboards; considers impact of decisions and dividends on facilities, services and investments
- Director patient safety training; site visits to facilities

WHAT MATTERS TO THEM

- Easy access to safe, quality and cost-effective healthcare
- Appropriate care settings
- Treatment information
- The right to make decisions on their care
- Client experience
- Personal data and patient rights
- Timely communication
- Operational efficiency
- Courteous, empathetic and personalised care

EXAMPLE OF ACTIONS AND DECISIONS TAKEN

A: Introduced client-facing apps in all three divisions

See the BeeHealthy case study in the **Strategy overview** on page 19

D: Established sports medicine centre in the Middle East

D: New hospital in George, South Africa, to be developed to replace existing facilities

D: Established City Hospital in Dubai as cardiovascular CoE

A: Rolled out patient safety event management software across the Group

OUTCOME FOR CLIENTS

- Easy access to a broader range of digital healthcare services
- Easy access to world-class facilities and technology
- Adoption of tools to deliver further patient safety improvements
- New facilities and specialisms to meet changing client needs

VALUE CREATED

17%

increase in total client activity in FY22

LINK TO STRATEGIC GOALS

1. Become an integrated healthcare provider across the continuum of care
2. Improve our value proposition significantly
3. Transform our services and client engagement through innovation and digitalisation
4. Evolve as a data-driven organisation
5. Minimise our environmental impact
6. Grow in existing markets and expand into new markets

STAKEHOLDER ENGAGEMENT CONTINUED

EMPLOYEES, ALUMNI AND POTENTIAL APPLICANTS

LINK TO STRATEGIC GOALS 1 2 3 4 5 6

IMPORTANCE Our workforce is key to maintaining high standards and achieving Mediclinic's strategic and ESG goals

See the **Corporate Governance Statement** on page 109

HOW WE ENGAGE

- Recruitment and retention strategies
- Consistent support of engagement initiatives
- Progress in diversity goals and an inclusive approach
- Commitment to employee health and wellbeing

HOW THE BOARD COMPLEMENTS THOSE EFFORTS

- The designated non-executive director provides an annual report on workforce engagement to the Board and helps to convey the voice of employees in meetings
- The Board gains views of employees through direct interaction with leadership and site visits
- It also monitors the culture of the organisation through a variety of qualitative and quantitative information
- Nomination Committee oversees the development of a diverse talent pipeline to senior leadership roles
- Remuneration Committee reviews and provides feedback on workforce remuneration arrangements

See the **Remuneration Committee Report** on page 143

- ESG Committee reviews progress against employee sub-goals and objectives in Mediclinic's Sustainable Development Strategy

WHAT MATTERS TO THEM

- Employment opportunities
- Recognition and fair remuneration
- Flexible work arrangements
- An ethical, safe, fair and healthy working environment
- Access to growth and development opportunities through relevant assignments and/or learning material

EXAMPLE OF ACTIONS AND DECISIONS TAKEN

A: Action plans to address outcomes from employee engagement survey

A: Strategies and initiatives supporting the aims and objectives of the Group Diversity and Inclusion Policy and talent development

A: Reviewed human resources strategy and investment in human resources technology

A: Closely monitored safety, morale and wellbeing of staff, recognising the impact of COVID-19

A: Educated employees and affiliated doctors on COVID-19 vaccinations and supported them in receiving vaccines

OUTCOME FOR EMPLOYEES

- Increased opportunities arising from focus on talent development and diversity and inclusion
- Increased exposure to the Board for Group Executive Committee and their teams
- Increased wellbeing support during COVID-19

VALUE CREATED

7%

increase in 2021 employee engagement survey participation rate, the highest since commencement

STAKEHOLDER ENGAGEMENT CONTINUED

GOVERNMENTS AND AUTHORITIES

LINK TO STRATEGIC GOALS 1 2 4 6

IMPORTANCE Compliance with applicable legislation and regulations safeguards our ability to offer services

HOW WE ENGAGE

- Regular meetings
- Participation in conferences, seminars, national health training and education, and PPPs to enable healthcare, training and research
- Representation on industry bodies and government boards
- Engagement with senior country leaders

HOW THE BOARD COMPLEMENTS THOSE EFFORTS

- Clinical Performance Committee and Board consider outcomes of management's dialogue and provide support with regulators
- Clinical, regulatory and legal compliance reports reviewed by relevant committees and/or Board

WHAT MATTERS TO THEM

- Transparency and disclosure
- Initiatives and collaboration on issues such as skills shortages and the cost of private healthcare
- Universal access to affordable, quality healthcare

EXAMPLE OF ACTIONS AND DECISIONS TAKEN

A: Actively sought or responded to opportunities to support national and local authorities' efforts to deal with the COVID-19 pandemic
A: Proactively responded to tariff reforms
D: Introduced Chair to senior representatives
A: Proactively engaged on National Health Insurance in South Africa through public hearings and submissions

OUTCOME FOR GOVERNMENTS AND AUTHORITIES

We proved ourselves a reliable partner, capable of delivering effective and efficient healthcare outcomes

VALUE CREATED

4

new PPPs during FY22

HEALTHCARE INSURERS

LINK TO STRATEGIC GOALS 1 2 4 6

IMPORTANCE Privately insured patients constitute our largest client base

HOW WE ENGAGE

- Regular discussions on value-based reimbursement models
- Annual tariff negotiations in a fair and transparent manner
- Network formation discussions

HOW THE BOARD COMPLEMENTS THOSE EFFORTS

Reviews reports on outcomes of tariff negotiations and value-based reimbursement models

WHAT MATTERS TO THEM

- Quality of care
- Affordability of care
- Integrated clinical services
- Network arrangements

EXAMPLE OF ACTIONS AND DECISIONS TAKEN

A: Worked closely with healthcare insurers to address regulatory reforms
A: Developed new products to increase the addressable market

OUTCOME FOR HEALTHCARE INSURERS

Confidence in us as a partner and provider of effective and efficient healthcare outcomes across the continuum of care

VALUE CREATED

200+

registered healthcare insurer partnerships

STAKEHOLDER ENGAGEMENT CONTINUED

INVESTORS

LINK TO STRATEGIC GOALS 1 3 6

IMPORTANCE Our owners and providers of equity capital deserve to have their priorities understood and addressed

See the **Corporate Governance Statement** on page 109

HOW WE ENGAGE

- Established investor relations programme ensures regular and transparent communication
- Financial results reporting and presentations
- Stock exchange announcements
- Corporate website

HOW THE BOARD COMPLEMENTS THOSE EFFORTS

- Board and ESG, Nomination and Remuneration committees consider guidance issued by investors and feedback received at AGMs
- Direct engagement with major institutional investors and investor representative bodies, as necessary
- Reviews regular internal reports and external briefings on investor sentiment and feedback

WHAT MATTERS TO THEM

- Financial sustainability and performance
- Disciplined capital allocation
- Diverse opportunities for long-term value creation
- Our strategic and ESG goals
- Regulatory environment
- Operational drivers of each division

EXAMPLE OF ACTIONS AND DECISIONS TAKEN

A: Regular meetings with Group CEO, Group Chief Financial Officer ('CFO') and Head of Investor Relations
A: Meetings with Chair and SID
A: Held online shareholder engagement event ahead of AGM
A: Engaged shareholders on voting at AGM and on remuneration matters

OUTCOME FOR INVESTORS

- Wider opportunities to engage directly with the Chair of the Board, the chairs of Board committees and other non-executive directors
- ESG investors able to meet with specialists in certain fields

VALUE CREATED

25%

total shareholder return ('TSR') outperformance over a 12-month period by Mediclinic against comparator group (FTSE 250, excluding Financial Services and Extraction companies)

MEDICAL PRACTITIONERS

LINK TO STRATEGIC GOALS 1 2 3 4 5 6

IMPORTANCE Medical practitioners enable our continued success and quality-of-care improvements

HOW WE ENGAGE

- Regular meetings and information sharing
- Participation in hospital clinical committees and hospital boards
- Continuous professional education events
- Engagement events
- Annual Clinical Services Report

See the **Clinical services overview** on page 58

HOW THE BOARD COMPLEMENTS THOSE EFFORTS

- Clinical Performance Committee considers outcomes of doctor satisfaction surveys and recommended action plans
- Also provides input on measures taken to support doctors in provision of effective and efficient patient care
- Reviews feedback from external clinical experts appointed to provide objective guidance to management and clinical performance committees

WHAT MATTERS TO THEM

- Facilities and equipment
- Nursing care
- Patient safety
- Client experience
- Involvement in strategic clinical issues
- Implementation of EHRs
- Continued professional development
- Adaptability in the face of an evolving healthcare industry

EXAMPLE OF ACTIONS AND DECISIONS TAKEN

A: Reviewed Swiss doctor performance management framework
D: Developed Group frameworks for obstetrics, surgery and procedures
A: Completed roll-out of EHRs in Switzerland and the Middle East
A: Launched client-facing applications in all geographies

OUTCOME FOR MEDICAL PRACTITIONERS

- Continuous support for delivery of effective and efficient treatment
- Digital solutions that expand healthcare offering and improve experience for doctors and clients

VALUE CREATED

5 900+

medical practitioner partnerships in Switzerland and Southern Africa

See the **Section 172 statement** on page 30 for information on how the Board collectively, together with its directors individually, is committed to acting in a way that promotes our success to the benefit of all stakeholders

SECTION 172 STATEMENT

During the year, the Board made a number of decisions crucial to promoting our purpose, strategy and success, in each case having regard to our key stakeholders and other relevant matters set out in Section 172. This section illustrates how the Board reached some of these key decisions.

The Board adopts the following general approach in its discussions and decision-making:
- The papers for each meeting include a reminder of directors' Section 172 duties and our key stakeholders. In addition, each paper supporting a discussion and request for a decision from the Board and its committees includes a table setting out the Section 172 factors and corresponding considerations. The Chair of the Board and committee chairs ensure that the ensuing discussions are properly informed by all relevant Section 172 matters.
- The Board assesses and approves our purpose, values and strategy, ensures the strategy is aligned with our culture, and is responsible for promoting those values and culture.
- The Board regularly monitors progress on the implementation of our strategy and associated business plan, and reviews both annually to ensure they remain appropriate.
- Details of how the Board and its committees engage with our key stakeholders can be found on pages 26–29 of this **Strategic Report** and pages 115–117 of the **Governance and Remuneration Report**.
- The Board and its committees consider the potential consequences of its decisions in the short, medium and long term. It ensures that the Group's risk management processes identify any resulting risks to the business and its stakeholders, and have plans to appropriately address these risks.

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The Board regularly monitors progress on the implementation of our strategy and associated business plan, and reviews both annually to ensure they remain appropriate.

SECTION 172 IN ACTION

SECTION 172 CONSIDERATIONS

Promote the success of the business for the benefit of our shareholders, having regard to:
(a) the likely long-term consequences of any decision;
(b) the interests of the Company's employees;
(c) the need to foster business relationships with suppliers, customers and others;
(d) the impact of the Company's operations on the community and the environment;
(e) the desirability of maintaining a reputation for high standards of business conduct; and
(f) the need to act fairly between the Company's shareholders.

PRINCIPAL AND EMERGING RISKS

(as described in the **Risk management report** on page 91)

1. Economic and business environment
2. Regulatory and compliance
3. Information systems security and cyberattacks
4. Pandemics and infectious diseases
5. Disruptive innovation and digitalisation
6. Competition
7. Workforce risks
8. Climate change
9. Patient safety, quality of service and operational stability
10. Availability and cost of capital
11. Financial and credit risk
12. Business investments and acquisitions

SECTION 172 STATEMENT CONTINUED

Al Noor Hospital, the Middle East

CAPITAL ALLOCATION PLAN AND DIVIDEND	
BACKGROUND	The Investment Committee and then the Board held several discussions on the principles governing the allocation of the Group's capital and their application in practice.
KEY ISSUES DISCUSSED	• The sources of, and demands for, operating and non-operating capital, the broad capital allocation framework and proposed allocations of capital for the next five years • Optimal levels of debt funding • Potential non-operating uses of capital • Alternative sources of non-operating capital and their advantages and disadvantages
SECTION 172 CONSIDERATIONS (a), (b), (d)	• The Group's strategy and business plan for the next five years • The impact of the temporary suspension of major capital projects • The various views on leverage of institutional investors and providers of debt funding • The adequacy of the proposed maintenance and capital expenditure levels • Investors' expectations regarding leverage and dividends • The going concern and viability analyses performed at various stages during the year • The prudence of preserving the Group's liquidity due to the uncertainty caused by COVID-19 balanced against the gradual strengthening of our performance and the desire to execute on our strategy
OUTCOMES	• Discussing this at committee level allowed for a detailed examination and subsequent tuning of the proposal, supporting a focused and thorough discussion by the Board and incorporation into the Group's strategy and business plan • As with many other businesses, in May 2021 and November 2021, the Board took the prudent and appropriate decision to continue to suspend the dividend to maintain liquidity preservation • In May 2022, the Board assessed the financial performance of the Group and the different interests of our stakeholders and decided to resume the dividend, as noted in the **Chair's Review** on page 6 • The Board was satisfied that the allocations planned for each of the uses of the Group's capital were appropriately balanced

LINK TO STRATEGIC GOALS	LINK TO PRINCIPAL AND EMERGING RISKS	LINK TO KEY STAKEHOLDERS
1 2 3 5 6	1, 4, 5, 7, 10, 12	Clients Employees, alumni and potential applicants Financial institutions Industry partners Investors Medical practitioners

SECTION 172 STATEMENT CONTINUED

APPOINTMENT OF TWO NEW DIRECTORS	
BACKGROUND	The Nomination Committee Report in the 2021 Annual Report confirmed that work was underway to appoint two new directors to fill the vacancies created by the planned retirement of Alan Grieve and Trevor Petersen. The Nomination Committee managed the search process with an external agency, providing updates to the Board at each stage of the process and final recommendations on its preferred candidates for the roles.
KEY ISSUES DISCUSSED AND PROCESS	• The candidate brief for each vacancy, taking account of (among other things): the current and future needs of the business, a detailed review of the Board's composition, the outcome of the recent Board evaluation, and the Board Diversity Policy • The key criteria to be prioritised in the candidate briefs: one international- and one South Africa-based candidate, an understanding of the Company's listed environment, financial literacy, and experience in audit, remuneration and digital transformation • The quality and diversity of the initial list of candidates, which included individuals from diverse geographical backgrounds, experience, knowledge and skills • An initial assessment of their level of competence against the set criteria, other commitments, and actual or potential conflicts of interest • The shortlist of candidates selected for an informal discussion with the Chair and the Group CEO and interviews with the Nomination Committee, and a more detailed assessment against the specific briefs • Input from the chairs of the Audit and Risk and the Remuneration committees was sought and considered during the process, in view of the roles anticipated for the new directors • Candidates' references, existing time commitments, and actual or potential conflicts of interest were explored
SECTION 172 CONSIDERATIONS (a), (b), (c), (d), (e)	• The candidates' ability to support the development and delivery of our strategy and their alignment to our purpose and culture • Insights into our key stakeholders and approach to stakeholder engagement that they would contribute • Their integrity and commitment to supporting high standards of corporate governance and business ethics • Their other appointments and time commitments
OUTCOME	The governance processes adopted for the identification and selection of the Nomination Committee's preferred candidates led to the appointment of Natalia Barsegiyan and Zarina Bassa as directors. Each brings important skills, experience and attributes that strengthen the Board's composition and support the current strategy and future needs of the business.

APPOINTMENT OF TWO NEW DIRECTORS CONTINUED		
LINK TO STRATEGIC GOALS 1 2 3 4 5 6	**LINK TO PRINCIPAL AND EMERGING RISKS** 1, 5, 6, 7	**LINK TO KEY STAKEHOLDERS** Clients Employees, alumni and potential applicants Investors

RESTRUCTURING OF THE GROUP EXECUTIVE COMMITTEE	
BACKGROUND	Management proposed to restructure and expand the Group Executive Committee. The Nomination Committee provided guidance and support, and the Chair was involved in the process for making two new appointments to the Group Executive Committee.
KEY ISSUES DISCUSSED	• The Group's current and future leadership requirements and new roles required • Potential candidates for the roles, the importance of following a robust and objective selection process • The gender and ethnic diversity of the Group Executive Committee, their direct reports and the talent pipeline leading up to those roles • The importance of providing training and development opportunities to persons placed in new roles to support their success • The adjustments required to succession plans for the Group Executive Committee and their direct reports • The importance of executing a strong and timely communication strategy
SECTION 172 CONSIDERATIONS (a), (b), (e)	• The leadership team's increased capacity to deliver improvements in the Group's financial performance from the existing business, continue to position us for the future, and execute on other elements of our strategy and ESG goals • The potential opportunity to make further progress towards the objectives and targets set out in the Group Diversity and Inclusion Policy • The impact of the changes on the working groups, reporting structures and different constituencies within the Group and their likely response

SECTION 172 STATEMENT CONTINUED

RESTRUCTURING OF THE GROUP EXECUTIVE COMMITTEE CONTINUED

OUTCOMES

- Enhanced positioning of the Group Executive Committee to focus on strategy and governance priorities and of the Group Operations Committee to focus on strategy execution
- Appointment of Koert Pretorius (CEO of Southern Africa) to newly created role of Group Chief Operating Officer
- Resulting vacancy created an internal promotion opportunity – after a rigorous selection process, Greg van Wyk (Chief Human Resources Officer of Southern Africa) was appointed to succeed Koert in leading the Southern Africa operations
- The separation of the Group Chief Strategy and Human Resources Officer role into separate streams and appointment of a Group Chief Human Resources Officer will create an opportunity to further increase the diversity of the Group Executive Committee (Magnus Oetiker will remain in the Group Chief Strategy Officer role)

LINK TO STRATEGIC GOALS	LINK TO PRINCIPAL AND EMERGING RISKS	LINK TO KEY STAKEHOLDERS
1 2 3 4 5 6	1, 5, 6, 7	Clients Employees, alumni and potential applicants Governments and authorities Healthcare insurers Industry partners Investors Medical practitioners

AGREEMENT TO PROCURE RENEWABLE ELECTRICITY

BACKGROUND

The Board discussed and approved an agreement between our Southern Africa operations and Energy Exchange to procure renewable electricity up to a total value of £110m.

KEY ISSUES DISCUSSED

- Energy Exchange being the only platform through which the Southern Africa operations could purchase renewable energy
- Entering into the agreement was a smaller related-party transaction under the FCA's Listing Rules, as Remgro is a substantial shareholder in Mediclinic, and one of the founding partners and 35% shareholder in Energy Exchange
- Jannie Durand's declaration of interest in the agreement and conflict of interest as CEO of Remgro

SECTION 172 CONSIDERATIONS

(a), (c), (d), (e), (f)

The Board, excluding Jannie and his alternate, Pieter Uys, carefully considered:

- the key commercial terms of the agreement;
- the importance of the agreement for our Southern Africa operations to become carbon neutral by 2030;
- Jannie's declarations; and
- the written opinion provided by Morgan Stanley (the Company's financial sponsor for UK-listing purposes) that the terms of the agreement were fair and reasonable as far as Mediclinic's shareholders were concerned

OUTCOMES

- Following careful consideration – and in accordance with the Act, the Company's Articles of Association as adopted on 22 July 2020 ('Articles'), and the relationship agreement between the Company and its principal shareholder, Remgro ('Relationship Agreement'), as described on page 169 – the Board (excluding Jannie and Pieter) agreed to approve the agreement and Jannie's conflict of interest on the basis that doing so would promote the success of the Company for the benefit of its stakeholders as a whole by supporting the delivery of the Group's carbon-neutral strategy
- The governance processes followed and conditions attached to the approval of Jannie's conflict of interest ensured the Group was able to pursue its strategic objectives while acting fairly between the Company's shareholders

LINK TO STRATEGIC GOALS	LINK TO PRINCIPAL AND EMERGING RISKS	LINK TO KEY STAKEHOLDERS
2 5	8	Employees, alumni and potential applicants Communities Investors Suppliers

SUSTAINABLE DEVELOPMENT OVERVIEW

This Sustainable development overview is a condensed version of the Group's **2022 Sustainable Development Report**, available at annualreport.mediclinic.com. It covers the most important sustainable development activities across the Group with specific reference to our material issues, initiatives and outcomes for the 2021 calendar year, unless stated otherwise.

CONTENT		2022 SUSTAINABLE DEVELOPMENT REPORT	SUSTAINABLE DEVELOPMENT OVERVIEW
Highlights		•	n/a
Interview with Dame Inga Beale		•	abbreviated
Our approach to sustainability		•	abbreviated
Our material issues		•	abbreviated
Conserve	Climate change	•	abbreviated
	Carbon neutrality		
	Energy consumption		
	Waste management		
	Water usage		
	Environmental management systems		
	Biodiversity		
Connect	Our significant stakeholders	•	n/a
	Our clients	•	abbreviated
	Our people	•	abbreviated
	Recruitment and retention		
	Employee engagement		
	Diversity and inclusion		
	Wellbeing		
	Our communities	•	abbreviated
	Future workforce		
	CSI		
	Human rights		
	Our suppliers		
Comply	ESG governance structure	•	abbreviated
	Governance	•	n/a
	Ethics	•	abbreviated
	Information assets	•	abbreviated
	Healthcare infrastructure	•	abbreviated
Independent assurance		•	n/a
Five-year data overview		•	n/a

DOING THE RIGHT THING

Dame Inga Beale, Chair of the Board and the ESG Committee, sheds light on what sustainability means for Mediclinic.

Q. WHAT DOES MEDICLINIC'S COMMITMENT TO ESG MEAN FOR CLIENTS AND INVESTORS? While we have to take into account the pressures from investors, concentrating on ESG is the right thing to do, which means it is the right thing for our clients. Our focus has to be on giving them the best quality care. If we do not have an environment that attracts the best talent, we cannot deliver the best care. So, it all fits together to make sure we are doing the right thing for all stakeholders.

Q. WHAT HAS BEEN THE OUTCOME FROM THE BOARD'S INCREASED FOCUS ON EMPLOYEE ENGAGEMENT? We had a wonderful session where Ronnie asked the entire Board to join a virtual leadership event with several hundred Mediclinic employees from our divisions around the world. As a Board, we were able to hear what was on our employees' minds and they asked us questions. What I loved about that was the pressure the employees are putting on top management and the Board, telling us what we have to focus on.

FTSE4Good | QUALITYSCORE 1 | MSCI ESG RATINGS AAA | epihc | CDP DISCLOSURE INSIGHT ACTION | Hampton-Alexander Review | SUSTAINALYTICS

> "Concentrating on ESG is the right thing to do, which means it is the right thing for our clients.
>
> **Dame Inga Beale**
> Non-executive Chair

Scan the QR code to view a condensed video version of the interview

OUR APPROACH TO SUSTAINABILITY

MEDICLINIC'S SUSTAINABLE DEVELOPMENT MISSION STATEMENT

'We are committed to ensuring that every day we improve sustainability by managing our resources responsibly and efficiently to the benefit of our stakeholders and the environment.'

SUSTAINABILITY MODEL

CONSERVE

Minimising environmental impact

SUPPORTS STRATEGIC GOALS

1 2 3 4 5 6

OUR ENVIRONMENTAL TARGETS

- **2030** carbon neutral
- **2030** zero waste to landfill

IN 2021

- **94%** of our Swiss hospitals use hydropower
- New photovoltaic ('PV') installations at five hospitals in Southern Africa, increasing the total to 18
- **38 554MWh** of clean energy procured for all facilities in Abu Dhabi

12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION

CONNECT

Building stakeholder trust

SUPPORTS STRATEGIC GOALS

1 2 3 4 5 6

OUR SOCIAL AMBITIONS

- Introduce NPS® performance metric as part of STI scheme for management
- Achieve at least 40% female and at least 40% male representation at senior management and executive level throughout the organisation
- Be among the top three employers of choice in each of our markets

IN 2021

- **36%** increase in clients surveyed in Press Ganey® experience index since last year
- **1.4%** increase in female representation at senior management and executive level since last year

3 GOOD HEALTH AND WELL-BEING | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH

COMPLY

Being an ethical and responsible corporate citizen

SUPPORTS STRATEGIC GOALS

1 2 3 4 5 6

OUR GOVERNANCE GOALS

- Quadruple the number of people using data products for decision-making by 2026
- Introduce data privacy online learning

IN 2021

- Information and cybersecurity and data privacy employee awareness campaign
- Anti-bribery and ethics line awareness campaign aimed at onboarding employees and suppliers

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

LINK TO STRATEGIC GOALS

1. Become an integrated healthcare provider across the continuum of care
2. Improve our value proposition significantly
3. Transform our services and client engagement through innovation and digitalisation
4. Evolve as a data-driven organisation
5. Minimise our environmental impact
6. Grow in existing markets and expand into new markets

OUR MATERIAL ISSUES

The ESG Committee reviews the Group's material sustainability issues annually. This is done to ensure our management initiatives target the sustainable development matters that are most significant to Mediclinic and directly affect our ability to create long-term value for significant stakeholders. Our top ESG priorities are:

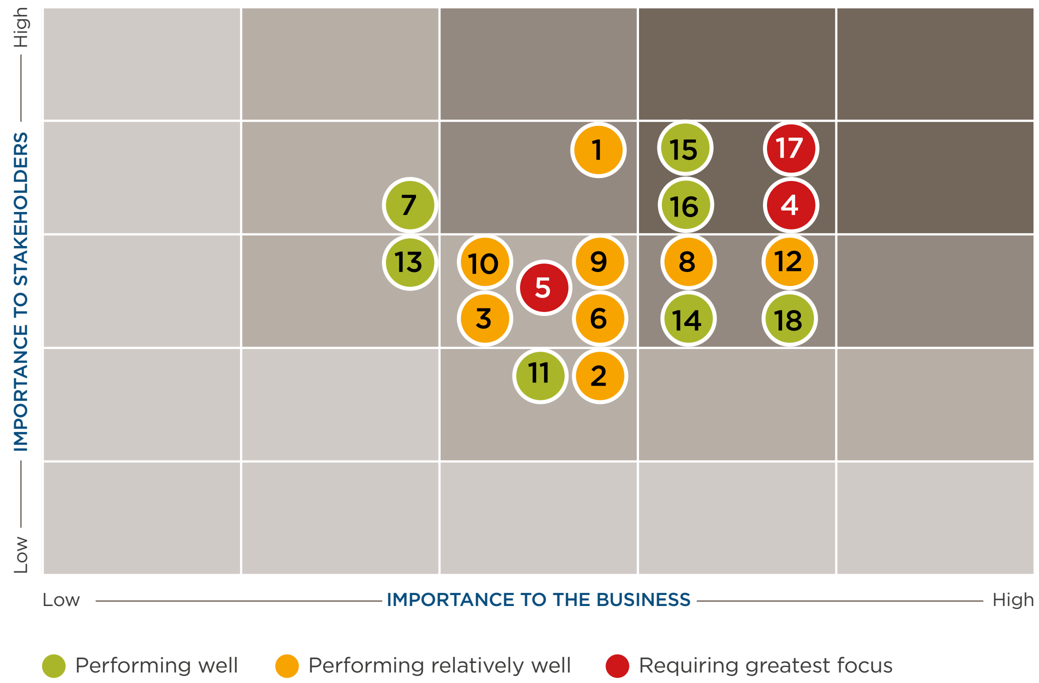
- **Energy efficiency**
- **Reduction of carbon emissions**
- **Waste management**
- **Employee engagement**
- **Employee wellness and safety**
- **Diversity and inclusion**
- **Client value proposition**
- **Protection of information assets**

OUR SIGNIFICANT STAKEHOLDERS

See **Stakeholder engagement** on page 26, the **Section 172 statement** on page 30, and the **Corporate Governance Statement** on page 109 for more on stakeholder engagement

See the **2022 Sustainable Development Report** at annualreport.mediclinic.com for further details

FIGURE 1: HEAT MAP OF OUR MATERIAL ISSUES



CONSERVE

Material issue 1:
Minimising environmental impact

1 Climate change
2 Environmental management system
3 Energy efficiency
4 Carbon emissions
5 Waste management
6 Water use
7 Biodiversity

CONNECT

Material issue 2:
Building stakeholder trust

8 Employee engagement
9 Employee wellness and safety
10 Diversity and inclusion
11 Human rights
12 Client value proposition
13 Corporate social investment ('CSI')
14 Supply chain

COMPLY

Material issue 3:
Being an ethical and responsible corporate citizen

15 Ethics
16 Anti-corruption
17 Protection of information assets
18 Healthcare infrastructure

CONSERVE

MATERIAL ISSUE 1: MINIMISING ENVIRONMENTAL IMPACT

Preserving the health of the planet is essential to help our clients lead healthier lives, reduce costs and risks, and protect the wellbeing of our communities.

During 2021, there were no incidents of material non-compliance with any environmental legislation, regulations, accepted standards or codes applicable to the Group, with no significant fines imposed.

RISKS TO THE BUSINESS

- Business interruptions
- Increased operational costs
- Reputational damage
- Impact of carbon tax and climate change legislation
- Fines and penalties

RISK MITIGATION

- Environmental goal forms part of Mediclinic Group Strategy
- Risk management process and systems of internal control embedded in the Group
- Annual review of policies governing risk management, sustainable development, environment and waste management

2021 IN GROUP NUMBERS[1]

Total Scope 1 & 2 CO_2 emissions in tonnes (t)[2]

211 969 — 2020: 226 048

Total water usage in megalitres (ML)[3]

1 685 — 2020: 1 648

Total energy consumption in gigajoule (GJ)

1 284 086 — 2020: 1 188 023

Total waste diverted from landfill in tonnes (t)

5 563 — 2020: 2 629

See the **2022 Sustainable Development Report** at annualreport.mediclinic.com for carbon emissions, energy consumption, water and waste figures for the Group and per division for the last five calendar years

Notes

[1] Data reported in line with the 2021 Carbon Footprint Report and succeeds the data provided in the 2021 Sustainable Development Report.

[2] Decrease in total Scope 1 and 2 emissions due to the purchase of nuclear power with zero emissions for hospitals in Abu Dhabi (nuclear power accounts for 50% of the total electricity consumption in the Middle East).

[3] Water usage increased compared with 2020, but is still lower than pre-pandemic usage.

CLIMATE CHANGE

See the **TCFD report** on page 47 for our response to climate change and its impact on our business, as well as our year-on-year comparative figures on carbon emissions, energy consumption, waste and water

BECOMING CARBON NEUTRAL BY 2030

CARBON EMISSIONS

Our commitment to carbon-neutral status is supported by a sound strategy. Emission-reduction activities help save costs, secure energy supply, and leave a healthy planet for posterity. Rising electricity costs are an incentive to reduce consumption by investing in energy-efficient equipment and renewable energy sources.

The boundary for carbon neutrality covers Scope 1 and 2 emissions. Our business can eliminate Scope 2 emissions by purchasing 100% renewable energy, but it must also offset direct carbon emissions and reconsider energy consumption and emissions from power generation.

ANAESTHETIC GASES

We are working to reduce the use of harmful anaesthetic gases in Southern Africa and the Middle East. Control strategies include elimination, substitution, engineering control (CO_2 absorbers, gas capturing technologies), administrative controls, and education and awareness. Currently, no immediate action or expenditure is required in Switzerland due to the use of less-harmful gases.

SUSTAINABLE DEVELOPMENT OVERVIEW CONTINUED

ENERGY CONSUMPTION

Electricity is the main contributor to our carbon footprint. Healthcare facilities require significant energy; medical equipment and air-filtration and -conditioning units run continuously at many hospitals. Improved operational efficiency of technical installations, the introduction of various new energy-efficient and renewable technologies, and changes in employee behaviour are essential for reducing energy use.

The main sources of direct energy are gas and diesel oil, motor gasoline, liquefied petroleum gas and natural gas. Indirect energy sources refer to electricity.

Returning to business as usual and continuing to address COVID-19 within facilities resulted in an overall increase in the use of energy in 2021.

REGIONAL INFORMATION

SWITZERLAND

- Purchased electricity mainly from European hydroelectricity[1] for all but one hospital and the Corporate Office
- 16 of 17 hospitals registered as CO_2-reduced businesses and monitored annually by the Energy Agency of the Swiss Private Sector
- Replaced ventilation, heating and cooling systems with energy-efficient alternatives and adjusted operating times
- LED light fittings
- Renewed ICT infrastructure
- Used energy-efficient systems and equipment in all facilities

SOUTHERN AFRICA

- Agreement to purchase renewable energy starting with five facilities
- Renewable energy through PV systems
- Solar panels for water heating
- Supervisory control and data acquisition systems ('SCADA') to monitor consumption
- Completed hospital audits and agreed potential savings
- Implemented energy-efficient practices

THE MIDDLE EAST

- Purchased clean energy for all facilities in Abu Dhabi
- Chiller replacement at two hospitals
- Plans to replace fleet vehicles with hybrid options
- Installed smart thermostats at the Corporate Office and selected clinics
- Adjusted air-conditioning temperature
- LED light fittings and movement sensors

Note

[1] In Switzerland, our market-based hydroelectricity emissions are assumed to be zero, with a Certificate of Origin to support such assumption.

HAVING ZERO WASTE TO LANDFILL BY 2030

Our Group Waste Management Policy outlines our objectives to refuse, reuse, reduce, recycle and recover. We follow stringent protocols to ensure waste management within the Group complies with all applicable legislation and regulations. During 2021, there were no incidents at our facilities or offices leading to significant spills.

REGIONAL INFORMATION

SWITZERLAND

- Healthcare risk waste ('HCRW') transported by licensed companies and incinerated at waste stations
- Monitored and archived weight and waste type by hospital, transport provider and incinerator
- Processed food waste in biogas facility

SOUTHERN AFRICA

- Waste management tenders to incorporate new requirements
- HCRW transported and treated by licensed companies by means of autoclave or electrothermal deactivation
- Incinerated anatomical waste
- Donated redundant furniture and equipment
- Recovered cooking oil for biodiesel
- Newster technology[1] implemented at one hospital

THE MIDDLE EAST

- HCRW, chemical waste handled by approved environmental service providers
- Implemented food waste reduction initiatives
- Recycling of cooking oil
- Investigating projects to sterilise medical waste and compost organic waste

> "Our Group Waste Management Policy outlines our objectives to refuse, reuse, reduce, recycle and recover.

Note

[1] Newster sterilisers use patented frictional heat treatment technology for the sustainable processing of HCRW.

SUSTAINABLE DEVELOPMENT OVERVIEW CONTINUED

UNLOCKING CIRCULAR ECONOMIES

Our Group Sustainable Development Strategy recognises the value of circular economies to reduce waste. During 2021, we agreed to reduce waste at the source with Johnson & Johnson MedTech. This initiative focuses on single-use medical devices and packaging not being recycled. Feasibility studies to determine stakeholder readiness will be scalable to include single-use medical devices and products from other suppliers.

REGIONAL INFORMATION

SWITZERLAND

Pilot project implemented at two hospitals, with results expected in the first quarter of FY23. Pilot to be extended to one hospital per region in FY23.

SOUTHERN AFRICA

Feasibility study initiated, with results expected in the first quarter of FY23. Pilot project at two hospitals planned for FY23 pending outcome of feasibility study.

THE MIDDLE EAST

Feasibility study completed, with pilot project in FY23 initiated at three hospitals in Dubai.

USING AND REUSING WATER RESOURCES SUSTAINABLY

Good quality fresh water is essential for hygiene, quality care and infection prevention and control. Initiatives across Mediclinic support sustainable water usage and we benefit from the expertise gained across our divisions as they address water-use challenges unique to each geography.

REGIONAL INFORMATION

SWITZERLAND

- Operational water quantity and quality risk assessments in progress
- Waste water treated directly by local municipalities
- Water-flow limiters on taps, water-saving valves in toilets
- Replaced kitchen dishwashers

SOUTHERN AFRICA

- Completed operational water quantity and quality risk assessments
- Installed bulk water storage facilities
- Increased boreholes to 40
- Water-saving instruments in washers, washing machines and autoclaves
- Recycling of autoclave water at certain facilities
- Priority focus on detecting and fixing leaks

THE MIDDLE EAST

- Operational water quantity and quality risk assessments in progress
- Reduction in cistern water and automatic flushing
- Condensation water from CSSD autoclaves used for irrigation
- Control sensors on taps in units
- Investigation of water-conserving shower heads

ENVIRONMENTAL MANAGEMENT SYSTEMS

We align our environmental management practices with international best practices and national legislation to provide assurance regarding the environmental quality, safety and reliability of our processes and services. Moreover, we have opted to implement the ISO 14001:2015 EMS in all our hospitals.

REGIONAL INFORMATION

SWITZERLAND

- EMS implementation at five hospitals and Corporate Office in progress
- All hospitals but one part of H+ programme for occupational health and safety

SOUTHERN AFRICA

- 44 of 50 hospitals ISO 14001-certified by British Standards Institute
- Conducted ISO 14001 gap audits at 39 facilities, with average score of 81% compliance with EMS requirements

THE MIDDLE EAST

- EMS implementation at five hospitals in progress
- Annual environmental, health and safety audits at all facilities

PROTECTING BIODIVERSITY

The ISO 14001:2015 EMS provides a clear understanding of how our activities impact biodiversity, enabling us to take corrective measures. For each new building project, we undertake an environmental impact assessment to determine whether a more comprehensive assessment is required. In 2021, no new building projects in the financial year required an environmental impact assessment. None of our owned, leased and managed facilities are in, or adjacent to, protected areas or areas of high biodiversity value.

CONNECT

MATERIAL ISSUE 2: BUILDING STAKEHOLDER TRUST

Our employees, affiliated doctors, suppliers and industry partners form the foundation that enables us to offer our services to clients and communities.

RISKS TO THE BUSINESS

- Poor employee engagement and wellbeing
- Inability to recruit healthcare practitioners to meet business demand
- Ageing nursing workforce with decreasing entrants to profession
- Poor clinical outcomes and services
- Medical malpractice liability
- Reputational damage
- Inability to continue business due to inadequate supplies

RISK MITIGATION

- Group Sustainable Development Strategy with social objectives
- Implementation of Mediclinic Diversity and Inclusion Strategy
- Effective execution of employee engagement action plans
- Extensive training and skills development programmes
- Establishment of Global Leadership Development Framework
- Continued implementation of a Group learning architecture to support Group strategy
- CSI initiatives monitored by senior management with feedback to ESG Committee
- Group purchasing organisation established to secure products at reduced prices
- Five-year Group procurement vision to optimise end-to-end supply chain performance

2021 IN GROUP NUMBERS

Gallup® employee engagement grand mean score (out of five)

3.98 — 2020: 3.98

Female representation in senior and middle management roles[1]

37.0% — 2020: 35.6%

Total absenteeism rate[2]

3.8% — 2020: 3.9%

New suppliers

3 192 — 2020: 3 230

Contribution to CSI

£7.9m — 2020: £7.8m

Notes

[1] Disclosed on a financial-year basis.
[2] Actual days lost expressed as a percentage of total days scheduled to be worked by the workforce during 2021.

CONNECTING TO OUR CLIENTS

Our business is built on our clients' wellbeing. Client surveys and dedicated client-experience employees contribute towards strengthened long-term relationships.

See the **Clinical services overview** on page 58 for our unique approach to creating value for clients

CONNECTING TO OUR PEOPLE

Our workforce is key to maintaining high standards and achieving Mediclinic's strategic and ESG goals. We maintain a two-way conversation to improve the working environment.

EMPLOYEE OVERVIEW

FULL-TIME EQUIVALENTS[1] PER GEOGRAPHY AT 31 DECEMBER 2021

Group
33 683 — 2020: 33 530

Switzerland
7 996 — 2020: 7 815

Southern Africa[2]
18 366 — 2020: 18 644

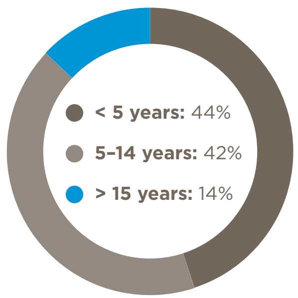
The Middle East[3]
7 321 — 2020: 7 071

FULL-TIME EMPLOYEES

±£124m
average total Group monthly employee benefit and contractor cost

59%
of full-time employees across the Group involved in client care

Average tenure across the Group



Notes

[1] Number of full-time employees who could have been employed if reported number of hours worked by part-time employees had been worked by full-time employees instead.
[2] Includes Mediclinic International plc's one employee based in the UK.
[3] Increase from 2020 to 2021 largely attributable to overall business growth.

SUSTAINABLE DEVELOPMENT OVERVIEW CONTINUED

RECRUITMENT AND RETENTION

RECRUITMENT

The healthcare industry has a very competitive employer market. We continuously monitor regional and global industry challenges and trends to anticipate any changes needed to our recruitment approach. Our recruitment practices aim to optimise attraction of scarce and critical skills through targeted employer branding initiatives.

RETENTION

We optimise retention by providing opportunities for a diverse workforce to thrive, and by creating an inclusive environment. Our retention strategies include employee engagement, flexible work practices that not only address future skill needs but also speak to employee expectations, and investment in career growth and development through implementation of global learning frameworks and systems.

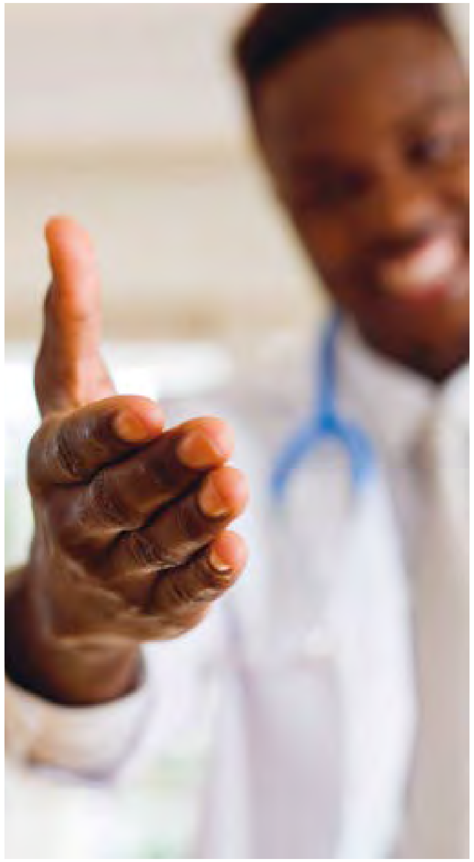
Every year, employees are invited to share their perceptions of the workplace through the *Your Voice* employee engagement survey, which provides the opportunity to proactively assess employees' sense of belonging, whether they feel valued and whether they feel empowered to do their best every day. These results are analysed and trends are explored through focus groups to understand perceptions and ultimately optimise engagement and retention.

Exit interviews are conducted in a safe, non-threatening manner to help us gain valuable insight into patterns that exceed healthy turnover benchmarks.

REMUNERATION, REWARDS AND BENEFITS

Our employees are remunerated fairly and in a manner that supports our Group strategy while attracting, retaining and motivating scarce skills.

In line with our value of high performance, we reward eligible employees for achieving strategic objectives through a combination of STI and LTI, with additional benefits offered in line with local practices and regulatory compliance.



> "We optimise retention by providing opportunities for a diverse workforce to thrive, and by creating an inclusive environment.

EMPLOYEE ENGAGEMENT

We encourage and enable continuous employee engagement across the entire organisation through various methods, including:

- the annual *Your Voice* employee engagement survey and resultant action plans;
- training and performance management;
- access to various supporting resources such as interactive call centres;
- occupational health clinics and wellbeing programmes; and
- ethics lines.

See 'Workforce engagement' in the **Corporate Governance Statement** on page 109

YOUR VOICE

We use our annual *Your Voice* employee engagement survey to measure employee engagement, identify gaps at a team level, and support line managers in developing action plans to address employee engagement concerns. Research by Gallup® has shown that highly engaged employees contribute to better financial results, improved clinical outcomes and increased patient safety.

TRAINING AND DEVELOPMENT

Every team member's growth is valued and we are dedicated to providing accessible learning opportunities that can optimally enable employee performance and support career growth.

During the critical performance management process, line managers and employees align expectations and goals to ensure the focused and deliberate contribution of each employee to the team and, ultimately, the divisional and Group goals.

Continuous performance conversations are encouraged across the Group, with formal annual/six-monthly performance tracking conversations between managers and employees. Managers are held accountable for specific measurable objectives. These objectives are aligned to those of a function and, ultimately, a division that contributes to organisational achievement of the strategic goals.

To support succession planning, the Group Talent Review Committee actively reviews the bench strength, development momentum and diversity of pipelines biannually in January and August.

LABOUR RELATIONS

All policies and procedures are maintained according to applicable local labour legislation. New employees are orientated on employment policies (i.e. misconduct, incapacity, and disciplinary and grievance procedures), which are also available internally. In most cases, an elected workplace forum meets regularly with facility management to ensure sound labour relations.

DIVERSITY AND INCLUSION

Our dedication to diversity and inclusion is strongly endorsed by the Board and executive management, and we allocate financial resources for the effective implementation of our long-term Diversity and Inclusion Strategy. A Group Talent Centre of Expertise (consisting of representatives from all divisions) governs and guides the planning and implementation of initiatives from a Group perspective. Divisional teams implement geography-specific initiatives, which may vary within the broad Group themes, to contextualise the content and achieve local objectives.

See the **Nomination Committee Report** on page 137 and the **Corporate Governance Statement** on page 109 for more information on representation at Board and executive level

AT ORGANISATIONAL LEVEL

Over the past year, the Board and Group Executive Committee actively monitored progress on gender diversity at senior management level. In this, we have uniform gender and generational focus areas across all geographies, supplemented by division-specific diversity priorities.

OUR TARGETS

GROUP
- At least 40% female and at least 40% male representation at senior management and executive level throughout the organisation

SOUTHERN AFRICA
- Racial representation aligned with broad-based black economic empowerment ('B-BBEE')
- Employment equity targets per occupational level

THE UAE
- An Emiratisation target of 5% Emirati representation by March 2023 and 10% by March 2024

See the **2022 Sustainable Development Report** at annualreport.mediclinic.com for a summarised employment equity report and comprehensive information on diversity and inclusion

GENDER PAY GAP

An in-depth gender pay gap analysis was conducted in December 2021 to understand the state of gender pay equity within the organisation and to support our Diversity and Inclusion Strategy. The analysis revealed that the gender pay gap as experienced at 1 December 2021 is a result of fewer women holding senior positions within the Company compared with men. At the time of the analysis, 74% of our permanent employees were women.

EQUAL PAY FOR EQUAL WORK

In addition, an equal pay analysis across the Group showed that there are no inexplicable differences between employees performing the same job at the same job level. The analysis demonstrated that at Mediclinic, men and women receive equal pay for equal work.

SUSTAINABLE DEVELOPMENT OVERVIEW CONTINUED

WELLBEING

We offer a wide variety of initiatives, services (on-site and off-site), and activities tailored to local considerations. These cover different aspects of employee wellbeing, including occupational health and wellness, as well as physical, community and environmental, intellectual, emotional and mental, and financial wellness. Occupational health services are also provided and the health, safety and cleanliness of all our facilities adhere to health and safety policies and procedures aligned to national regulations.

REGIONAL INFORMATION

SAFETY

Health and safety governance
- Committees at facility level and Corporate Office
- Corporate function

Supplier compliance

Mandatory consideration for vendor selection and evaluation

Sharps injury management and safety procedures

Inspections
- Planned and unplanned visits by authorities evaluate occupational health and safety at facilities
- Planned and unplanned visits by authorities evaluate occupational health and safety at facilities
- Annual licensing by authorities subject to inspection with safety aspect

COVID-19 testing[1]

Vaccinations
- Hepatitis B Annual flu
- Annual flu
- Hepatitis B Annual flu

Air composition, temperature and humidity
- Compliance with Swiss Labour Law standards
- Compliance with local legislation

WELLBEING

Wellbeing committee
- Select facilities
- For Corporate Office
- Responsible for all employees

Transport and accommodation for frontline workers during COVID-19 pandemic, if required
- For qualifying employees

Part-time work arrangements[2]

Occupational health services and primary care

Remote work arrangements[2]

Family planning

Purchase of additional leave

Occupational health audits

Affordable, healthy on-site catering

Wellbeing awareness drives and/or programmes

Free fitness facilities at some locations

Confidential counselling

Free employee assistance helpline

- SWITZERLAND
- SOUTHERN AFRICA
- THE MIDDLE EAST

Notes

[1] Offered in accordance with local regulations and best practice. Whether the cost is covered by the employee, division, health insurance or government depends on the individual circumstances and geography.

[2] Offered to qualifying employees.

CONNECTING TO OUR COMMUNITIES

We care for our neighbours by acting responsibly in our operations and making a positive impact in their lives. Earning their trust plays an important part in the sustainability of our business.

FUTURE WORKFORCE

To secure healthcare for tomorrow, we actively invest in training opportunities for healthcare students and support of applicable studies.

HUMAN RIGHTS

Our commitment to conducting business in a manner that respects and promotes human rights and dignity is entrenched in our Code of Business Conduct and Ethics. We undertake to:

- avoid and not contribute to any indirect adverse human rights impacts linked to our operations or services by our suppliers or other business relations;
- respect clients' rights, including but not limited to privacy, confidentiality, dignity, no discrimination, comprehensive health status and treatment information, a second opinion, access to medical records, self-determination and participation, refusal of treatment and the right to complain;
- value diversity and equal opportunities for all employees; and
- not tolerate any form of unfair discrimination, such as access to employment, career development, training or working conditions based on gender, age, religion, nationality, race/ethnic origin, language, HIV/Aids status, family status, disability, etc.

During 2021, there were no material incidents of discrimination or violations involving rights of indigenous peoples in the Group.

MODERN SLAVERY AND HUMAN TRAFFICKING

The Mediclinic Modern Slavery and Human Trafficking Statement details the steps we have taken to prevent such abuses, including any direct form of forced labour or child labour in our business or indirectly through our supply chain.

The Group's **Modern Slavery and Human Trafficking Statement** can be found on the home page of the Company's website at www.mediclinic.com

CORPORATE SOCIAL INVESTMENT

We contribute to the wellbeing of our communities by investing in sustained initiatives that address socio-economic issues. CSI activities are structured around the improvement of healthcare through training and education, sponsorships, donations, employee volunteerism, PPPs and joint ventures. CSI focus areas are determined per geography to address the needs of the specific region.

> "To secure healthcare for tomorrow, we actively invest in training opportunities for healthcare students and support of applicable studies.

CONNECTING TO OUR SUPPLIERS

Expert, responsible suppliers enable us to offer our healthcare services in a way that improves wellbeing for people and the planet.

OUR TARGET

We aim to realise effective savings through governance, safety and control over all procurement in the Group by harnessing standardised procedures and information management and driving adoption across business units through a simplified human interface.

Our Supply Chain Risk Management Policy and Code of Business Conduct and Ethics provide a supplier selection framework that aligns with our purpose and culture while delivering high-quality products and services.

We strive to do business with third parties who are environmentally responsible and influence our suppliers and service providers to limit their impact on the environment. Suppliers are reviewed during onboarding and regularly thereafter to ensure they comply with ISO 9000 and/or ISO 13485 quality management certification, relevant ISO certification of the products utilised, CE Medical Device Regulation certification[1] and/or certification by the Food and Drug Administration of the United States of America.

Mediclinic predominantly procures in local markets of operation. We do not import directly or procure across borders unless there are challenges. None of our divisions procure less than 98% of spend from local suppliers.

Centralised procurement prevents employees and medical practitioners at hospital level from influencing decisions. Employees involved in purchasing are bound by strict ethical principles and corporate policies on gifts and invitations to ensure impeccable standards of integrity.

Additional measures were put in place to monitor supplier conduct.

The **Mediclinic Supply Chain Management Philosophy** is available at www.mediclinic.com

Note

[1] CE marking = a certification mark that indicates conformity with health, safety and environmental protection standards for products sold within the European Economic Area ('EEA'); also found on products sold outside the EEA that are manufactured in, or designed to be sold in, the EEA.

COMPLY

MATERIAL ISSUE 3: BEING AN ETHICAL AND RESPONSIBLE CORPORATE CITIZEN

We endeavour to conduct business with transparency, honesty and integrity, applying sound governance and compliance principles across the Group to foster an ethical culture.

RISKS TO THE BUSINESS

- Fines and possible prosecution
- Reputational damage
- Inability to continue business due to legal and non-regulatory compliance
- Financial damage caused by poor governance
- Cyber incidents
- Data privacy breaches
- Poor facility conditions

RISK MITIGATION

- Visible ethical leadership
- Regular fraud and ethics feedback to management, the Board and relevant committees
- Independent ethics lines
- Group Risk Management and Compliance, and Internal Audit functions
- Annual review of policies governing ethics, competition law compliance, risk management, investor relations, data privacy and information security
- Data privacy awareness campaigns and e-learning
- Key financial controls
- Planned facility maintenance and upgrades
- Facility audits

2021 IN GROUP NUMBERS

Calls to ethics lines[1]

187 2020: 148

Board committees

6 2020: 5

Board members with ESG knowledge and experience

7 2020: 4

Investment in capital projects and new equipment[2]

£84m FY21: £72m

Investment in equipment replacement and property upgrades[2]

£95m FY21: £54m

Expenditure on repair and maintenance[2]

£67m FY21: £61m

Notes

[1] Twenty-four high-priority cases were reported during the year. These were subsequently investigated and closed.

[2] Capital expenditure is audited annually by PwC as part of the Annual Report. Consequently, amounts are disclosed on a financial-year basis.

PREVENTING BRIBERY AND CORRUPTION

Our Code of Business Conduct and Ethics guides honourable business conduct while a Group-wide monitoring programme reinforces regulatory compliance.

We have independent ethics lines for whistleblowers to report concerns confidentially or anonymously. Information on our ethics lines forms part of onboarding materials for all new recruits and suppliers. Over the years, the majority have been grievance-related calls. Only in exceptional cases has information exposed unethical, corrupt or fraudulent behaviour.

The Group's Anti-bribery Policy and Guidelines govern the offering of gifts, hospitality and entertainment; approval is given only if a proper business case exists without reputational risk. This policy prohibits the direct sponsorship of supplier and/or third-party events, ensuring all such sponsorships are administered and overseen by the relevant division.

See the **Audit and Risk Committee Report** on page 121 for more and page 71 for a summary of our approach to clinical ethical issues

Our **Code of Business Conduct and Ethics** is available at www.mediclinic.com

In 2021, we observed no incidents of material non-compliance with the Code of Business Conduct and Ethics, Anti-bribery Policy or any applicable legislation concerning corruption, bribery or antitrust, with no significant fines imposed. Additionally, Mediclinic was not subject to any significant fines or non-monetary sanctions for non-compliance with laws or regulations in the social or economic arena.

SUSTAINING EFFECTIVE AND TRANSPARENT GOVERNANCE

See the **2022 Sustainable Development Report** at annualreport.mediclinic.com for more on compliance with consumer protection laws and governance of advertising

The **Group Tax Strategy** is available on the 'Risk management' section of our website at www.mediclinic.com

PROTECTING INFORMATION ASSETS

We have an effective information and cybersecurity programme to protect our technology, information assets and users. Our operations span multiple geographies, necessitating an adequate international data network and Group approach to threat management.

DATA PRIVACY

We protect stakeholders' personal data through an extensive Group-wide data privacy project, which ensures compliance with all relevant data protection legislation in our countries of operation, including the European Union's General Data Protection Regulation ('GDPR').

OTHER JURISDICTIONS

All our registered entities in other jurisdictions comply with relevant data privacy legislation as well as the principles of GDPR.

> We have an effective information and cybersecurity programme to protect our technology, information assets and users.

MAINTAINING HIGH-QUALITY HEALTHCARE INFRASTRUCTURE

To ensure the best overall experience for both clients and employees, we continuously invest in capital projects, innovation and digital transformation, new equipment to expand and refurbish our facilities, replacement of existing equipment, and repair and maintenance of existing property and equipment.

Our facilities can be high-risk environments in which complex treatment processes are executed using sophisticated equipment and techniques. Independent accreditation ensures we adhere to international standards, thereby reducing the risk of injury or harm.

See the **2022 Sustainable Development Report** at annualreport.mediclinic.com for more on independent assurance

TCFD REPORT

Driven by our purpose to enhance the quality of life, at Mediclinic we have an unwavering motivation to prevent, treat, care and protect. We acknowledge that climate change poses a material risk to our operations, the environment and society, and that appropriate action is required to reduce this impact. Mediclinic is committed to stepping up to the climate change challenge and transparently reporting on progress.

The disclosures made in this report are consistent with the TCFD recommendations, bar the specific exclusions as indicated in the index alongside. Although we believe we have a sound risk management process and strategy to mitigate the effects of climate change on our business, we acknowledge that further work needs to be done to quantify the financial and operational impact of the three temperature scenarios identified in this report. In this, we are committed to evolving our processes and reporting.

See the **2022 Sustainable Development Report** at annualreport.mediclinic.com for supplementary information on our Group Sustainable Development Strategy and related practices

See our **CDP Report** on our website at www.mediclinic.com

TCFD CONTENT INDEX

ELEMENT	RECOMMENDATIONS	PAGE REFERENCE	COMPLIANCE OR ADDITIONAL COMMENTARY
Governance	a) Describe the board's oversight of climate-related risks and opportunities	48–49	✓
	b) Describe management's role in assessing and managing climate-related risks and opportunities	48–49	✓
Strategy	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	49–50, 53	See note 1 alongside
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	50	See note 1 alongside
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	51	✓
Risk management	a) Describe the organisation's processes for identifying and assessing climate-related risks	51–52	✓
	b) Describe the organisation's processes for managing climate-related risks	54	✓
	c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	51–54	✓
Metrics and targets	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	54	✓
	b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 Greenhouse Gas ('GHG') emissions, and the related risks	54–55	See note 2 alongside
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	54	See note 3 alongside

Notes

1 At the time of writing this report, our detailed impact analysis, including time frames and transition plans, and the associated financial modelling of each risk/opportunity item described in this report, still had to be finalised, and, as a result, will be available only during the next reporting period. The impact analysis will involve assessing the impact and likelihood (exposure) of each identified item. Based on this assessment, we will be able to determine the potential financial impact for each risk/opportunity item relative to the three scenarios and time horizons specified in this report. The analysis will be done per geography as the risk profiles for some risk items/opportunities differ significantly depending on the operating environment. The outcome of this analysis will enable us to classify a risk or opportunity as low, medium or high, based on the financial impact determined. The outcome of this detailed impact analysis will enable us to prioritise our most significant risks in order to build resilience and improve mitigating actions. We will also be able to prioritise opportunities to maximise potential positive impacts. This process, and the outcome thereof, will be included in future TCFD reports.

2 Measuring Scope 3 emissions is a challenge, as these refer to emissions that are beyond our direct control. In 2021, we worked on aligning the reporting of Scope 3 emissions between the different geographies. Scope 3 emissions that are material to us currently include purchased goods and services, electricity transmission and distribution losses (in Southern Africa and the Middle East), upstream transportation (in Southern Africa and the MIddle East), waste generated in operations, business travel, employee commuting and downstream leased assets (in Southern Africa). Capital goods and investments must still be evaluated. Our main focus for the next year will be to improve data quality and coverage.

3 Although internal targets have been set to manage climate-related risks and opportunities, these will be reported on only in the future.

GOVERNANCE

BOARD OVERSIGHT

As part of its function to promote Mediclinic's sustainable success, the Board has oversight of our sustainability and risk management efforts. Climate change is a principal risk of the Group.

See the **Risk management report** on page 91 for further details on our principal risks and how they are determined

The Audit and Risk Committee is responsible for reviewing principal risks and advising the Board on the likelihood, potential impact, management and mitigation thereof. The Audit and Risk Committee Chair reports all feedback, which includes progress on climate-related risks, to the Board at regular intervals.

In 2020, the Board approved the Group Sustainable Development Strategy, setting ESG goals. This ESG strategy encompasses the opportunities identified to improve environmental practices, as set out in the 'Strategy' section of this report.

> "The Board is committed to equipping itself with the understanding and skills necessary for appropriate decision-making on climate change-related aspects.

The Board reviews progress on the Group strategic goal to minimise our environmental impact. To support the achievement of the Mediclinic Group Strategy, the risk management process is fully integrated into the strategic planning process.

To ensure focused implementation of objectives related to our environmental sub-goals, the Board has approved the inclusion of carbon emission reduction as a performance target for the LTI scheme for FY23, in principle, subject to feedback from shareholders.

See the **Remuneration Committee Report** on page 143

The Chair of the Board has encouraged all Board members to join Chapter Zero, the UK Chapter of the Climate Governance Initiative. Developed in collaboration with the World Economic Forum, Chapter Zero equips non-executive directors to lead crucial boardroom discussions on the impacts of climate change.

The Board is committed to equipping itself with the understanding and skills necessary for appropriate decision-making on climate change-related aspects. During 2021, the Board approved the constitution of an ESG Committee to ensure efficient oversight of the Group's ESG strategy and related practices. Previously, this oversight function formed part of the responsibilities of the Clinical Performance and Sustainability Committee, which now solely focuses on the Group's clinical performance. The ESG Committee thoroughly assesses opportunities for improving our environmental practices and recommends to the Board, for approval, any material changes proposed by the Group Executive Committee.

The ESG Committee is led by the Chair of the Board, who reports all feedback to the Board at regular intervals. Any material concerns are brought to the Board for discussion, together with suitable recommendations for their resolution.

MANAGEMENT RESPONSIBILITY

The Group Chief Governance Officer is responsible for sustainable development activities, which includes addressing climate-related risks and opportunities, as described on page 49. Divisional environmental data is reported to the Group's Environmental Sustainability department.

The Group Executive Committee, supported by the Group General Manager: Risk Services, recommends Mediclinic's proposed principal risks to the Audit and Risk Committee and, ultimately, the Board for approval. Principal risks are risks that can materially affect Mediclinic's business model, performance, prospects, solvency, liquidity or reputation. These are determined through a strategic risk review process where top risks are identified and assessed by divisional executive committees and the Group Executive Committee, with input from non-executive directors. Political, economic, social, technological, environmental and legal developments that may impact the Group's operations and business model viability in the short, medium or long term are reviewed to identify emerging physical and transition risks such as new climate policy or technological shifts.

The Group's Enterprise-wide Risk Management ('ERM') Policy follows the International Committee of Sponsoring Organizations of the Treadway Commission's Internal Control – Integrated Framework and is reviewed annually.

See the **Risk management report** on page 91

The mitigation of climate change is the responsibility of the Group Manager: Environmental Sustainability, who is supported by divisional environmental leads. Material feedback is included in monthly reports to the Group Executive Committee.

With the ISO 14001:2015[1] EMS fully functional in our Southern Africa hospitals, implementation in Switzerland and the Middle East is in progress. The EMS assists management in determining climate change-related risks and opportunities per facility.

The Group Executive Committee assesses opportunities for improving our environmental practices and recommends related targets and roadmaps to the ESG Committee for approval.

Note

[1] ISO 14001:2015 specifies the requirements for an EMS that an organisation can use to enhance its environmental performance and manage its responsibilities in a systematic manner. All hospital managers are trained to utilise this system.

TCFD REPORT CONTINUED

FIGURE 1: MEDICLINIC'S CLIMATE CHANGE GOVERNANCE ORGANOGRAM

BOARD
Assesses the Company's emerging and principal risks and reviews effectiveness of risk management and internal control systems
Number of Board members with ESG skills and experience: 7

AUDIT AND RISK COMMITTEE
Oversees evaluation of risk management systems and advises Board on risk management and mitigation

ESG COMMITTEE
Biannually reviews Group ESG strategy and approves implementation plans as well as roadmaps to environmental targets

GROUP EXECUTIVE COMMITTEE
Identifies opportunities for improving environmental practices and recommends roadmaps for achieving targets; biannually reviews principal risks

GROUP CHIEF GOVERNANCE OFFICER
Coordinates sustainable development activities across the Group, with monthly progress reports to Group Executive Committee

GROUP MANAGER: ENVIRONMENTAL SUSTAINABILITY
Responsible for developing environmental targets and roadmaps, overseeing execution at divisional level, and monitoring and reporting on progress

GROUP GENERAL MANAGER: RISK SERVICES
Manages and reports on environmental risks

DIVISIONAL ENVIRONMENTAL LEADS
Oversee energy usage in each division and reduce consumption

STRATEGY

CLIMATE-RELATED RISKS AND OPPORTUNITIES

Business interruptions due to extreme events – such as floods, storms, droughts, fires and earthquakes – could have a significant impact on Mediclinic. The impacts of climate change, including sea-level rise, heat waves, storms, drought and wildfires, will influence global migration and the demand for our facilities in affected areas. The consequences will be felt directly and indirectly via resource availability and population movements from rural to urban areas or from vulnerable coastal communities, with consequences across our market and workforce.

Further identified climate-related risks include increased costs for water and electricity, the impact of carbon tax, the cost for compliance to climate change legislation, fines and penalties, and potential reputational damage.

See the **Risk management report** on page 97 for further details on identified short-, medium- and long-term risks

In order to minimise our contribution towards climate change and appropriately manage its potential impact on our business, we developed a Group ESG strategy, matured the Group Environmental Policy and Group Sustainable Development Policy, and introduced a Group Waste Management Policy. The Group ESG strategy includes the sub-goals of becoming carbon neutral and having zero waste to landfill by 2030. These sub-goals have been rolled up to the Mediclinic Group Strategy to reinforce their importance and ensure the necessary resources are allocated.

Our sub-goals to become carbon neutral and have zero waste to landfill by 2030 present six climate-related opportunities:

OPPORTUNITY ONE:

Investing in energy-efficient technology and procuring renewable energy at lower prices and with fewer harmful emissions. The implementation of the EMS at all hospitals across the Group will lead to improved operational efficiency of technical installations, the introduction of various new energy efficiencies – including renewable technologies – and positive change in employee behaviour.

OPPORTUNITY TWO:

Increasing the amount of waste that is recycled and recyclable. The shortage of landfill sites, their ever-increasing cost and the associated GHG emissions make this opportunity compelling. An increase in waste recycling mitigates related cost concerns and also helps reduce associated carbon emissions.

OPPORTUNITY THREE:

Reducing water usage and consumption. This is key to Mediclinic mitigating the risks related to water scarcity and reduced water quality. Being situated in a water-scarce part of the world, our Southern Africa operations have unlocked many opportunities to reduce and recycle water, ensuring minimal impact on communities and securing the water required to function. This is further enabled by the Corporate Sustainable Water Management Strategy, which was adopted in 2016 and is reviewed annually. Investigations to implement similar measures in Switzerland and the Middle East are ongoing. The opportunity benefit can be directly related to the potential revenue loss should water availability be restricted.

OPPORTUNITY FOUR:

Shift in consumer preference. The reputational benefits of being a sustainable brand and responsible corporate citizen could result in improved revenues and market share growth. By containing costs and managing our impact on the environment while providing high-quality care and facilities, we position ourselves as a respected and trusted provider of healthcare services.

OPPORTUNITY FIVE:

Eligibility for sustainability-linked loans with improved interest margins. During 2021, our Southern Africa division concluded the first syndicated sustainability-linked loan in Africa. Carbon emission reduction and diversion of waste from landfill count as two of the four loan metrics.

OPPORTUNITY SIX:

Burden of disease. Increased incidence of certain chronic, communicable and non-communicable diseases arising from climate change provides the opportunity to develop affordable targeted quality care models. PPPs that target these diseases could increase revenue and quality care models while delivering cost-effective quality care. The difference in temperature rise between the climate scenarios has stark consequences for human wellbeing. During the past decade, with an average temperature rise of 1.1°C above pre-industrial levels, the migration of regional occupational diseases, such as malaria, from Southern Africa's northern to central regions was evident at Mediclinic hospitals, necessitating the need for medical assistance.

IMPACT ON THE BUSINESS

The effect of climate change on the business is a valid concern. Our strategy, therefore, not only focuses on financial output, but also on managing and utilising social and environmental resources efficiently to ensure long-term sustainability.

From a climate change perspective, our strategy is informed by the divisional safety, health and environmental policies, the Group Environmental Policy, the Group Sustainable Development Policy and the Code of Business Conduct and Ethics. The aforementioned policies are reviewed annually by management, with recommendations to the ESG Committee. The Group Safety, Health and Environmental Policy guides the identification and management of risks and opportunities relating to water use and recycling, energy use and conservation, emissions and climate change, and waste management and recycling.

Responsible resource use offers Mediclinic a strategic advantage. We work continuously to reduce fuel and electricity consumption and associated carbon emissions. In this way, we contain operating costs and ensure ongoing access to water and energy supplies.

During FY22, £7m was budgeted for initiatives to minimise the Group's environmental impact. These funds were mostly utilised for energy-saving technologies, LED light replacements, PV installations at facilities for energy generation, and renewal of ICT components for better energy efficiency. Over the next three years, nearly £8m per annum has been budgeted to invest in environmental projects. These funds will be utilised to expand on the initiatives set out above.

It is the responsibility of each division to budget for the initiatives and programmes associated with this environmental goal. Once the divisional executive committees have approved budget requirements, the budgets are presented to the Group Executive Committee and Board for approval.

“

The ESG strategy is annually reviewed and updated by the Group Executive Committee to adapt to actual physical events and to confirm the possible pathways to various scenarios.

BUSINESS RESILIENCE

Mediclinic’s use of the EMS facilitates climate change risk assessments based on specific scenarios, followed by action plans in each facility’s environmental management programme (‘EMP’). The EMS has been in operation in our Southern Africa division since 2002.

Climate-related opportunities and risks are incorporated into the Group’s ESG strategy. Sub-goal 2: ‘Mitigate the impact of climate change’ has dedicated objectives to address transition and physical risks. The ESG strategy is annually reviewed and updated by the Group Executive Committee to adapt to actual physical events and to confirm the possible pathways to various scenarios.

The Group’s Environmental Risks and Opportunities Aspect Survey is updated annually, taking into consideration the previous year’s physical events, change in ambient temperature, climate-related legislation, carbon tax legislation, change in objectives and goals, and controlled and uncontrolled conditions.

The ESG strategy considers major environmental factors such as carbon emissions, energy, water, waste and biodiversity, and any impacts specific to a geography and/or facility.

See the **Risk management report** on page 97

As part of the revised ESG strategy, Mediclinic has undertaken climate scenario analysis, as described on page 52.

RISK MANAGEMENT

RISK IDENTIFICATION

At Mediclinic, the objective of risk management is to establish an integrated and effective risk management framework within which important risks, including climate-related ones, are identified, quantified, prioritised and managed for an optimal risk/reward profile.

The ERM Policy defines the risk management objectives, risk appetite and tolerance, methodology, process and responsibilities of the various risk management role players in the Group, and is subject to annual review. Regarding climate-related risks, the ERM takes into consideration the Group’s ESG strategy, Sustainable Development Policy and the Safety, Health and Environmental Policy, reviewed annually.

Our ERM Policy includes the following levels:

- Top-down: At Group level, key risks to the business are identified, understood, assessed and prioritised. This process includes climate-related and other environmental risks.
- Bottom-up: At asset or operational level, individual hospitals perform an environmental risk assessment and each division completes an online Environmental Risks and Opportunities Aspect Survey to determine its risk profile annually. Based on the survey scores achieved per hospital and per area, high-risk areas and individual risk items are identified. These areas/items have the potential to lead to a financial, operational or reputational impact and will be addressed through each hospital’s EMP with action plans for risk mitigation.

OUR RISK MANAGEMENT PROCESS

IDENTIFY RISKS
Pinpoint risks, including climate-related risks, using publications, data and available literature

ASSESS RISKS
Quantify risks based on impact and likelihood; thereafter, prioritise risks

MANAGE RISKS
Identify mitigating steps and actions for each risk item

REPORT RISKS
Disclosure will include the TCFD recommendations

TCFD REPORT CONTINUED

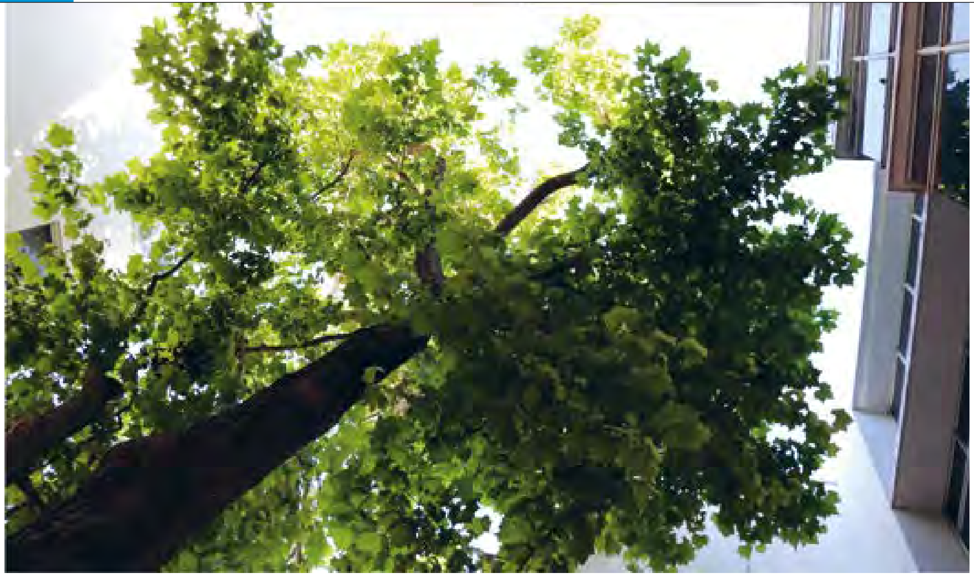
Fundamentally, the financial impacts of climate change on an organisation are determined by the specific climate-related risks and opportunities to which it is exposed and its strategic decisions on managing these risks – i.e. whether to mitigate, transfer, accept or control – and seizing these opportunities.

OUR APPROACH

Since we own the majority of the buildings in which we operate, it is crucial we understand climate-related risks and the modifications required to render facilities resilient. Therefore, we established an internal working task team representing key stakeholders and business functions across the Group. This enables us to understand how our strategy addresses climate-related risks and opportunities. Identified material risks will be assessed by evaluating their impact and likelihood, and these ratings will be adjusted for the three scenarios discussed alongside.

OUR CLIMATE SCENARIOS

We have identified three climate scenarios to gain an understanding of climate-related risks and opportunities, and to assess our business resilience to these risks. To determine the most plausible climate scenarios across our geographies, we used publicly available data and information as well as verified environmental data, in combination with the Intergovernmental Panel for Climate Change ('IPCC') 6th Assessment Report ('AR6') of August 2021, IPCC AR6 Regional Fact Sheet Africa, IPCC AR6 Regional Fact Sheet Europe and IPCC AR6 Regional Fact Sheet Asia. The South African Risk and Vulnerability Atlas (SARVA 3.0, 2020), a central repository for a wide range of climate and environmental data for South Africa, was also used.



The following scenarios have been identified:

SCENARIO 1:
1.5°C increase – Paris ambition

- World takes immediate action to reduce global emissions; coordinated action taken
- High level of transition risks for this scenario
- Physical risks for this scenario will be limited compared with scenario 3

SCENARIO 2:
2.0°C increase – Policy action but with delayed start

- World takes action to reduce global emissions, but more slowly than in scenario 1; coordinated action taken but with a delayed start
- High level of transition risks for this scenario
- Physical risks for this scenario will be limited compared with scenario 3

SCENARIO 3:
3.0°C increase – Business as usual

- No introduction of new policies beyond the policies already known and announced
- Limited transition risks for this scenario
- Physical risks are the highest under this scenario

These scenarios are aligned with the TCFD recommendations in the following ways:
- at least one provides for a 2°C or lower scenario that considers transition to a lower-carbon economy;
- they categorise the risks identified as transition or physical risks (see page 53); and
- they are modelled to the year 2050, aligning with the Paris Agreement and other governmental net-zero 2050 targets.

TIME HORIZONS

We selected the following intervals to represent a range of time horizons for our impact modelling:
Short term: 1–5 years
Medium term: 6–10 years
Long term: 11 years – 2050

The ongoing identification of potential risk items and the assessment thereof will be done annually; this will ensure emerging risks are included and risk profiles adjusted to align with the changing environment and new information and projections.

TCFD REPORT CONTINUED

The table below includes the most significant climate-related risks and opportunities identified as well as the requisite mitigating actions.

RISKS

Risk factors	Potential risk impact	Mitigating actions taken
TRANSITION RISKS: Risks relating to policy, legal, technological and market changes arising from the transition to a lower-carbon economy		
• Carbon tax • Climate-related legislation • Cost of investment in new technology	• Increase in cost due to carbon tax • The cost of fines and reputational damage • High cost of implementing new technology	✓ Implementation of ESG strategy sub-goal 1: 'Become carbon neutral by 2030' ✓ Implementation of ESG strategy sub-goal 2: 'Mitigate the impact of climate change on our business' ✓ Effective management of the EMS
PHYSICAL RISKS: Risks resulting from the physical impacts of climate change. These can be event driven (acute) or longer-term climate shifts (chronic)		
Acute Extreme weather events that include floods, storms, droughts, sandstorms, heat waves, etc.	Partial or complete closure or total loss of impacted facility/ies depending on frequency and intensity of events	✓ Insurance for property damage and/or business interruptions ✓ Effective management of the EMS Major Incident Framework – Emergency Preparedness
Chronic (Referring to sustained higher temperatures, sea-level rise, etc.): • Rising temperatures resulting in increased electricity consumption due to the need for additional cooling • Rising temperatures leading to water shortages and subsequently affecting water quality	• Increase in cost due to increased energy consumption for additional cooling • Increase in cost due to potential water scarcity or water quality being compromised	✓ Investing in energy-efficient technology ✓ Procuring renewable energy at lower prices ✓ Implementation of ESG strategy sub-goal 3: 'The effective use and reuse of our water resources'

OPPORTUNITIES

Opportunity factors	Potential opportunity impact
OPPORTUNITIES: Efforts to mitigate and adapt to climate change also produce opportunities for managing operating costs and increasing revenue	
• Investing in energy-efficient technology and procuring renewable energy at lower prices • Increasing the amount of waste that is recycled and recyclable, executing on the objectives associated with having zero waste to landfill by 2030 • Reducing water usage and consumption • Shift in consumer preference • Sustainability-linked loans • Increase and shifting of disease burden	• Saving on energy costs • Saving on associated waste costs • Saving on water costs • Improved revenues and market growth due to enhanced reputation • Improved borrowing costs • Increase in admissions and revenue due to greater disease burden

MANAGEMENT PROCESS

The annual Environmental Risks and Opportunities Aspect Survey identifies risk areas at hospital level and establishes a clear response strategy with action plans to mitigate identified risks and shortcomings in risk management.

The EMP includes appointing persons responsible for completing the actions and setting targets, objectives and due dates. The EMP is reviewed at least quarterly by each facility's top management to ensure its continuing suitability, adequacy and effectiveness. Progress is documented in the EMP.

Second-party EMS gap audits are conducted by the Corporate Office to ensure compliance and assess the environmental performance of action plans set out in the EMP. Divisional CEOs receive an update on environmental performance during the three-monthly Environmental Management Review.

RISK INTEGRATION

Results from the Environmental Risks and Opportunities Aspect Survey are used to assess environmental risks within the Group risk register. High risks will be reported on and addressed at Group level.

The risk or aspect identification informs environmental objectives aimed at making meaningful improvements to our environmental performance. Environmental risks are elevated to the ESG and the Audit and Risk committees for due consideration and guidance. The ESG Committee meets twice a year and the Audit and Risk Committee on a quarterly basis.

METRICS AND TARGETS

We continuously review priorities to maintain momentum in our journey to becoming carbon neutral and having zero waste to landfill by 2030. These assist us in monitoring our progress against climate change-related risks and opportunities.

With the assistance of external consultants, the divisions measure their carbon footprint using the GHG Protocol with boundaries established under the operational control approach. These measures include, in varying degrees:

- **Scope 1 emissions:** direct emissions from Mediclinic-owned or -controlled equipment (stationary fuels); air-conditioning and refrigeration gas refills; anaesthetic and other gas consumption; emergency response vehicles; and fleet and pool vehicles (mobile fuels).
- **Scope 2 emissions:** indirect emissions from purchased electricity.
- **Scope 3 emissions:** indirect emissions in the supply chain; business travel activities; employee commuting; upstream and downstream third-party distribution; office paper consumption; electricity transmission; and distribution losses and waste.
- **Non-Kyoto Protocol GHG emissions,** such as from Freon, which is used in air-conditioning and refrigerant equipment. Emission data was converted into a carbon dioxide equivalent ('CO_2e') using recognised calculation methods and emission factors, and stating assumptions made where relevant.

We calculate energy consumption by using the Department for Environment, Food and Rural Affairs' 2021 fuel conversions and GRI standards methodology.

The applicable metrics are reported below:

- Carbon emissions (tonnes CO_2e)
- Direct and indirect energy consumption (calculations are done in kilowatt hour and then converted to gigajoules [GJ])
- Waste diverted from landfill (tonnes)
- Water usage (kilolitres)

In 2020, we increased our reporting boundary to cover the Group's operations in Switzerland, Southern Africa and the Middle East. This comprises Hirslanden, Mediclinic Southern Africa, Mediclinic Middle East, Medical Innovations and Mediclinic Group Services. In previous CDP submissions, only Mediclinic Southern Africa was reported. We do not have operations in the UK with significant emissions or energy consumption, and only report per calendar year on the data of the geographical regions in which we operate.

> To reduce our carbon emissions, the respective roadmaps to carbon neutrality focus on drastically reducing the use of electricity associated with high CO_2 emissions.

Our internal targets, inclusive of 2020 as the baseline year and 2021 as the target year, have been set in Southern Africa and the Middle East for activities to reduce carbon emissions, with a particular focus on electricity and GHG-emitting activities with high global warming potential. In Switzerland, hydroelectricity is utilised, which has minimal harmful emissions. With the Swiss operations being close to carbon neutral, their internal environmental targets are based on the improvement of operational efficiencies and efficiency targets set by the Energy Agency of the Swiss Private Sector. CO_2- and kWh-reduced certificates will be awarded upon achievement.

RELATED RISKS LINKED TO THE TARGETS SET:

Transition and physical risks

Scope 2 emissions are the biggest contributor to our carbon footprint, particularly in Southern Africa and the Middle East. To reduce our carbon emissions, the respective roadmaps to carbon neutrality focus on drastically reducing the use of electricity associated with high CO_2 emissions.

This will be achieved through:

- procurement of renewable and clean energy where available;
- PV installation at facilities where feasible;
- energy-efficient technologies such as LED light replacements, chiller replacements, upgrade of the SCADA building monitoring system, replacement of district heating with geothermal probes for CO_2 reduction, window replacement for improved insulation, and replacement of emergency diesel and heating for better emission values; and
- changes in human behaviour to reduce energy use.

BECOMING CARBON NEUTRAL BY 2030

TABLE 1: CARBON EMISSIONS (TONNES CO_2e)

	GROUP		SWITZERLAND[1]		SOUTHERN AFRICA		THE MIDDLE EAST	
	2021	2020	2021	2020	2021	2020	2021	2020
Scope 1 emissions	34 656	30 736	6 670	4 780	22 215[2]	22 083	5 771[3]	3 869
Scope 2 emissions	177 313	195 312	646	595	154 982[4]	151 054	21 686	43 379
Total Scope 1 & 2	211 969[5]	226 048	7 316	5 374	177 197	173 136	27 456	47 248
Scope 3 emissions	65 068	54 278	5 915	143	47 115[6]	39 576	12 038	14 559
Non-Kyoto Protocol emissions	3 122	5 815	0	0	2 292	3 180	830	2 635
Total Scope 1 & 2 CO_2e/full-time equivalent	6.25	n/a	0.94	0.72	9.32	10.96	3.86	6.97

Notes
1 Increase in Scope 1 and 2 emissions due to operational requirements; Scope 3 increase due to the inclusion of the portion of waste that is incinerated (not included in previous reporting).
2 Increase due to diesel consumption on account of load shedding, anaesthetic gases used in theatre and use of mobile fuel.
3 Increase due to use of air-conditioning and refrigeration gases, diesel consumption as a result of generators used in tents for COVID-19 PCR testing and expansion project at Airport Road Hospital, Abu Dhabi, where diesel boilers were installed.
4 Scope 2 emissions (purchased electricity) increased as a result of an increase in the emission factor (conversion of kWh to CO_2e), even though total electricity consumption decreased year on year.
5 Decrease in total Scope 1 and 2 emissions due to the purchase of nuclear power with zero emissions for hospitals in Abu Dhabi. (Nuclear power accounts for 50% of the total electricity consumption in the Middle East.)
6 Increase due to resumption of business travel and upstream transportation.

In the Middle East, sources of clean energy are limited. In 2021, 38 554MWh of clean energy was purchased for all facilities in Abu Dhabi.

TABLE 2: DIRECT AND INDIRECT ENERGY CONSUMPTION (GJ)

	GROUP		SWITZERLAND		SOUTHERN AFRICA		THE MIDDLE EAST	
	2021	2020	2021	2020	2021	2020	2021	2020
Direct energy purchased	266 344	224 524	117 147[1]	86 932	117 940[2]	103 132	31 257	34 398
Direct energy produced	4 620	3 021	3 063	1 584	1 557	1 437	0	0
Indirect energy consumed	1 013 123	960 478	176 665[3]	172 290	542 950	548 249	293 507[4]	237 258
Total energy consumption	1 284 086	1 188 023	296 876	260 807	662 447	652 818	324 764	271 656
Energy consumption/full-time equivalent	37.84	36.02	38.00	35.09	34.84	35.05	45.70	40.08

Notes
1 Increase due to higher fuel-oil use and inclusion of purchased diesel and mobile fuel not included in prior year's reporting.
2 Increase due to higher diesel consumption on account of load shedding, as well as use of mobile fuel and aviation fuel.
3 Increase in district heating and electricity consumption.
4 Increase in district cooling and electricity consumption influenced by expansion of Airport Road Hospital, Abu Dhabi, and operational requirements.

HAVING ZERO WASTE TO LANDFILL BY 2030

We implemented several initiatives to reduce waste, in particular healthcare general waste, including:

- standardised waste management tenders where applicable;
- increased recycling;
- implementation of circular economies with key suppliers;
- behavioural change aimed at refusing waste and recycling; and
- use of new waste technologies where feasible.

TABLE 3: WASTE MANAGEMENT

		Total waste generated	HCRW	Total waste to landfill	Total waste diverted from landfill	Waste diverted from landfill as a percentage of total waste (%)
GROUP	2021	17 843	5 246	7 034	5 563	31.1
	2020	14 276	4 766	6 882	2 629	13.4
SWITZERLAND	2021	4 043[2]	375	0[4]	3 668[2]	90.7
	2020	1 371	352	0	1 019	43.4
SOUTHERN AFRICA	2021	8 363	3 741	3 034	1 588	19.0
	2020	7 892	3 438	3 094	1 360	13.6
THE MIDDLE EAST[1]	2021	5 437[3]	1 130	4 000	307	5.7
	2020	5 006	976	3 781	249	5.0

Notes

[1] Although business returned to normal in 2021, hospitals were still coping with the COVID-19 pandemic and the associated increase in HCRW generated and disposal of personal protective equipment. This resulted in an even larger increase in waste generated than the prior year.

[2] Includes a total of 2 690 tonnes of healthcare general waste that is incinerated, which was not previously reported on.

[3] In the Middle East, food waste is not processed or reused, HCRW is disposed of after treatment and hazardous chemical waste is shipped to Germany for incineration.

[4] No waste to landfill as all waste is incinerated.

USING WATER SUSTAINABLY

Healthcare is a water-intensive industry, with the main uses being cooling equipment, plumbing fixtures, medical process rinses, laundry and landscaping.

To reduce water use, we are:

- implementing water-saving technologies in facilities;
- changing human behaviour; and
- setting annual targets for decreased consumption.

TABLE 4: WATER USAGE FROM UTILITIES

		Water usage (kL)	kL/full-time equivalent
GROUP	2021	1 684 707	49.65
	2020	1 647 749	50.18
SWITZERLAND	2021	344 500	44.09
	2020	366 648	49.33
SOUTHERN AFRICA	2021	1 086 815	57.16
	2020	1 029 058	55.25
THE MIDDLE EAST[1]	2021	253 391	35.66
	2020	252 042	37.19

Note

[1] Water usage increased compared with 2020 but was still lower than pre-pandemic usage. The increase was mainly due to returning to business as usual and increased hand-washing and laundry during COVID-19 waves.

We will continue to develop our roadmaps, consider new technologies and evolve targets to ensure we reach our 2030 sub-goals of becoming carbon neutral and having zero waste to landfill.

NON-FINANCIAL INFORMATION STATEMENT

The table below sets out where stakeholders can find information in the Strategic Report that relates to non-financial matters detailed under Section 414CB of the Act.

See the **2022 Sustainable Development Report** at annualreport.mediclinic.com and policy documents at www.mediclinic.com for further details

NON-FINANCIAL MATTER	RELEVANT POLICIES AND STATEMENTS	READ MORE IN THIS REPORT	PAGE REFERENCE
Anti-corruption and anti-bribery	• Anti-bribery Policy[1] • ERM Policy • Fraud Risk Management Policy[1] • Group Privacy and Data Protection Policy • Regulatory Compliance Policy • Code of Business Conduct and Ethics	• Sustainable development overview (Material issue 3: Being an ethical and responsible corporate citizen)	45
Business model	n/a	• Business model • Strategy overview	25 16
Employees	• Board Diversity Policy • Code of Business Conduct and Ethics • Employee relations policies • Group Diversity and Inclusion Strategy • Health and safety policies and procedures	• Chair's Review • Group Chief Executive Officer's Report • Business model • Sustainable development overview (Material issue 2: Building stakeholder trust)	6 10 25 40–44
Environmental matters	• Group Sustainable Development Policy • Group Environmental Policy • Group Waste Management Policy	• Strategy overview • Sustainable development overview (Material issue 1: Minimising environmental impact) • TCFD report	16 37–39 47–56
Non-financial KPIs	n/a	• Key performance indicators • Sustainable development overview • Clinical services overview	23 34 58
Principal risks	ERM Policy	Risk management report	91
Respect for human rights	• Code of Business Conduct and Ethics • Group Diversity and Inclusion Strategy • Modern Slavery and Human Trafficking Statement	Sustainable development overview (Material issue 2: Building stakeholder trust)	40–44
Social matters	• Code of Business Conduct and Ethics • Group Supply Chain Risk Management Policy • Group purpose • Values	• Chair's Review • Strategy overview • Business model • Sustainable development overview	6 16 25 34

Note

[1] These policies include anti-corruption matters.

CLINICAL SERVICES OVERVIEW

This Clinical services overview is a condensed version of the Group's **2022 Clinical Services Report**, available at annualreport.mediclinic.com. It covers the most important clinical characteristics across the Group with specific reference to our initiatives and clinical outcomes for the 2021 calendar year, unless stated otherwise.

CONTENT		2022 CLINICAL SERVICES REPORT	CLINICAL SERVICES OVERVIEW
Milestones		•	•
Interview with Dr René Toua		•	abbreviated
How we create value		•	abbreviated
Our healthcare landscape		•	abbreviated
Better ways to connect	Our clients	•	n/a
	Patient experience	•	abbreviated
	Health awareness	•	n/a
Better ways to care	Clinical performance[1]	•	abbreviated
Better care settings		•	n/a
Partnerships		•	n/a
Independent assurance		•	n/a
Clinical ethics summary		•	abbreviated

Note

[1] Clinical performance covered in the standalone **2022 Clinical Services Report** includes international benchmarking, never events, adverse events, hand hygiene, healthcare-associated infections, device-associated infections, surgical site infections, antimicrobial stewardship, mortality, readmission, re-operation and extended stay.

KEEPING CLIENTS AT HEART

Dr René Toua, Group Chief Clinical Officer, reflects on the past year.

Q. WHAT MILESTONES DID MEDICLINIC ACHIEVE IN INTEGRATING CARE IN 2021?

Providing integrated care requires more than just a clinical model. We need the right technology platform. In 2021, we made significant strides with the latter and it is in various stages of implementation across all our geographies.

Q. WHAT IS MEDICLINIC DOING TO BETTER UNDERSTAND CLIENTS?

Our focus is on understanding our clients and capturing their unfiltered voices. To do this, we are embedding client advisory groups and have also increased the number of patient-reported outcomes that are measured. In the past, client feedback focused on inpatient settings – it is now expanded to cover all care settings: physical and virtual.

Data also plays a crucial role as it allows us to create a 360° view of our clients, enabling us to understand their needs better.

See the **2022 Clinical Services Report** at annualreport.mediclinic.com for the full interview

"Our focus is on understanding our clients and capturing their unfiltered voices."

Dr René Toua
Group Chief Clinical Officer

CLINICAL SERVICES OVERVIEW CONTINUED

MILESTONES


Intercare Milnerton Medical and Dental Centre

January

From the beginning of 2021, patients could take comfort that the Diabetes Clinical Care Programme at Welcare Hospital had been accredited by Joint Commission International ('JCI') – a first for Dubai. The programme brings together a multidisciplinary team comprising endocrinologists, nutritionists and diabetes educators. With 16.3% of the UAE's adult population suffering from diabetes, quality holistic care is ever more important.

February

In collaboration with the canton of Thurgau, we opened Switzerland's first vaccination centre on a boat. Up to 170 people a day could be assisted on the MS *Thurgau*, moored on Lake Constance.

Prof. Stephen Roche, a surgeon at our Constantiaberg hospital in South Africa, collaborated on an international mixed-reality ('MR') surgery trial. Using HoloLens 2, Microsoft's MR headset, he participated in three holographic surgeries: one performed in Cape Town and two in Europe. Operated with hand gestures and voice commands, the headset lets surgeons view and manipulate 3D images while consulting with colleagues elsewhere.

We opened the first of four renal clinics in Southern Africa in Bloemfontein. Realised through a merger with BGM Renal Care, this further integrates our comprehensive healthcare offering to clients.

March

Through TOGETHER WE TEST, we began providing COVID-19 repetitive testing to Swiss companies and schools as well as health and public organisations. The canton of Schwyz became the first to adopt our online platform, which facilitates logistics, laboratory analysis and reporting of results. By the end of the year, 12 cantons and over 9 000 organisations had made use of the service, with more than 4.5 million tests having been performed.

We broke ground on a multiyear development at Klinik St. Anna in Lucerne. The first stage of the extension will house the Institute for Radiology and Nuclear Medicine, enabling the hospital to expand its services.

In Southern Africa, as part of our strategy to offer services across the healthcare spectrum, we expanded our Milnerton hospital to include Intercare Milnerton Medical and Dental Centre. The co-location of the primary care facility expedites care coordination and complements the acute hospital's offering.

The Bloemfontein day case clinic became our 13th facility in Southern Africa for same-day surgery. The clinic has three fully equipped theatres and its focus on planned surgery facilitates scheduling, offering clients convenience while simultaneously making treatment more efficient and cost-effective. Three months later, Winelands day case clinic followed.

CLINICAL SERVICES OVERVIEW CONTINUED

Messe Zürich

April

Together with the canton of Zurich, we opened the canton's biggest vaccination centre at Messe Zürich – the city's convention centre. By administering vaccines at five-minute intervals, our centre delivered up to 4 000 vaccinations a day.

May

The Malaffi Connected Trophy was awarded to our Middle East division for work done on implementing EHRs.

Following an agreement with the Dubai Health Authority ('DHA'), we began operating the DHA's Al Barsha Dialysis Centre. Running the 60-bed centre – which also offers preventive renal services – aligns with our drive to set the gold standard in kidney care in the UAE. JCI-accredited City Hospital in Dubai is home to a pioneering transplant programme.

Al Barsha Dialysis Centre

August

We opened our flagship cancer treatment facility in Southern Africa at our Constantiaberg hospital. The ZAR45-million oncology unit, operated in partnership with Icon Oncology, offers patients access to a range of specialists and treatments in a single venue. The investment in technology enables us to provide full-service chemotherapy and state-of-the-art radiation therapy. This coordinated approach reduces wastage and brings clients the best quality and most effective care at the most affordable price.

October

The UAE's first robotic kidney surgery was performed at City Hospital in Dubai. Using the da Vinci Surgical System, a joint team from Mediclinic and the Mohammed Bin Rashid University of Medicine and Health Sciences removed a kidney from a living donor.

In a first for the UAE, the stroke programme at our City Hospital was recognised by the American Heart Association for its advanced imaging capabilities, availability of specialised treatments and qualified employees. Following inspection in September, the hospital was awarded Comprehensive Stroke Centre accreditation on 29 October – World Stroke Day.

November

With the 100% acquisition of Bourn Hall Fertility Centre in Dubai, we further expanded our offering across the continuum of care. The provision of IVF neatly complements our maternity and neonatal intensive care services, and newly launched precision medicine. The opening of a second fertility centre in Abu Dhabi in 2022 will capitalise on this.

December

The tumour centre of Klinik St. Anna in Lucerne successfully met the stringent criteria of the German Cancer Society in a two-day audit by independent experts. The certification guarantees high-quality oncological care based on an interdisciplinary approach and the latest scientific findings.

INTERNATIONAL RECOGNITION FOR QUALITY

Seven of our hospitals ranked in the top 30 for Switzerland according to *Newsweek*'s list of the World's Best Hospitals for 2022. That equates to nearly a quarter of the top hospitals in the country, even though we represent only around 5% of Swiss hospital beds. The same list ranked three of our Middle East hospitals in the top 28 in the UAE. The Newsweek ranking is a reflection of the 2021 calendar year and draws on surveys of medical experts, patient experience feedback and KPIs such as hygiene measures. In both countries, we had the number-one-ranked private hospital.

THE VALUE EQUATION

VALUE = CLIENT EXPERIENCE + CLINICAL OUTCOMES / COST

CLIENT EXPERIENCE

Partnering with clients to create true client centricity

SUPPORTS STRATEGIC GOALS

1 2 3 4 5 6

SUPPORTS ESG GOAL

Be the partner of choice that stakeholders trust

OUR AMBITIONS FOR 2022

- Launch training initiative on key principles of great client experiences
- Expand patient-reported outcome measures
- Establish patient advisory groups
- Measure client experience in integrated care solutions and virtual care

IN 2021

- Expanded Press Ganey® survey to all care settings
- Implemented NPS® as an additional client loyalty measure

See the client experience case study in the **Strategy overview** on page 18

- Embedded standardised complaint taxonomy

CLINICAL OUTCOMES

Aiming for zero preventable harm to clients

SUPPORTS STRATEGIC GOALS

2 3 4

SUPPORTS ESG GOAL

Be the partner of choice that stakeholders trust

OUR AMBITIONS FOR 2022

- Reduce the number of never events and adverse obstetric outcomes
- Standardise obstetric and surgical care
- Implement an enhanced intensive care and emergency centre strategy in Southern Africa

IN 2021

- Group clinical management system:
  - implemented safety event reporting module at all divisions
  - implemented patient feedback module pilot
- Progress with establishment of KPIs

COST

Reducing the cost of us (clinical)

SUPPORTS STRATEGIC GOALS

1 2 3 4 5

SUPPORTS ESG GOAL

Be the partner of choice that stakeholders trust

OUR AMBITIONS FOR 2022

- Quantify and reduce variation in clinical care outcomes
- Quantify and reduce cost of care complications
- Expand fast-track orthopaedics in Switzerland
- Pilot home care in Southern Africa

IN 2021

- Expanded alternative care settings and treatment modalities, e.g. telemedicine and home care
- Expanded disciplines covered by indication boards to include oncology, complex visceral and cardiac surgery, and bariatric surgery

LINK TO STRATEGIC GOALS

1 Become an integrated healthcare provider across the continuum of care

2 Improve our value proposition significantly

3 Transform our services and client engagement through innovation and digitalisation

4 Evolve as a data-driven organisation

5 Minimise our environmental impact

6 Grow in existing markets and expand into new markets

SWITZERLAND

FACILITIES

17 hospitals

Including:

7 secondary care community hospitals

7 tertiary care city hospitals

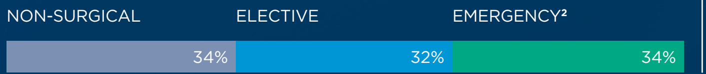
4 day case clinics

SPECIALTY SPLIT[1]

- Cardiology 12%
- General medicine 2%
- General surgery 29%
- Internal medicine 16%
- Laboratory 1%
- Obstetrics and gynaecology 7%
- Oncology 1%
- Orthopaedics 19%
- Paediatrics 1%
- Radiology 12%

Care settings[1]

- Inpatient 80%
- Day cases 4%
- Outpatient 16%



HEALTHCARE SERVICES

- DIAGNOSTICS
- ROUTINE ELECTIVE PROCEDURES
- SPECIALISED TREATMENTS
- EMERGENCY CARE
- ADVANCED TECHNOLOGY
- PRECISION MEDICINE
- CLIENT APP
- RESEARCH AND TRAINING
- COVID-19 VACCINATION CENTRES
- COVID-19 ONLINE REPETITIVE TESTING

Notes

1 Based on revenue.

2 Reflecting inpatient and day case admissions only. In Switzerland, major trauma, neonatal intensive care and advanced critical care handled by cantonal and university teaching facilities.

WORLD-CLASS CARE

- 6 certified breast cancer centres
- CCC at Klinik Hirslanden
- Prostate cancer centre at Klinik Hirslanden
- Tumour centre at Klinik St. Anna
- Certified stroke centre at Klinik Hirslanden
- 4 cardiac centres
- CAR-T therapy at Klinik Hirslanden
- 9 hospitals offer robotic surgery
- CyberKnife at Klinik Hirslanden

QUALITY ASSURANCE

- ISO 9001:2015 certification for all participating facilities
- ISO 13485 certification for reprocessing of medical devices – 5 facilities
- German Cancer Society certification – 2 cancer centres
- Joint Accreditation Committee ISCT-Europe and EBMT ('JACIE') accreditation – Klinik Hirslanden
- Swiss Cancer League certification – 6 breast cancer centres
- Swiss Cancer League and Swiss Society for Senology certification – Bern Biel Cancer Centre
- Swiss Federation of Clinical Neuro-Societies certification (2020–2023) – Klinik Hirslanden Stroke Centre

CLINICAL SERVICES OVERVIEW CONTINUED

SWITZERLAND

Hospitals

Canton of Aargau
1 Hirslanden Klinik Aarau[1]

Canton of Appenzell Ausserrhoden
2 Klinik Am Rosenberg

Canton of Basel-Land
3 Klinik Birshof

Canton of Bern
4 Klinik Beau-Site
5 Klinik Linde[1]
6 Klinik Permanence
7 Salem-Spital[1]

Canton of Geneva
8 Clinique des Grangettes[1]
9 Clinique La Colline

Canton of Lucerne
10 Klinik St. Anna[1]
11 St. Anna in Meggen

Canton of St. Gallen
12 Klinik Stephanshorn[1]

Canton of Vaud
13 Clinique Bois-Cerf
14 Clinique Cecil[1]

Canton of Zug
15 AndreasKlinik Cham Zug[1]

Canton of Zurich
16 Klinik Hirslanden[1]
17 Klinik Im Park[1]

Day case clinics

Canton of Lucerne
1 St. Anna im Bahnhof

Canton of Zurich
2 Operationszentrum Bellaria
3 OPERA Zumikon

Canton of St. Gallen
4 OPERA St. Gallen

Note
[1] Hospital with obstetrics department.

CLINICAL SERVICES OVERVIEW CONTINUED

SOUTHERN AFRICA

FACILITIES[1]

50 hospitals

5 subacute hospitals

2 mental health facilities

14 day case clinics

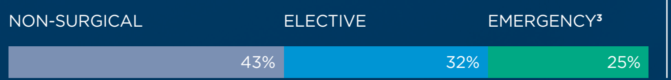
42 emergency transport bases and 19 industrial site bases in South Africa

SPECIALTY SPLIT[2]

- Cardiology 7%
- General medicine 7%
- General surgery 20%
- Internal medicine 32%
- Nursing and allied health professionals 1%
- Obstetrics and gynaecology 9%
- Oncology 1%
- Orthopaedics 15%
- Paediatrics 8%

Care settings[2]

- Inpatient 90%
- Day cases 7%
- Outpatient 3%



HEALTHCARE SERVICES

- ROUTINE ELECTIVE PROCEDURES
- SPECIALISED TREATMENTS
- EMERGENCY CARE
- TRANSPLANT MEDICINE
- ADVANCED TECHNOLOGY
- CLIENT APP
- RESEARCH AND TRAINING

WORLD-CLASS CARE

- Solid Organ Transplant Centre at Wits Donald Gordon Medical Centre in partnership with Wits University
- Haematology and Bone Marrow Transplant Centre at our Constantiaberg hospital
- 45 emergency centres
- Arthroplasty network
- 9 cardiac centres
- 2 electrophysiology centres
- Robotic surgery at our Durbanville hospital
- 36 neonatal ICUs for high-risk infants, 34 of which form part of VON[4]

QUALITY ASSURANCE

37 hospitals participate in COHSASA[5] accreditation programme[6]

Notes

1 Includes Intercare facilities.
2 Based on revenue.
3 Reflecting inpatient and day case admissions only.
4 The two ICUs not on VON have only one bed each.
5 Council for Health Service Accreditation of Southern Africa ('COHSASA').
6 The accreditation programme was paused during COVID-19 with COHSASA granting an extended grace period for reaccreditation. Reaccreditation has now restarted. Accreditation is limited to the largest hospitals caring for the more complex cases. These hospitals undergo regular reaccreditation surveys on a rotational basis, the findings of which are shared with the hospitals and the Southern Africa Corporate Office. Learning points emerging from findings inform focus areas for improvement initiatives, which also benefit smaller non-participating hospitals. In addition, the smaller facilities adhere to all the required regulatory requirements and industry standards.

CLINICAL SERVICES OVERVIEW CONTINUED

SOUTHERN AFRICA

Hospitals

Free State

1. Mediclinic Bloemfontein
2. Mediclinic Hoogland
3. Mediclinic Welkom

Gauteng

4. Intercare Medfem Hospital
5. Mediclinic Emfuleni
6. Mediclinic Heart Hospital
7. Mediclinic Kloof
8. Mediclinic Legae
9. Mediclinic Medforum
10. Mediclinic Midstream
11. Mediclinic Morningside
12. Mediclinic Muelmed
13. Mediclinic Sandton
14. Mediclinic Vereeniging
15. Wits Donald Gordon Medical Centre[1]

KwaZulu-Natal

16. Mediclinic Newcastle
17. Mediclinic Pietermaritzburg
18. Mediclinic Victoria

Limpopo

19. Mediclinic Lephalale
20. Mediclinic Limpopo
21. Mediclinic Thabazimbi
22. Mediclinic Tzaneen

Mpumalanga

23. Mediclinic Ermelo
24. Mediclinic Highveld
25. Mediclinic Nelspruit

Namibia

26. Mediclinic Otjiwarongo
27. Mediclinic Swakopmund
28. Mediclinic Windhoek

Northern Cape

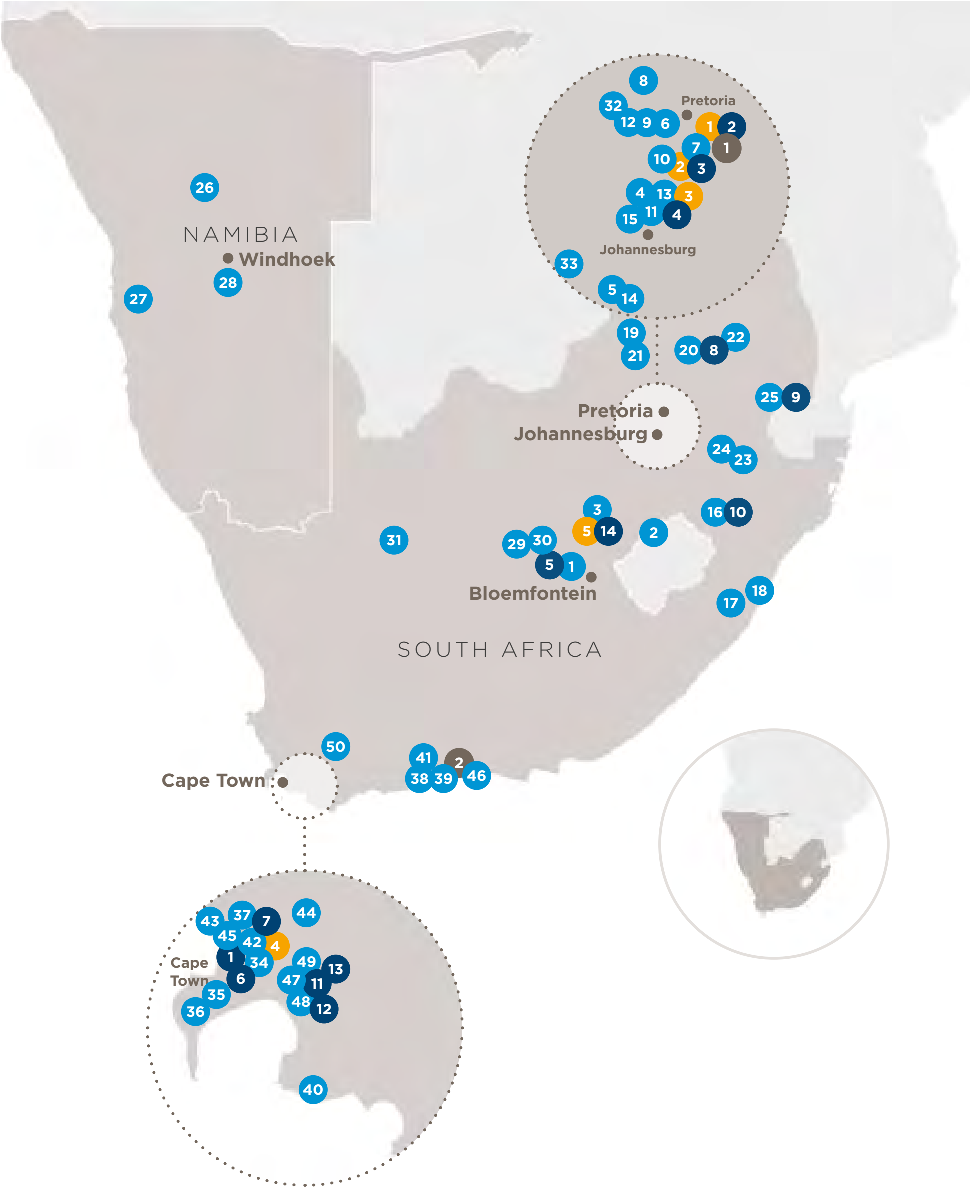
29. Mediclinic Gariep
30. Mediclinic Kimberley
31. Mediclinic Upington

North West

32. Mediclinic Brits
33. Mediclinic Potchefstroom

Western Cape

34. Mediclinic Cape Gate
35. Mediclinic Cape Town
36. Mediclinic Constantiaberg
37. Mediclinic Durbanville
38. Mediclinic Geneva
39. Mediclinic George
40. Mediclinic Hermanus
41. Mediclinic Klein Karoo
42. Mediclinic Louis Leipoldt
43. Mediclinic Milnerton
44. Mediclinic Paarl
45. Mediclinic Panorama
46. Mediclinic Plettenberg Bay
47. Mediclinic Stellenbosch
48. Mediclinic Vergelegen
49. Mediclinic Winelands Orthopaedic Hospital
50. Mediclinic Worcester



Note

[1] Associated company being equity accounted (Mediclinic Southern Africa holds 49.9%).

Subacute hospitals

1. Intercare Hazeldean Subacute and Rehabilitation Hospital
2. Intercare Irene Subacute and Rehabilitation Hospital
3. Intercare Sandton Subacute and Rehabilitation Hospital
4. Intercare Tyger Valley Subacute Hospital
5. Welkom Medical Centre Subacute Hospital

Mental health facilities

1. Denmar Specialist Psychiatric Hospital
2. Mediclinic Neuro Clinic

Day case clinics

1. Intercare Century City Day Hospital
2. Intercare Hazeldean Day Hospital
3. Intercare Irene Day Hospital
4. Intercare Sandton Day Hospital
5. Mediclinic Bloemfontein Day Clinic
6. Mediclinic Cape Gate Day Clinic
7. Mediclinic Durbanville Day Clinic
8. Mediclinic Limpopo Day Clinic
9. Mediclinic Nelspruit Day Clinic
10. Mediclinic Newcastle Day Clinic
11. Mediclinic Stellenbosch Day Clinic
12. Mediclinic Vergelegen Day Clinic
13. Mediclinic Winelands Day Clinic
14. Welkom Medical Centre Day Clinic

CLINICAL SERVICES OVERVIEW CONTINUED

THE MIDDLE EAST

FACILITIES

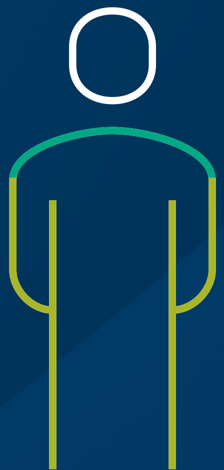
7 hospitals

2 day case clinics

22 outpatient clinics

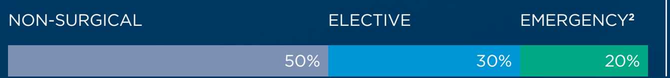
SPECIALTY SPLIT[1]

- Cardiology 5%
- General medicine 12%
- General surgery 7%
- Internal medicine 28%
- Laboratory 13%
- Nursing and allied health professions 3%
- Obstetrics and gynaecology 7%
- Oncology 6%
- Orthopaedics 5%
- Paediatrics 7%
- Radiology 7%



Care settings[1]

- Inpatient 25%
- Day cases 12%
- Outpatient 63%



HEALTHCARE SERVICES

- OUTPATIENT CARE
- REMOTE CARE
- TELEMEDICINE
- CLIENT APP
- DIAGNOSTICS
- PRECISION MEDICINE
- ROUTINE ELECTIVE PROCEDURES
- SPECIALISED TREATMENTS
- EMERGENCY CARE
- ADVANCED TECHNOLOGY
- RESEARCH AND TRAINING

Notes

[1] Based on revenue.
[2] Reflecting inpatient and day case admissions only.
[3] Al Jowhara Hospital does not have a catheterisation laboratory and does not offer interventional cardiology.
[4] College of American Pathologists ('CAP').
[5] European Association for the Study of Obesity ('EASO').

WORLD-CLASS CARE

- CCC in the North Wing adjacent to City Hospital
- 7 cardiology units[3]
- 2 cardiac centres
- Robotic surgery at City Hospital
- Stroke centre at City Hospital
- 7 neonatal ICUs for high-risk infants, all of which form part of VON

QUALITY ASSURANCE

- CAP[4] accreditation – City Hospital laboratory
- EASO[5]'s Collaborating Centres for Obesity Management accreditation – specialised unit at 3 hospitals
- ISO 15189:2009 certification for 9 laboratories
- JCI accreditation for all facilities, except Springs, dialysis centres and fertility centres
- JCI Clinical Care Programme certification – diabetes clinical programme at Welcare Hospital, acute coronary syndrome programme at City Hospital and Airport Road Hospital, and breast cancer programme at City Hospital
- Surgical Review Corporation CoE accreditation – specialised bariatric unit at Airport Road Hospital

CLINICAL SERVICES OVERVIEW CONTINUED

THE MIDDLE EAST

Hospitals

1. Mediclinic Airport Road Hospital
2. Mediclinic Al Ain Hospital
3. Mediclinic Al Jowhara Hospital
4. Mediclinic Al Noor Hospital
5. Mediclinic City Hospital
6. Mediclinic Parkview Hospital
7. Mediclinic Welcare Hospital

Day case clinics

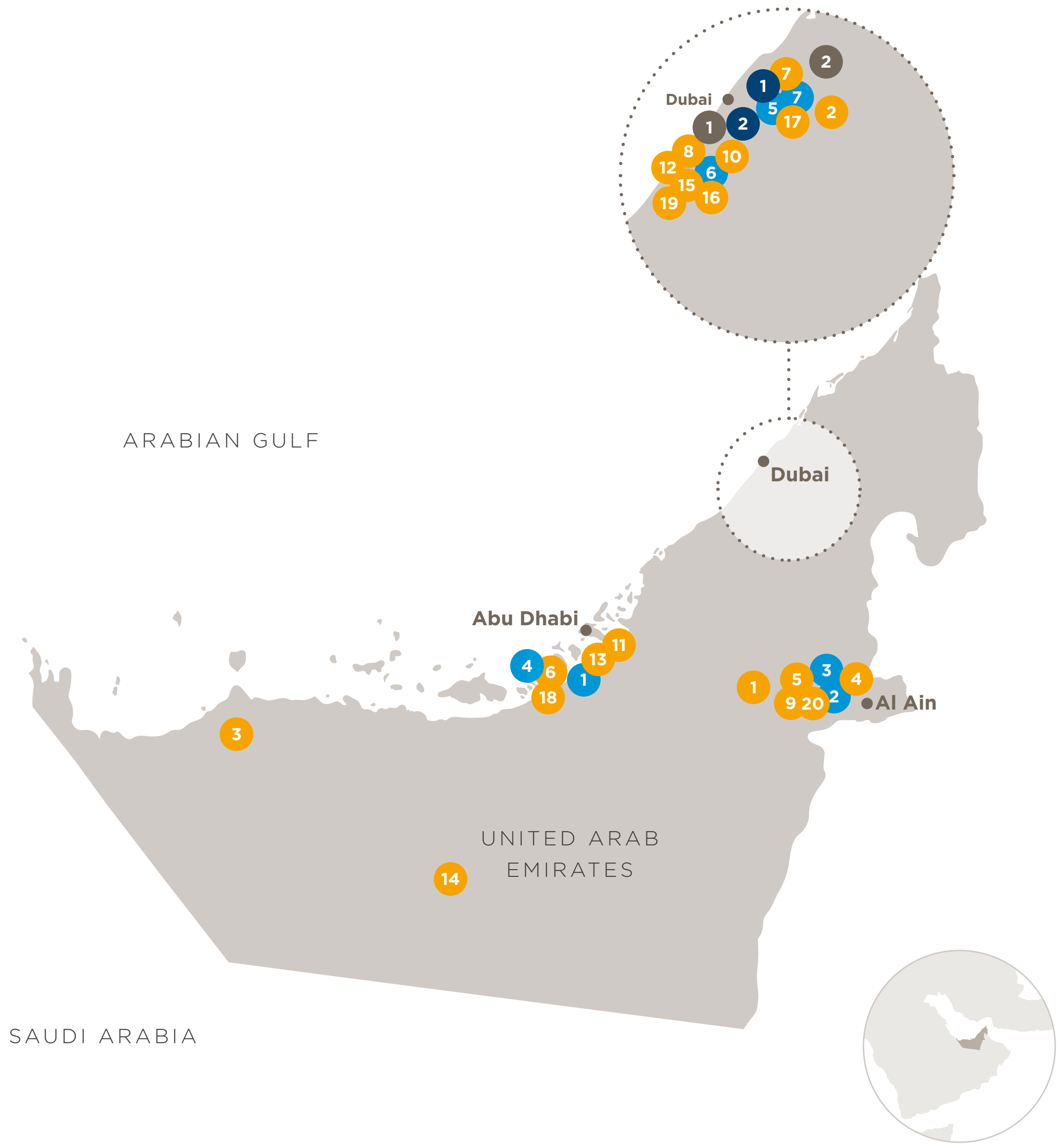
1. Mediclinic Deira
2. Mediclinic Dubai Mall

Public-private partnerships

1. Al Barsha Dialysis Centre
2. Al Tawar Dialysis Centre

Outpatient clinics

1. Bourn Hall Al Ain
2. Bourn Hall Dubai
3. ENEC
4. Mediclinic Al Bawadi
5. Mediclinic Al Madar
6. Mediclinic Al Mamora
7. Mediclinic Al Qusais
8. Mediclinic Al Sufouh
9. Mediclinic Al Yahar
10. Mediclinic Arabian Ranches
11. Mediclinic Baniyas
12. Mediclinic Ibn Battuta
13. Mediclinic Khalifa City
14. Mediclinic Madinat Zayed
15. Mediclinic Meadows
16. Mediclinic Me'aisem
17. Mediclinic Mirdif
18. Mediclinic Mussafah
19. Mediclinic Springs
20. Mediclinic Zakher



BETTER WAYS TO CONNECT

The wellbeing of clients and building long-term relationships with them form the cornerstone of the business and the Group's ability to pursue its purpose.

PATIENT EXPERIENCE

Client experience refers to a wide spectrum of interactions our clients have with us. Patient experience is a subsection of client experience and relates to the experience of a patient in most settings across the continuum of care.

2021 IN GROUP NUMBERS

NPS® INPATIENT[1] 56 | NPS® EMERGENCY CENTRE[1] 35

	PRESS GANEY® INPATIENT SURVEY	PRESS GANEY® EMERGENCY CENTRE SURVEY[2]	PRESS GANEY® AMBULATORY SURGERY SURVEY[2]
Overall mean score (out of 100)	85 2020: 84	79 2020: 80	91 2020: 91

Notes
[1] New metric introduced in 2021. As such, no prior-year comparable data available.
[2] The 2020 results are for a nine-month period; surveying started on 1 April 2020.

NPS®

In 2021, we introduced NPS®, a client experience metric that measures loyalty, and will expand this to all client interactions across the continuum of care.

See the client experience case study in the **Strategy overview** on page 18

Press Ganey®

We benchmark and publicly report on patient experience at a divisional level through Press Ganey®, an internationally recognised leading provider of patient experience measurement for healthcare organisations. Patients are surveyed after discharge, and this valuable feedback helps us better understand patients' needs and adapt care services accordingly.

What do we survey?

- Admissions process
- Personal issues (i.e. privacy, safety, hygiene, respect)
- Condition of room
- Meals
- Nurses
- Visitor experience
- Physicians
- Discharge process
- Tests and treatments
- Overall experience

BETTER WAYS TO CARE

To ensure the best possible outcomes for patients, we use a simple, yet powerful clinical performance framework built on a sound clinical governance foundation.

See the **Clinical Performance Committee Report** on page 132 for more on clinical governance

CLINICAL PERFORMANCE

CLINICAL INDICATORS

We measure more than 150 clinical indicators monthly in line with a standardised set of definitions and classifications. Many of these outcome indicators are self-reported while others are derived from administrative data. These indicators are monitored for trends and used to identify opportunities for improvement. The hospitals closely monitor their results and compare themselves with other hospitals in the same division. A subset of these indicators is compared against international benchmarks.

STATISTICAL SIGNIFICANCE

Statistical significance is determined to identify areas of improvement that create knowledge leveraging and sharing opportunities to the benefit of all divisions. By also identifying areas of concern, it allows us to determine key focus areas for future initiatives.

Where variation in the current year's data is found to be statistically significant compared with prior reporting periods, the applicable data in the graph is marked with an orange dot and an explanation is provided, if available. In these instances it is unlikely that the changes in the numbers are due to chance.

See the **2022 Clinical Services Report** at annualreport.mediclinic.com for more on statistical significance and how it is calculated

PATIENT SAFETY

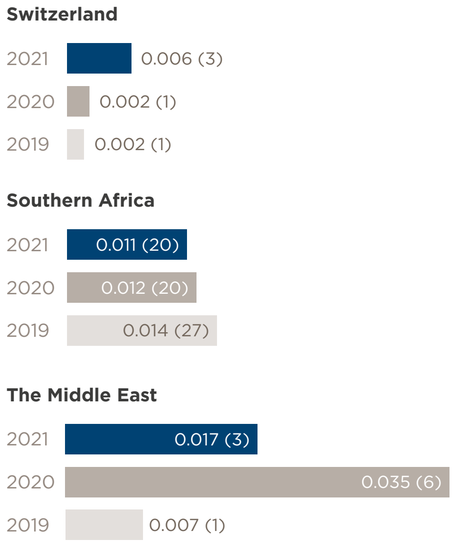
Achieving patient safety requires a collective commitment to building a patient safety culture. This means each employee focuses on reporting and learning from patient safety events. An open culture where teams are comfortable discussing patient safety events and concerns is fostered through the inclusive completion of systems analysis of serious reportable events in hospitals. Fundamental to this is the 'just culture' (Frankl framework), wherein employees involved in adverse events are treated fairly. The result is an informed culture: teams learn from patient safety events to mitigate future incidents. Moreover, they also learn from one another when things go right by sharing best practices.

NEVER EVENTS

We adhere to the World Health Organization surgical safety checklist to ensure standard practices are followed, increase teamwork and communication during surgery, decrease the risk of errors and prevent adverse events.

The implementation of the surgical safety checklist remains a key focus area. We report on only a subset of surgical and procedural never events at present, focusing on the correct identification of patients, procedures and sites, and the prevention of retained foreign objects.

FIGURE 1: NEVER EVENTS[1]



Note

[1] The never event rate is reported to the third decimal to negate the obscuring effect of rounding.

CLINICAL SERVICES OVERVIEW CONTINUED

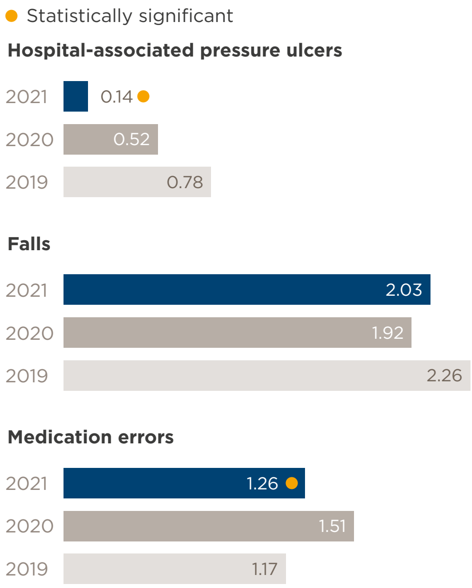
ADVERSE EVENTS

An important aspect of improving quality and safety in patient care is preventing adverse events that could harm patients, including hospital-associated pressure ulcers, falls and medication errors.

SWITZERLAND

FIGURE 2: ADVERSE EVENTS

Rate per 1 000 patient days



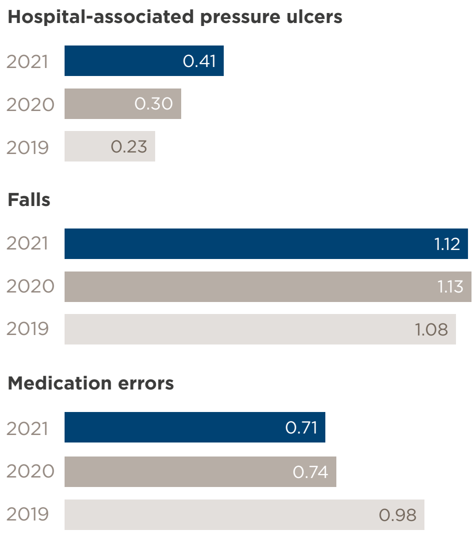
The 73.86% decrease in the hospital-associated pressure ulcer rate from 0.52 in 2020 to 0.14 in 2021 is statistically significant. The change in patient demographics due to COVID-19 and improvement projects contributed to the reduction in the rate.

The division commenced reporting on medication errors in 2018. The 16.56% decrease in the medication error rate from 1.51 in 2020 to 1.26 in 2021 is statistically significant and was influenced by improved reporting through the electronic safety reporting system and a focus on improving medication safety.

SOUTHERN AFRICA

FIGURE 3: ADVERSE EVENTS

Rate per 1 000 patient days

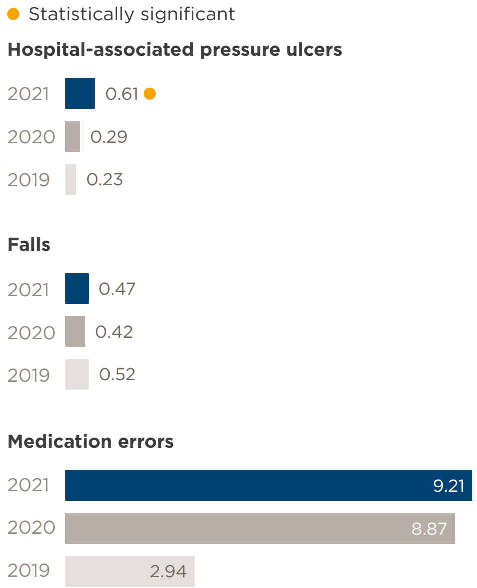


Additional mechanisms involving pharmacists for reporting near-miss medication events related to prescription and dispensing have been implemented. This reporting is supplementary to the safety event management system, quantitative, and dependent on time availability of pharmacists. The data collection to date has been used to guide hospitals to identify specific areas for quality improvement and prevention of medication errors, and to provide a measurement tool to track progress.

THE MIDDLE EAST

FIGURE 4: ADVERSE EVENTS

Rate per 1 000 patient days



The increase in the hospital-associated pressure ulcer rate by 110.34% from 0.29 in 2020 to 0.61 in 2021 is statistically significant and was mainly due to COVID-19. All patients are risk-assessed for pressure injuries, and appropriate preventive measures are implemented.

CLINICAL ETHICS SUMMARY

ISSUE	MEDICLINIC'S RESPONSE
Advanced care planning, end-of-life and terminal care	Clinical governance structures to report, audit and address in line with local regulations and legislation
Assisted reproductive technology and IVF	• Centres governed by local regulatory and legal framework • Compliance monitored by licensing authorities
Competence and scope of practice	Clinical governance structures to monitor and address concerns
Doctor cover, availability and response	• On-call rosters at emergency centres • Reporting system for non-compliant independent doctors, human resources process for employed doctors
Doctor qualifications and performance, and illegal practice	• Formal process verifies registration, qualifications and credentials • Feedback from peers solicited • Established prevention policies and investigations of, among others, deteriorating clinical quality indicators and complaints
Drug trials and medical research	• Aligned with the Declaration of Helsinki and local legislation • Approval by independent, accredited ethics committee and recorded on a registry • No unofficial drug testing allowed • Clinical research approval committee and policies
Employee and patient protection	• Occupational health specialists at each hospital • Healthcare employees screened for pulmonary tuberculosis, and screened and vaccinated against Hepatitis B if necessary • HIV/Aids diagnosis and support offered to affected employees in accordance with local regulations • In case of Methicillin-resistant *Staphylococcus aureus*, healthcare employees screened and decolonised if necessary • Annual flu vaccine, other vaccines when indicated • In Switzerland, radiation exposure monitored centrally

ISSUE	MEDICLINIC'S RESPONSE
Ethical behaviour and billing, and falsification of diagnosis and documentation	• Regular documentation and clinical coding audits at hospital level • Human resources policies for misconduct and criminal behaviour • Ethics lines for reporting
Euthanasia	Neither practised nor condoned
Forced female circumcision	Informed consent required for any medical or surgical intervention
Genetics	• Testing and counselling according to local regulations and legislation • Data privacy principles and rules apply to results
Inappropriate care	Managed by indication boards in Switzerland, cost per event in Southern Africa and the Middle East
Organ trade	Organ donation and receipt process carefully documented and in line with applicable legislation
Pharmacy	Policies, procedures and audits to comply with legislation, ethical and operational requirements
Remuneration, kickbacks	Perverse incentives prohibited
Reporting and disclosure of safety events	• Formal safety event reporting system at hospital level • Recorded events discussed at clinical hospital committees
Technology (including robotics)	• Equipment must be CE-certified and approved by the local regulator and/or certified by the Food and Drug Administration of the United States of America • Used for approved indication as dictated by guidelines • Clinical safety proven before new technology implemented
Termination of pregnancy	• Strict control measures to ensure legal compliance • Freedom of choice for employees regarding participation

GROUP CHIEF FINANCIAL OFFICER'S REPORT

Q&A

WHAT ARE THE GROUP'S KEY PRIORITIES FOR CAPITAL ALLOCATION AS YOU LOOK AHEAD?

For us, capital allocation is about generating operating cash flows and then allocating these in a way that drives value and improved returns. We not only focus on maintaining and growing current facilities, but also pursue opportunities in businesses across the continuum of care, in innovation and digitalisation, and through bolt-on investments.

Jurgens Myburgh
Group Chief Financial Officer

Scan the QR code or visit annualreport.mediclinic.com to view the video interview

DRIVING VALUE THROUGH STRATEGY EXECUTION

Stellenbosch, South Africa

GROUP FINANCIAL SUMMARY

	FY22 £'m	FY21 £'m	Variance FY22 vs FY21[1]	FY20[2] £'m	Variance FY22 vs FY20[1]
Reported results					
Revenue	**3 233**	2 995	8%	3 083	5%
Operating profit	**280**	209	34%	(184)	253%
Earnings[3]	**151**	68	122%	(320)	147%
EPS (pence)	**20.5**	9.2	122%	(43.4)	147%
Total dividend per share (pence)	**3.00**	–	100%	3.20	(6)%
Adjusted results[4]					
Adjusted EBITDA	**522**	426	22%	541	(3)%
Adjusted operating profit	**311**	221	41%	327	(5)%
Adjusted earnings	**167**	101	65%	177	(6)%
Adjusted EPS (pence)	**22.6**	13.7	65%	24.0	(6)%
Net incurred debt[5]	**1 269**	1 483	(14)%	1 622	(22)%
Cash conversion[6]	**127%**	77%		109%	

Page 80 in the 'Financial review' section sets out the Group's use of adjusted non-IFRS financial measures. Other non-IFRS measures, which include constant currency, cash conversion, ROIC, net incurred debt and leverage ratio, are further discussed, with reconciliations from the most comparable IFRS measure provided, on pages 81–88.

Notes

1 The percentage variances are calculated in unrounded sterling values and not in millions.

2 2020 Full-year Results Announcement was published on 2 June 2020.

3 Reported earnings refers to profit for the year attributable to equity holders.

4 The Group uses adjusted income statement reporting as non-IFRS measures in evaluating performance and to provide consistent and comparable reporting.

See the policy and 'Reconciliations' section on pages 80–86

5 Net incurred debt reflects bank borrowings and excludes IFRS 16 lease liabilities.

6 See calculation on page 85

GROUP RESULTS

- Group revenue increased by 8% compared with FY21 (up 10% in constant currency), driven by growth in client activity; revenue up 5% on pre-pandemic levels (up 9% in constant currency)
- Group adjusted EBITDA increased by 22% compared with FY21 (up 24% in constant currency), driven by revenue growth, and adjusted EBITDA margin improved to 16.1% (FY21: 14.2%); adjusted EBITDA up 1% in constant currency compared with pre-pandemic FY20
- Adjusted operating profit of £311m; up 41% on FY21 and down 5% on pre-pandemic FY20; in constant currency terms up 41% and flat compared with FY21 and FY20, respectively
- Operating profit up 34% to £280m (FY21: £209m)
- Adjusted earnings and adjusted EPS increased by 65% compared with prior year; local currency adjusted earnings ahead of pre-pandemic levels in all three divisions
- Reported earnings up 122% to £151m (FY21: £68m) and reported EPS up 122% to 20.5 pence (FY21: 9.2 pence)
- Operating performance and cash conversion of 127% (FY21: 77%) delivered increase in cash and cash equivalents to £534m (FY21: £294m)
- Recovery in profitability and reduction in net incurred debt reduced leverage ratio (including lease liabilities) to 3.9x (FY21: 5.1x)
- Proposed final dividend of 3.00 pence per share in line with dividend policy payout ratio

ADJUSTED RESULTS

The Group delivered a strong financial performance compared with FY21, driven by increased client activity. Compared with pre-pandemic levels, the volumes in Switzerland and the Middle East increased, while Southern Africa gradually recovered after a more severe impact from the pandemic. The improvement in FY22 was despite the disruption of further COVID-19 waves – with the Omicron wave proving particularly challenging from a staffing and patient scheduling perspective due to its high transmissibility and regulated self-isolation.

Group revenue was up 8% at £3 233m (FY21: £2 995m) and up 10% in constant currency terms. Compared with pre-pandemic FY20, Group revenue was up 5% (FY20: £3 083m) and up 9% in constant currency terms. Revenue increased in all three divisions compared with both the prior year and the pre-pandemic FY20 year.

Adjusted EBITDA was up 22% at £522m (FY21: £426m) and up 24% in constant currency terms. Across the Group, incremental COVID-19-related expenses totalled around £27m (FY21: £32m), reflecting the ongoing treatment of COVID-19 inpatients during various pandemic waves. The Group's adjusted EBITDA margin increased materially to 16.1% (FY21: 14.2%), driven by the revenue performance.

Compared with the pre-pandemic FY20 period, adjusted EBITDA was down 3% (up 1% in constant currency terms). The adjusted EBITDA margin is approaching pre-pandemic levels (FY20: 17.5%) while still reflecting increases in employee costs and in consumable and supply costs driven by COVID-19-related expenses and input costs associated with higher acuity revenue, the impact of which is expected to reduce over time.

Adjusted depreciation and amortisation were up 1% to £209m (FY21: £207m) and down 3% compared with the pre-pandemic period (FY20: £217m), reflecting prudent delays in capital expenditure and translation differences more than offsetting the IFRS 16 impact of the commissioning of Airport Road Hospital in Abu Dhabi.

Adjusted operating profit was up 41% at £311m (FY21: £221m; FY20: £327m), resulting in an improved ROIC of 4.0% compared with 3.0% in FY21. In constant currency terms, adjusted operating profit was up 41% and flat compared with FY21 and FY20, respectively.

Adjusted net finance cost was down 8% at £67m (FY21: £72m; FY20: £78m), mainly due to the effect of lower net borrowings more than offsetting the IFRS 16 impact of the Airport Road Hospital commissioning.

GROUP CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

The adjusted tax charge was £45m (FY21: £27m; FY20: £56m) and the adjusted effective tax rate for the period was 19.5% (FY21: 19.3%; FY20: 22.3%).

Adjusted non-controlling interests were up 72% to £19m (FY21: £11m; FY20: £18m), reflecting higher contributions from Southern Africa hospitals with outside shareholdings. Adjusted net loss from equity-accounted investments increased from £10m in FY21 to £13m in FY22, reflecting the net loss reported by Spire for the 12 months ended 31 December 2021.

Both adjusted earnings and adjusted EPS were up 65% at £167m (FY21: £101m), and 22.6 pence (FY21: 13.7 pence; FY20: 24.0 pence), respectively. All three divisions' earnings in local currency were ahead of pre-pandemic levels with only translation differences resulting in Group adjusted earnings being down 6% compared with pre-pandemic levels (FY20: £177m).

The Group delivered cash conversion of 127% (FY21: 77%), with all three divisions above the Group target of 90–100%, through catch-up of the slower recovery in the prior year.

Ongoing investment across the Group to enhance the existing facilities and deliver future growth resulted in capital expenditure of £178m. As planned, this was up on the prior year (FY21: £126m), a period when capital expenditure was reduced in light of the initial uncertainty posed by the pandemic. FY22 spend was lower than planned due to the timing of projects with FY23 expected to reflect a catch-up, forecast to total around £251m in constant currency terms.

Given the recovery in profitability and cash conversion, the Group's leverage ratio (including lease liabilities) significantly reduced during the year to 3.9x (FY21: 5.1x). While the Swiss and Middle East divisions continued to pay down debt by around £91m, translation differences at year end resulted in reported incurred bank debt remaining broadly flat at £1 803m (FY21: £1 777m). Strong cash generation supported a reduction in net incurred debt by £214m to £1 269m (FY21: £1 483m).

At the end of FY20, the Board took the prudent and appropriate decision to suspend the dividend, as part of the Group's response to maintaining its liquidity position through the pandemic and maximising its support in combatting COVID-19. The Board believes the Group is in a stronger financial position and the outlook, though subject to macroeconomic factors, is more certain than at any time in the past two years. Therefore, the Board is proposing to reinstate the dividend in line with the dividend policy targeting a payout ratio of 25–35% of adjusted earnings, and has proposed a final dividend per share of 3.00 pence (FY21: nil), representing 25% of 2H22 adjusted EPS.

In arriving at FY22 adjusted operating profit, reported operating profit was adjusted for the following items:

- past service cost of £9m relating to Swiss pension benefit plan changes and £2m relating to Middle East end-of-service benefit obligation;
- insurance proceeds of £7m received for the damage of buildings and equipment at Klinik Hirslanden, Zurich;
- accelerated depreciation of £19m relating to the dismantling of two hospital wings as part of an expansion project at Klinik St. Anna, Lucerne;
- impairment charges of £7m relating to damaged buildings and equipment at Klinik Hirslanden; and
- fair value adjustment of £1m on the deemed disposal of the equity-accounted investment, Bourn Hall.

Prior period FY21 operating profit was adjusted for the following items:

- accelerated depreciation of £10m relating to the dismantling of two hospital wings as part of an expansion project at Klinik St. Anna;
- impairment charges of £4m relating to Southern Africa; and
- insurance proceeds of £2m received for the loss of equipment in Southern Africa.

Operating profit in FY20 was adjusted for the following items:

- recognition of an impairment charge of £481m to Middle East goodwill;
- recognition of an impairment charge of £33m to fixed assets in Switzerland;
- impairment reversal of £4m relating to properties in Switzerland;
- impairment charges of £2m relating to Southern Africa; and
- fair value adjustments on derivative contracts of £1m.

"Reported revenue was up 8% to £3 233m (FY21: £2 995m), driven by the recovery in client activity and reduced restrictions on elective and non-urgent care.

GROUP CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

FY22 reported earnings were further adjusted for the following items:

- Mediclinic's share of the equity-accounted gain on sale and leaseback from Spire of £7m;
- Mediclinic's share of the equity-accounted tax credit in respect of Spire's sale and leaseback of £5m;
- increase in the redemption liability related to Clinique des Grangettes, Geneva, due to remeasurement of £1m; and
- related tax impact on adjusting items of £4m.

FY21 reported earnings were further adjusted for the following items:

- Mediclinic's share of the equity-accounted impairment loss from Spire of £60m;
- reversal of previously recorded impairment losses against the carrying value of the equity investment in Spire of £60m;
- increase in the redemption liability related to Clinique des Grangettes due to remeasurement of £23m; and
- related tax impact on adjusting items of £2m.

FY20 reported earnings were further adjusted for the following items:

- increase in the redemption liability related to Clinique des Grangettes due to remeasurement of £5m;
- recognition of an impairment charge on the equity investment in Spire of £10m;
- the reduction of Swiss property deferred tax liabilities of £29m resulting from corporate tax reforms in Switzerland; and
- related tax impact on adjusting items of £3m.

REPORTED RESULTS

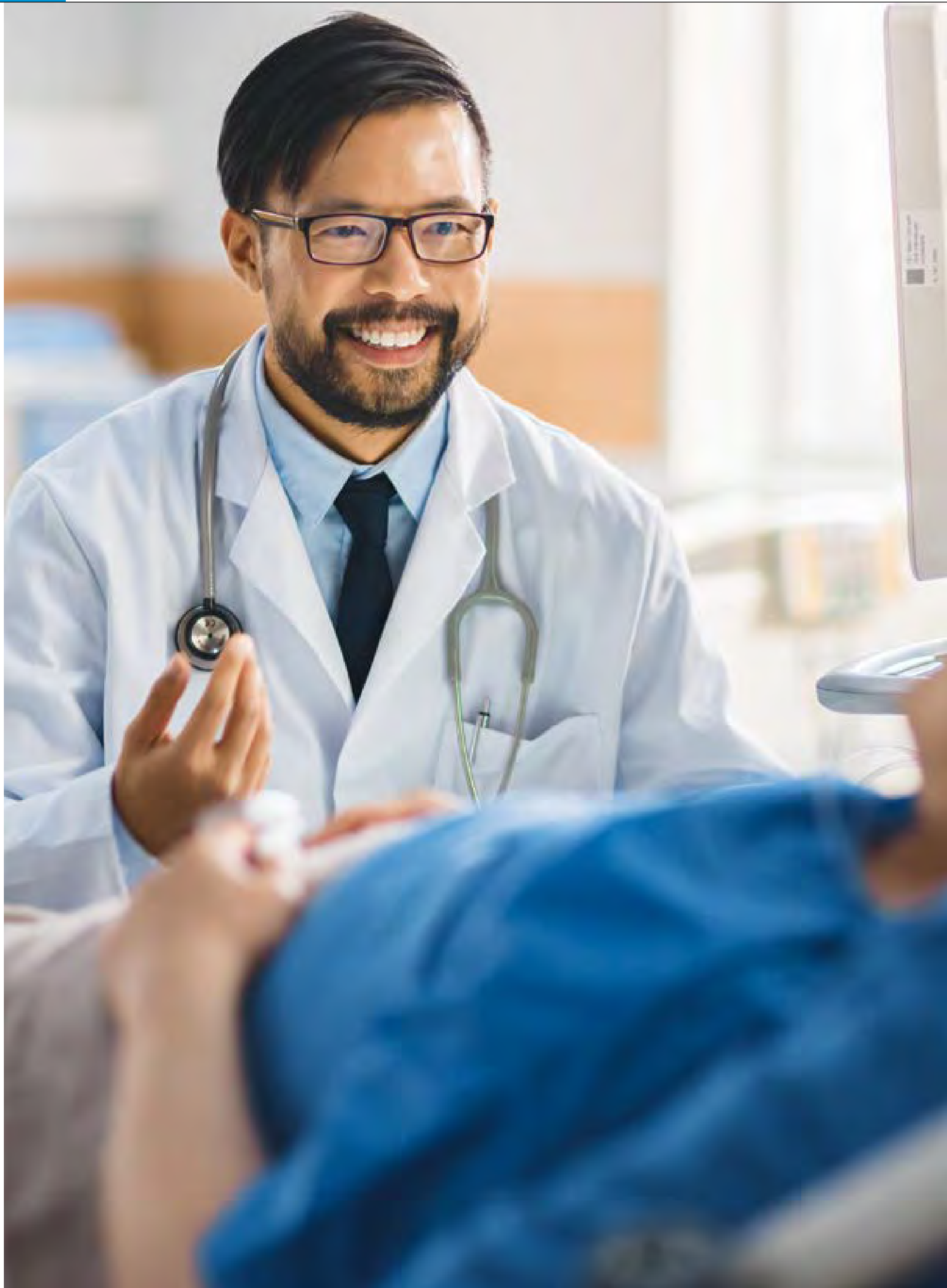
Reported revenue was up 8% to £3 233m (FY21: £2 995m), driven by the recovery in client activity and reduced restrictions on elective and non-urgent care.

Depreciation and amortisation increased by 5% to £228m (FY21: £217m) and includes accelerated depreciation of £19m (FY21: £10m) relating to the expansion project at Klinik St. Anna. Operating profit was up by 34% to £280m (FY21: £209m).

Net finance cost decreased by 29% to £68m (FY21: £95m) with the prior year reflecting the remeasurement of the redemption liability related to Clinique des Grangettes of £23m.

The Group's effective tax rate for the period was 19.5% (FY21: 24.4%). The higher effective tax rate in the prior year was due to the remeasurement of the redemption liability, which is not deductible for tax purposes and had a tax effect of £4m.

Earnings and EPS were both up 122% at £151m (FY21: £68m) and at 20.5 pence (FY21: 9.2 pence), respectively.



DIVISIONAL RESULTS

	Group currency (millions)			Variance	Variance	Divisional currency (millions)[1]			Variance	Variance
	FY22	FY21	FY20	FY22 vs FY21	FY22 vs FY20	FY22	FY21	FY20	FY22 vs FY21	FY22 vs FY20
Revenue	**£3 233**	£2 995	£3 083	8%	5%					
Switzerland	**£1 503**	£1 478	£1 438	2%	5%	**1 885**	1 784	1 804	6%	4%
Southern Africa	**£909**	£734	£907	24%	0%	**18 416**	15 573	17 031	18%	8%
Middle East	**£820**	£781	£737	5%	11%	**4 111**	3 760	3 445	9%	19%
Corporate	**£1**	£2	£1	(50)%	–	**n/a**	n/a	n/a		
Adjusted EBITDA	**£522**	£426	£541	22%	(3)%					
Switzerland	**£236**	£225	£245	5%	(4)%	**297**	272	306	9%	(3)%
Southern Africa	**£170**	£106	£188	60%	(10)%	**3 430**	2 209	3 536	55%	(3)%
Middle East	**£123**	£102	£110	21%	12%	**614**	492	521	25%	18%
Corporate	**£(7)**	£(7)	£(2)	–	250%	**n/a**	n/a	n/a		
Adjusted EBITDA margin[2]										
Group	**16.1%**	14.2%	17.5%							
Switzerland[3]	**15.6%**	15.1%	17.0%							
Southern Africa	**18.6%**	14.2%	20.8%							
Middle East	**14.9%**	13.1%	15.1%							
Adjusted operating profit	**£311**	£221	£327	41%	(5)%					
Switzerland	**£121**	£107	£119	13%	2%	**151**	128	149	18%	1%
Southern Africa	**£131**	£71	£151	85%	(13)%	**2 656**	1 477	2 838	80%	(6)%
Middle East	**£68**	£51	£57	33%	19%	**338**	248	273	36%	24%
Corporate	**£(9)**	£(8)	–	13%	100%	**n/a**	n/a	n/a		
Adjusted operating profit margin[2]										
Group	**9.6%**	7.4%	10.6%							
Switzerland[3]	**7.9%**	7.1%	8.2%							
Southern Africa	**14.4%**	9.5%	16.7%							
Middle East	**8.2%**	6.6%	7.9%							

Notes

[1] Divisional currency for Switzerland is shown in Swiss franc (CHF), Southern Africa in South African rand (ZAR) and Middle East in UAE dirham (AED).

[2] Adjusted EBITDA and adjusted operating profit as a percentage of revenue.

[3] The numerator used for calculating the adjusted EBITDA and adjusted operating profit margins of Switzerland includes government grants of £16m (CHF19m) (FY21: £10m [CHF13m]) disclosed as 'Other income'.

The Group uses adjusted income statement reporting as non-IFRS measures in evaluating performance and to provide consistent and comparable reporting.

See the policy and 'Reconciliations' section on pages 80–86

GROUP CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Klinik Aarau, Switzerland

SWITZERLAND

A robust performance in Switzerland was underpinned by the recovery in client activity, exceeding pre-pandemic levels. As Switzerland adapted its response to the pandemic, it enabled greater operational flexibility to healthcare providers to deliver care for non-COVID-19 patients while continuing to provide significant support to health authorities and caring for COVID-19 patients.

Revenue for the period increased by 6% to CHF1 885m (FY21: CHF1 784m; FY20: CHF1 804m), exceeding pre-pandemic revenue by 4%. This was due to a good recovery in inpatient activity, up 2.1% compared with FY21, and 2.0% compared with the pre-pandemic period. The general insurance mix remained broadly flat at 51.3% (FY21: 51.0%), with supplementary insured volumes up 1.4% and general insured volumes up 2.7% as the division continued to support cantonal health authorities during the pandemic. Inpatient revenue per case increased by 1.1% due to higher acuity. As a result, inpatient revenue increased by 3%. Average length of stay increased by 0.4%, which in combination with the increase in inpatient activity delivered an occupancy rate of 62.6% (FY21: 61.1%).

Outpatient and day case revenue also recovered well during the period, up 6%, contributing some 20% (FY21: 20%) to total revenue in the period.

The division engaged extensively with Swiss cantonal authorities in planning for and navigating the pandemic, and, as part of this, provided hospital bed and staff capacity. In recognition and reimbursement of the support and capacity provided, several Swiss cantonal authorities introduced appropriate financial contributions for hospitals to offset certain costs and disruptions to operations. As a result, total government grants of CHF19m (FY21: CHF13m) were recognised as other income.

The increase in revenue supported a 9% increase in adjusted EBITDA to CHF297m (FY21: CHF272m), recovering towards pre-pandemic levels (FY20: CHF306m). The adjusted EBITDA margin increased to 15.6% (FY21: 15.1%; FY20: 17.0%) while the division continued to absorb COVID-19-related expenses of around CHF18m (FY21: CHF10m) and the direct and indirect impact on operational performance due to the pandemic.

Adjusted depreciation and amortisation increased by 2% to CHF146m (FY21: CHF143m; FY20: CHF157m). Adjusted operating profit increased by 18% to CHF151m (FY21: CHF128m; FY20: CHF149m). Adjusted net finance cost was flat at CHF58m (FY21: CHF58m; FY20: CHF58m).

Adjusted earnings increased by 44% to CHF67m (FY21: CHF47m), ahead of pre-pandemic levels (FY20: CHF57m).

Despite COVID-19, the division significantly improved its cash conversion to 126% (FY21: 66%) through improvement of its net working capital, enabling a CHF50m voluntary payment of senior debt.

Total capex spent during FY22 was broadly in line with expectations at CHF129m (FY21: CHF81m), comprising maintenance capex of CHF68m (FY21: CHF38m) and expansion capex of CHF61m (FY21: CHF43m).

The continued improvements in operating cash flow expected in Switzerland will enable the Group to proportionately increase the division's annual capital investment while continuing to generate appropriate free cash flow to equity holders (including the annual CHF50m debt repayment). FY23 total capex is forecast at around CHF155m. Expansion capex of around CHF60m includes investment in the projects at Klinik St. Anna and Klinik Aarau to strengthen the competitive position and growth opportunities of these key hospitals. Maintenance capex is forecast at around CHF95m (including around CHF4m for ESG projects that will enhance our long-term sustainability), in line with the medium-term maintenance capex spend, which is expected to average around 4–5% of revenue.

GROUP CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Vergelegen day case clinic, South Africa

SOUTHERN AFRICA

Despite the significant demands and disruption caused by the pandemic, the division delivered an exceptional performance compared with the prior year. The Group has continued to treat the majority of its COVID-19 inpatients in its Southern Africa division, with over 40 000 cared for in FY22 (FY21: around 35 000). The division continued to adapt and effectively navigate multiple pandemic waves during the year, treating 18% more non-COVID-19 admissions compared with FY21.

The most severe and sustained wave to date impacted the division during 1H22, peaking in July 2021. In 2H22, the onset of the Omicron wave resulted in a rapid spike in COVID-19 admissions in December 2021. However, this remained below peak admissions compared with previous waves, before starting to recede quickly in January 2022. The greater challenge during the Omicron wave, as experienced in the other divisions, was the impact on staffing self-isolation and patient scheduling due to the variant's increased transmissibility.

Revenue for the period increased by 18% to ZAR18 416m (FY21: ZAR15 573m; FY20: ZAR17 031m), reflecting the recovery in client activity. Revenue was ahead of pre-pandemic levels by 8%. Compared with FY21, paid patient days ('PPDs') increased by 14% and remained marginally below pre-pandemic levels, down 3%. COVID-19-related PPDs were around 17% of total PPDs during the period, compared with around 18% in FY21. The lowest six-month level of COVID-19-related PPDs since the pandemic began was experienced in 2H22 at 7% of total PPDs, as non-COVID-19 inpatient activity increased.

Occupancy improved with the growth in PPDs to average 64.3% (FY21: 56.3%), approaching pre-pandemic levels (FY20: 67.9%). Encouragingly, February and March 2022 had the strongest occupancy levels experienced since the start of the pandemic at 69%. Average revenue per bed day was up 3.2% compared with FY21 and up 11.7% on pre-pandemic levels, continuing to reflect the elevated acuity of treatments. The average length of stay was down 2.5% compared with FY21, reflecting the increase in non-COVID-19 PPDs and their shorter average length of stay compared with COVID-19 inpatients.

Adjusted EBITDA increased by 55% to ZAR3 430m (FY21: ZAR2 209m), driven by the revenue performance, and recovering towards pre-pandemic levels (FY20: ZAR3 536m). The adjusted EBITDA margin materially increased in FY22 to 18.6% (FY21: 14.2%). The effects of COVID-19-related costs of around ZAR207m in FY22 (FY21: ZAR323m) and the change in case mix continued to impact the margin when compared with the pre-pandemic period (FY20: 20.8%).

Depreciation and amortisation were broadly flat at ZAR772m (FY21: ZAR763m; FY20: ZAR698m), mainly due to the prudent delay to investments in the prior period due to the pandemic. Adjusted operating profit increased by 80% to ZAR2 656m (FY21: ZAR1 477m; FY20: ZAR2 838m). Net finance cost decreased by 17% to ZAR465m (FY21: ZAR561m; FY20: ZAR554m) due to interest income on increased deposits and lower base interest rates.

Adjusted earnings increased to ZAR1 359m (FY21: ZAR519m), ahead of pre-pandemic levels (FY20: ZAR1 335m).

The division converted 108% (FY21: 111%) of adjusted EBITDA into cash generated from operations.

Total capex spent during the period increased to ZAR957m (FY21: ZAR702m), comprising maintenance capex of ZAR654m (FY21: ZAR302m) and expansion capex of ZAR303m (FY21: ZAR400m). Expansion projects during the year included Brits, Hoogland and Midstream hospitals, and Vergelegen and Winelands day case clinics.

FY23 total capex is forecast at around ZAR1 360m. Expansion capex is forecast at around ZAR635m, including projects at George, Legae, Vereeniging, Brits and Medforum hospitals and Pietermaritzburg day case clinic. In addition, further investment in ICT infrastructure projects will be made to support future growth initiatives including initial investment in an EHR. FY23 maintenance capex is forecast at around ZAR725m (including around ZAR60m for ESG projects that will enhance our long-term sustainability), broadly in line with the medium-term maintenance capex spend, which is expected to average around 3–4% of revenue.

GROUP CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

THE MIDDLE EAST

In the Middle East, the Group delivered a strong performance driven by inpatient and outpatient volume growth. Volumes reached new highs exceeding the pre-pandemic period, underpinned by investment over recent years to expand and enhance facilities and services in the region. Similar to August 2020, counter-seasonal holiday trends due to global travel restrictions resulted in elevated client volumes compared with the pre-pandemic 1H20 period, a trend which is expected to normalise in FY23.

Revenue for the period increased by 9% to AED4 111m (FY21: AED3 760m; FY20: AED3 445m), which includes around AED315m (FY21: AED485m) in COVID-19-related and new revenue streams. Inpatient admissions and day cases were up 17% and outpatient cases up 16%. The volume increase was partly offset by a decrease in the average revenue per inpatient and day case admission, and in outpatient cases by 10% and 2%, respectively, reflecting a move towards pre-pandemic acuity levels and revenue mix.

Despite ongoing COVID-19-related costs of around AED10m (FY21: AED28m), adjusted EBITDA increased 25% to AED614m (FY21: AED492m; FY20: AED521m) due to the revenue performance. As a result, the adjusted EBITDA margin increased to around pre-pandemic levels at 14.9% (FY21: 13.1%; FY20: 15.1%).

Al Tawar Dialysis Centre, the Middle East

Adjusted depreciation and amortisation increased by 10% to AED272m (FY21: AED248m; FY20: AED249m), largely reflecting the phased commissioning at Airport Road Hospital during the period, with an additional increase to be reflected in FY23. Adjusted operating profit increased by 36% to AED338m (FY21: AED248m; FY20: AED273m).

Net finance cost increased by 2% to AED79m (FY21: AED78m; FY20: AED91m), due to a reduction in gross debt and the base rate, and revised lease agreement rental savings, offset by the IFRS 16 interest associated with the Airport Road Hospital commissioning.

Adjusted earnings increased by 51% to AED257m (FY21: AED170m; FY20: AED181m).

The division significantly improved its cash conversion to 141% (FY21: 73%) through catch-up of under-recovery in the prior year.

Total capex spent during the period was lower than expected at AED141m (FY21: AED124m), mostly related to timing differences for expansion projects with the catch-up expected in FY23. FY22 investment comprised maintenance capex of AED41m (FY21: AED36m) and expansion capex of AED100m (FY21: AED88m), which mostly related to investment at Airport Road Hospital for the upgrade at the existing wing following the opening of the new facility and the EHR roll-out.

FY23 total capex is forecast at around AED275m. Expansion capex is forecast at AED190m, reflecting the catch-up from the lower than expected FY22 investment. Additional new projects are planned at Parkview and Al Jowhara hospitals, Me'aisem and Reem Mall clinics, and the opening of Mediclinic Enhance. Expansion capex is expected to materially reduce in FY24. FY23 maintenance capex is forecast at around AED85m (including around AED8m for ESG projects that will enhance our long-term sustainability), in line with the medium-term maintenance capex spend, which is expected to average around 2–3% of revenue.

> "The division significantly improved its cash conversion to 141% (FY21: 73%) through catch-up of under-recovery in the prior year.

OUTLOOK

Based on the most recent trends and expectations, COVID-19-related cases are expected to recede further, leading to an increase in more normalised client activity and fewer direct COVID-19-related costs. The underlying demand for Mediclinic's broad range of services, its trusted and leading market positions, expansion across the continuum of care and new digital offerings are together expected to deliver sustained growth in revenue and profitability over the coming years. This – combined with targeted cash conversion, disciplined capital allocation, reduced leverage, improved returns and a clearly defined approach to sustainable development – is all expected to positively drive shareholder value. The Group is subject to macroeconomic factors, including inflationary and supply chain dynamics, and is proactively managing these through, among other levers, global procurement mobilisation, as well as productivity and efficiency gains.

FY23 GUIDANCE

The Group expects the positive momentum in revenue growth, margin improvement and earnings of FY22 to continue in FY23, driven by increased client activity supported by expected underlying economic growth in all three regions. Seasonal trends in patient activity levels, most notably in Switzerland and the Middle East, are expected to return, in the absence of any material new waves of COVID-19. Improving profitability and strong cash generation are expected to support continued deleveraging.

Switzerland expects to deliver modest FY23 revenue growth and EBITDA margin improvement to around 16%.

Southern Africa expects to deliver FY23 revenue growth in the mid-single digit percentage range and an EBITDA margin improvement, approaching 20%.

The Middle East expects to deliver FY23 revenue growth in the high-single digit percentage range and an EBITDA margin improvement approaching the mid-15% range.

FINANCIAL REVIEW

ADJUSTED NON-IFRS FINANCIAL MEASURES

Reported results represent the Group's overall performance and have been presented in accordance with IFRS.

Management also uses adjusted non-IFRS measures to assess the financial and operational performance of the Group. Adjusted results may be considered in addition to, but not as a substitute for, or superior to, information presented in accordance with IFRS. Such measures may not be comparable to similar measures presented by other companies.

Adjusted results provide investors and analysts with complementary information to better understand the financial performance and position of the Group from period to period. Adjusted results are used by management for budgeting and planning purposes, as well as by the directors for evaluating management's performance and in setting management incentives.

The main alternative performance measures used by the Group are explained and/or reconciled with our IFRS measures as presented in the financial statements.

The Group's policy is to adjust, among others, the following types of significant income and charges from the reported IFRS measures to present adjusted results:

- cost associated with major restructuring programmes;
- profit/loss on sale of assets and transaction costs incurred on corporate transactions;
- gains or losses[1] on the remeasurement of previously held equity interests in acquirees in terms of IFRS 3;
- remeasurement of right-of-use assets and lease liabilities as a result of lease modifications in terms of IFRS 16 Leases;
- past service cost charges/credits in relation to retirement benefit obligations;
- accelerated depreciation and amortisation charges;
- mark-to-market fair value gains/losses relating to derivative financial instruments including ineffective interest rate swaps;
- remeasurement of redemption liabilities due to changes in estimated underlying value;
- impairment charges and reversal of impairment charges;
- insurance proceeds for items of property, equipment and vehicles impaired;
- prior-year tax adjustments and significant tax rate changes; and
- tax and non-controlling interest impact of the above items.

EBITDA is defined as operating profit before depreciation and amortisation and impairments of non-financial assets, excluding other gains and losses.

EBITDA and adjusted EBITDA are regarded as useful metrics to analyse the performance of the business from period to period. Measures like adjusted EBITDA are used by analysts and investors in assessing performance. EBITDA eliminates potential differences in performance caused by variances in capital structures and cost and age of capitalised assets

The Group has consistently applied this definition of adjusted measures in reporting on its financial performance in the past as the directors believe this additional information is important to allow shareholders to better understand the Group's trading performance for the reporting period. It is the Group's intention to continue to apply this definition consistently in the future.

Note

[1] The policy has been expanded in the current year to include gains or losses on the remeasurement of previously held equity interests in acquirees in terms of IFRS 3.

RECONCILIATIONS

NON-IFRS FINANCIAL MEASURES

FY22 results	Total £'m	Switzerland £'m	Southern Africa £'m	Middle East £'m	Spire £'m	Corporate £'m
Operating profit/(loss)	**280**	93	131	65	–	(9)
Add back:						
- Other gains and losses	**3**	–	–	2	–	1
- Depreciation and amortisation	**228**	134	39	54	–	1
- Impairment of property, equipment and vehicles	**7**	7	–	–	–	–
EBITDA	**518**	234	170	121	–	(7)
- Past service cost	**11**	9	–	2	–	–
- Insurance proceeds	**(7)**	(7)	–	–	–	–
Adjusted EBITDA	**522**	236	170	123	–	(7)
Operating profit/(loss)	**280**	93	131	65	–	(9)
- Past service cost	**11**	9	–	2	–	–
- Insurance proceeds	**(7)**	(7)	–	–	–	–
- Impairment of properties, equipment and vehicles	**7**	7	–	–	–	–
- Accelerated depreciation and amortisation	**19**	19	–	–	–	–
- Fair value adjustments on remeasurement of investment in associate	**1**	–	–	1	–	–
Adjusted operating profit/(loss)	**311**	121	131	68	–	(9)
Profit/(loss) for the year[1]	**170**	54	79	48	(3)	(8)
Non-controlling interests	**(19)**	(8)	(11)	–	–	–
- Past service cost	**11**	9	–	2	–	–
- Insurance proceeds	**(7)**	(7)	–	–	–	–
- Impairment of properties, equipment and vehicles	**7**	7	–	–	–	–
- Accelerated depreciation and amortisation	**19**	19	–	–	–	–
- Fair value adjustments on remeasurement of investment in associate	**1**	–	–	1	–	–
- Remeasurement of redemption liability (written put option)	**1**	1	–	–	–	–
- Equity-accounted portion of gain on sale and leaseback	**(7)**	–	–	–	(7)	–
- Equity-accounted portion of tax impact of sale and leaseback	**(5)**	–	–	–	(5)	–
- Tax on adjusting items	**(4)**	(4)	–	–	–	–
Adjusted earnings	**167**	71	68	51	(15)	(8)
Weighted average number of shares (millions)	**737.2**					
Adjusted EPS (pence)	**22.6**					

Note

[1] Profit for the year in Switzerland is shown after the elimination of intercompany loan interest of £18m.

GROUP CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

RECONCILIATIONS CONTINUED

NON-IFRS FINANCIAL MEASURES CONTINUED

FY21 results	Total £'m	Switzerland £'m	Southern Africa £'m	Middle East £'m	Spire £'m	Corporate £'m
Operating profit/(loss)	**209**	97	69	51	–	(8)
Add back:						
- Other gains and losses	**(2)**	–	(1)	(1)	–	–
- Depreciation and amortisation	**217**	128	36	52	–	1
- Impairment of properties, equipment and vehicles, and intangible assets	**3**	–	3	–	–	–
- Impairment of intangible assets	**1**	–	1	–	–	–
EBITDA	**428**	225	108	102	–	(7)
- Insurance proceeds	**(2)**	–	(2)	–	–	–
Adjusted EBITDA	**426**	225	106	102	–	(7)
Operating profit/(loss)	**209**	97	69	51	–	(8)
- Insurance proceeds	**(2)**	–	(2)	–	–	–
- Impairment of properties, equipment and vehicles, and intangible assets	**3**	–	3	–	–	–
- Impairment of intangible assets	**1**	–	1	–	–	–
- Accelerated depreciation and amortisation	**10**	10	–	–	–	–
Adjusted operating profit/(loss)	**221**	107	71	51	–	(8)
Profit/(loss) for the year[1]	**79**	32	29	35	(10)	(7)
Non-controlling interests	**(11)**	(6)	(5)	–	–	–
- Insurance proceeds	**(2)**	–	(2)	–	–	–
- Impairment of properties, equipment and vehicles, and intangible assets	**3**	–	3	–	–	–
- Impairment of intangible assets	**1**	–	1	–	–	–
- Accelerated depreciation and amortisation	**10**	10	–	–	–	–
- Remeasurement of redemption liability (written put option)	**23**	23	–	–	–	–
- Equity-accounted portion of impairment of intangible assets	**60**	–	–	–	60	–
- Reversal of impairment of associate	**(60)**	–	–	–	(60)	–
- Tax on adjusting items	**(2)**	(2)	–	–	–	–
Adjusted earnings	**101**	57	26	35	(10)	(7)
Weighted average number of shares (millions)	**737.2**					
Adjusted EPS (pence)	**13.7**					

Note

[1] Profit for the year in Switzerland is shown after the elimination of intercompany loan interest of £18m.

GROUP CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

RECONCILIATIONS CONTINUED

NON-IFRS FINANCIAL MEASURES CONTINUED

FY20 results	Total £'m	Switzerland £'m	Southern Africa £'m	Middle East £'m	Spire £'m	Corporate £'m
Operating (loss)/profit	**(184)**	90	149	(423)	–	–
Add back:						
- Other gains and losses	**(4)**	–	–	(1)	–	(3)
- Depreciation and amortisation	**217**	126	37	53	–	1
- Reversal of impairment of properties	**(4)**	(4)	–	–	–	–
- Impairment of properties, equipment and vehicles, and intangible assets	**34**	33	1	–	–	–
- Impairment of intangible assets	**482**	–	1	481	–	–
EBITDA	**541**	245	188	110	–	(2)
No adjustments	**–**	–	–	–	–	–
Adjusted EBITDA	**541**	245	188	110	–	(2)
Operating (loss)/profit	**(184)**	90	149	(423)	–	–
- Reversal of impairment of properties	**(4)**	(4)	–	–	–	–
- Impairment of properties, equipment and vehicles, and intangible assets	**34**	33	1	–	–	–
- Impairment of intangible assets	**482**	–	1	481	–	–
- Fair value adjustments on derivative contracts	**(1)**	–	–	(1)	–	–
Adjusted operating profit	**327**	119	151	57	–	–
Profit/(loss) for the year[1]	**(299)**	68	84	(442)	(8)	(1)
Non-controlling interests	**(21)**	(8)	(13)	–	–	–
- Reversal of impairment of properties	**(4)**	(4)	–	–	–	–
- Impairment of properties, equipment and vehicles, and intangible assets	**34**	33	1	–	–	–
- Impairment of intangible assets	**482**	–	1	481	–	–
- Fair value adjustments on derivative contracts	**(1)**	–	–	(1)	–	–
- Remeasurement of redemption liability (written put option)	**5**	5	–	–	–	–
- Impairment of associate	**10**	–	–	–	10	–
- Tax rate changes[2]	**(26)**	(26)	–	–	–	–
- Tax on adjusting items	**(3)**	(3)	–	–	–	–
Adjusted earnings	**177**	65	73	38	2	(1)
Weighted average number of shares (millions)	**737.2**					
Adjusted EPS (pence)	**24.0**					

Notes

1 Profit for the year in Switzerland is shown after the elimination of intercompany loan interest of £17m.

2 Tax rate changes of £26m are shown after taking non-controlling interests of £3m into consideration.

GROUP CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

RECONCILIATIONS CONTINUED

NON-IFRS FINANCIAL MEASURES CONTINUED

DEPRECIATION AND AMORTISATION

Adjusted and reported depreciation and amortisation were calculated as follows:

	FY22 £'m	FY21 £'m	FY20 £'m
Depreciation and amortisation	**228**	217	217
Accelerated depreciation and amortisation	**(19)**	(10)	–
Adjusted depreciation and amortisation	**209**	207	217

NET FINANCE COST

Adjusted and reported net finance cost was calculated as follows:

	FY22 £'m	FY21 £'m	FY20 £'m
Finance cost	**74**	99	92
Finance income	**(6)**	(4)	(9)
Net finance cost	**68**	95	83
Remeasurement of redemption liability (written put option)	**(1)**	(23)	(5)
Adjusted finance cost	**67**	72	78

SHARE OF NET PROFIT OF EQUITY-ACCOUNTED INVESTMENTS

Adjusted share of net (loss)/profit of equity-accounted investments was calculated as follows:

	FY22 £'m	FY21 £'m	FY20 £'m
Share of net (loss)/profit of equity-accounted investments	**(1)**	(70)	2
Equity-accounted portion of impairment of intangible assets	**–**	60	–
Equity-accounted portion of gain on sale and leaseback	**(7)**	–	–
Equity-accounted portion of tax impact of sale and leaseback transaction	**(5)**	–	–
Adjusted share of net (loss)/profit of equity-accounted investments	**(13)**	(10)	2

INCOME TAX

Adjusted income tax was calculated as follows:

	FY22 £'m	FY21 £'m	FY20 £'m
Income tax expense	**41**	25	24
Swiss tax rate changes	**–**	–	29
Tax impact of adjusting items	**4**	2	3
- Past service cost	**2**	–	–
- Accelerated depreciation	**2**	2	–
- Reversal of impairment of properties	**–**	–	(1)
- Impairment of properties	**–**	–	4
Adjusted income tax expense	**45**	27	56
Adjusted effective tax rate[1]	**19.5%**	19.3%	22.3%

Note

[1] The effective tax rate percentages are calculated in unrounded sterling values and not in millions.

NON-CONTROLLING INTERESTS

Adjusted non-controlling interests were calculated as follows:

	FY22 £'m	FY21 £'m	FY20 £'m
Non-controlling interests	**19**	11	21
Adjusting items attributable to non-controlling interests	**–**	–	(3)
Adjusted non-controlling interests	**19**	11	18

RECONCILIATIONS CONTINUED

NON-IFRS FINANCIAL MEASURES CONTINUED

CASH CONVERSION

Cash conversion, calculated as cash generated from operations as a percentage of adjusted EBITDA, is shown as a non-IFRS measure as this is used by management and investors to measure cash generation by the Group.

Cash conversion was calculated as follows:

	FY22 £'m	FY21 £'m
Cash from operations (a)	**663**	330
Adjusted EBITDA (b)	**522**	426
Cash conversion ([a]/[b] x 100)[1]	**127%**	77%

Note

[1] Switzerland 126% (FY21: 66%), Southern Africa 108% (FY21: 111%), the Middle East 141% (FY21: 73%).

RETURN ON INVESTED CAPITAL

ROIC is included as a non-IFRS measure as it is used by management to help inform and reflect capital allocation decisions within the business. ROIC is calculated as adjusted operating profit after tax paid expressed as a percentage of average invested capital. Average values for total invested capital are calculated as the average monthly balance for the year.

ROIC was calculated as follows:

	FY22 £'m	FY21 £'m
Adjusted operating profit	**311**	221
Tax on adjusted operating profit[1]	**(58)**	(38)
Adjusted operating profit after tax (a)	**253**	183
Total assets	**7 207**	6 672
Less: equity-accounted investments	**(165)**	(171)
Less: current liabilities	**(823)**	(684)
Add back: short-term portion of interest-bearing borrowings and lease liabilities	**171**	146
Invested capital	**6 390**	5 963
Average invested capital (b)	**6 254**	6 120
Return on average invested capital ([a]/[b] x 100)[2]	**4.0%**	3.0%

Notes

[1] Tax on adjusted operating profit is calculated as adjusted operating profit before tax multiplied by underlying statutory tax rates of each entity in the country where it operates.

[2] The return on average invested capital percentages are calculated in unrounded sterling values and not in millions.

RECONCILIATIONS CONTINUED

NON-IFRS FINANCIAL MEASURES CONTINUED

CONSTANT CURRENCY

The Group uses constant currency measures primarily for comparable performance analysis. Constant currency measures are presented using prior-year exchange rates, which exclude the impact of fluctuations in foreign currency exchange rates. Constant currency values are calculated by translating both the current and the prior-period local currency amounts into sterling using the prior-year average exchange rates.

Constant currency measures using FY21 average exchange rates were calculated as follows:

	FY22 £'m	FY21 £'m	Variance
Revenue	3 233	2 995	
Retranslation at prior-year rates	52	–	
Revenue in constant currency at prior-year rates	3 285	2 995	10%
Adjusted EBITDA	522	426	
Retranslation at prior-year rates	6	–	
Adjusted EBITDA in constant currency at prior-year rates	528	426	24%
Adjusted operating profit	311	221	
Retranslation at prior-year rates	1	–	
Adjusted operating profit in constant currency at prior-year rates	312	221	41%

Constant currency measures using FY20 average exchange rates were calculated as follows:

	FY22 £'m	FY20 £'m	Variance
Revenue	3 233	3 083	
Retranslation at FY20 rates	133	–	
Revenue in constant currency at FY20 rates	3 366	3 083	9%
Adjusted EBITDA	522	541	
Retranslation at FY20 rates	23	–	
Adjusted EBITDA in constant currency at FY20 rates	545	541	1%
Adjusted operating profit	311	327	
Retranslation at FY20 rates	15	–	
Adjusted operating profit in constant currency at FY20 rates	326	327	(0)%

STATEMENT OF FINANCIAL POSITION

PROPERTY, EQUIPMENT AND VEHICLES, AND INTANGIBLE ASSETS

Property, equipment and vehicles increased to £4 385m at 31 March 2022 (FY21: £4 052m), mainly due to the recognition of a right-of-use asset to the value of £102m in respect of the expansion at Airport Road Hospital, as well as the strengthening of the period-end Swiss franc, South African rand and UAE dirham rates against sterling.

Total capital expenditure for the period was £178m (FY21: £126m). Maintenance and expansion capex amounted to £94m (FY21: £54m) and £84m (FY21: £72m), respectively. The underspend compared with expectations was due to timing differences, which are expected to be reflected in FY23.

Mediclinic is one of the largest private healthcare providers across Europe, Middle East and Africa, with unique clinical expertise and scale. Aligned with the Group's strategic goals and balanced approach to capital allocation, we will seek to execute on opportunities to grow within our existing business across the continuum of care, invest in various innovation and digital transformation initiatives, and pursue opportunities for regional expansion through bolt-on investments at the appropriate time.

Intangible assets increased to £1 126m at 31 March 2022 (FY21: £1 061m), mainly due to the impact of the strengthening period-end UAE dirham rate against sterling on the Middle East goodwill.

INVESTMENT IN ASSOCIATES

SPIRE

Mediclinic holds a 29.9% investment in Spire which is equity accounted. Spire reported its full-year financial results for the period ended 31 December 2021 on 3 March 2022.

For the 12 months ended 31 December 2021, Spire reported a loss after taxation of £9m, which included a gain on sale and leaseback of £23m and a related tax credit of £16m (31 December 2020: loss of £234m, which included a goodwill impairment charge of £200m). Mediclinic's equity-accounted loss amounted to £3m (FY21: £70m loss). The adjusted equity-accounted loss amounted to £15m (2021: £10m loss).

STATEMENT OF FINANCIAL POSITION CONTINUED

NET DEBT AND LIQUIDITY

	FY22 £'m	FY21 £'m
Borrowings	**1 803**	1 777
Less: cash and cash equivalents	**(534)**	(294)
Net incurred debt	**1 269**	1 483
Lease liabilities	**786**	676
Net debt	**2 055**	2 159

The Group's leverage ratio[1] reduced to 3.9x at 31 March 2022 from 5.1x at FY21 year end. Incurred bank debt marginally increased to £1 803m (FY21: £1 777m) due to translation differences, while lease liabilities increased to £786m (FY21: £676m) mainly due to additional lease liabilities associated with the commissioning of the hospital expansion and new integrated oncology unit at Airport Road Hospital, Abu Dhabi.

The Group maintains a strategy of responsible leverage, largely using its extensive asset base to secure cost-efficient borrowings. The Group's fixed charge cover ratio[2] improved to 4.3x (FY21: 3.6x). While property ownership drives operational and financial benefits, the approach is not fixed, reflecting the business needs of the Group as it expands across the continuum of care, which includes less asset-intensive investments and partnerships.

Debt is ring-fenced within each division, with no cross guarantees or cross defaults. Borrowings are denominated in the same currency as the divisions' underlying revenue and therefore not exposed to foreign exchange rate risk. In August 2021 in Southern Africa, we successfully completed the refinancing of existing debt through a new sustainability-linked banking facility. The new facility comprises ZAR7 950m senior secured debt and a ZAR500m revolving credit facility ('RCF'), replacing the previous facilities. The new five-year agreement is priced initially at three-month JIBAR plus 1.54% and 1.60% on the senior secured debt and RCF, respectively.

In FY22, debt repayments in Switzerland and the Middle East totalled around CHF51m and AED250m, respectively. The Middle East division currently expects to continue repaying all incurred debt, which funded the multiyear expansion period that supports the division's future growth aspirations, by August 2023.

Notes

1 Non-IFRS measure reflecting net debt as a percentage of adjusted EBITDA.

2 Non-IFRS measure reflecting adjusted EBITDA less expenses related to short-term leases as a percentage of total rent and interest paid.

Cash and cash equivalents increased to £534m at 31 March 2022 compared with £294m at 31 March 2021. All three divisions' cash and cash equivalents increased during the period supported by the improved operating performance and strong cash conversion.

INTEREST RATE SENSITIVITY

After taking the interest rate swaps into account, the Group's net debt is exposed to movements in variable interest rates. The sensitivity of interest rates can be summarised as follows:

- Switzerland: At 31 March 2022, the SARON was -0.70% (FY21: -0.75%). Interest rates would have to increase by 70 basis points to have an impact on post-tax profit for the period with all other variables held constant. An increase in the interest rate of 25 basis points would have no impact on post-tax profit for the period (FY21: no impact).
- Southern Africa: Post-tax profit for the period would decrease/increase by £0.4m (FY21: decrease/increase by £0.7m) if the interest rates had been 100 basis points higher/lower in Southern Africa with all other variables held constant; and
- The Middle East: Post-tax profit for the period would decrease/increase by £0.1m (FY21: decrease/increase by £0.4m) if the interest rates had been 50 basis points higher/lower in the Middle East with all other variables held constant.

GROUP CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

STATEMENT OF FINANCIAL POSITION CONTINUED

NET DEBT AND LIQUIDITY CONTINUED

COVENANTS

The Group had headroom over all covenants, waived or effective, at the end of FY22, with the headroom on all three leverage ratios improving in line with improved operating performance.

In Switzerland, we have a covenant waiver in place and the first test will be performed at the end of September 2022.

The following table illustrates the headroom to the covenant tests:

	Status	Headroom variable	FY22 Headroom[1]	FY21 Headroom[1]	Compliant
Switzerland					
Leverage ratio	Waived[2]	EBITDA	13%	5%	n/a
Economic capital ratio	Effective	Equity	27%	30%	Yes
Loan-to-value ratio	Effective	Property value	17%	17%	Yes
Southern Africa					
Leverage ratio	Effective	EBITDA	52%	6%	Yes
Net interest cover ratio	Effective	Equity	56%	18%	Yes
Middle East					
Leverage ratio	Effective	EBITDA	95%	48%	Yes
Debt service coverage ratio	Effective	Cash flow	54%	21%	Yes
Minimum net worth	Effective	n/a	> AED700m	> AED700m	Yes
Minimum monthly receivables	Effective	n/a	> AED100m[3]	> AED240m[3]	Yes

Notes

[1] Headroom is calculated with reference to the indicated headroom variable, keeping other inputs constant.

[2] Waived covenant compliance tests are to be performed at the end of September 2022 for Switzerland.

[3] Average of last three months.

SWISS PENSION BENEFIT OBLIGATION

In Switzerland, we provide defined contribution pension plans in terms of Swiss legislation to employees, the assets of which are held in separate trustee-administered funds. These plans are funded from employee and company contributions, taking into account the recommendations of independent qualified actuaries. Because of the strict definition of defined contribution plans in IAS 19, these plans are classified as defined benefit plans, since the funds are obliged to take some investment and longevity risk in terms of Swiss law. The IAS 19 net pension liability was valued by the actuaries at the end of the year and amounted to £6m (FY21: net asset of £83m), consisting of a net pension asset of £1m (FY21: £110m) relating to one of the plans and a net pension liability of £7m (FY21: £27m) relating to three of the plans. An asset ceiling restriction was applied to one of the plans and resulted in a net liability of £nil. The net pension asset is included under 'Retirement benefit assets' in the Group's statement of financial position, whereas the net pension liabilities are included under 'Retirement benefit obligations'. The decrease in the net pension asset was largely due to the recognition of an asset ceiling of £194m on one of the pension plans and an increase in the liability due to plan amendments that resulted in the recognition of past service cost of £9m, partly offset by an increase in the plan assets.

DERIVATIVE FINANCIAL INSTRUMENTS

Through the acquisition of Clinique des Grangettes, Geneva, the Group entered into a put/call agreement over the remaining 40% interest of Clinique des Grangettes and Clinique La Colline. At 31 March 2022, the value of the redemption liability related to the written put option amounted to £126m (FY21: £115m).

FOREIGN EXCHANGE RATES

Although the Group reports its results in sterling, the divisional profits are generated in Swiss franc, South African rand and UAE dirham. During the reporting period, the average and closing exchange rates were as follows:

Average rates with reference to sterling	FY22	FY21	Variance FY22 vs FY21	FY20	Variance FY22 vs FY20
Swiss franc	**1.25**	1.21	4%	1.25	0%
South African rand	**20.27**	21.30	(5)%	18.76	8%
UAE dirham	**5.02**	4.80	5%	4.67	7%

Year-end rates with reference to sterling	FY22	FY21	Variance
Swiss franc	**1.21**	1.30	(7)%
South African rand	**19.23**	20.37	(6)%
UAE dirham	**4.82**	5.07	(5)%

Movements in exchange rates affected the reported earnings and reported balances in the statement of financial position. The resulting currency translation difference, which is the amount by which the Group's interest in the equity of the divisions increased because of spot rate movements, amounted to £182m (FY21: decrease of £235m) and was credited (FY21: debited) to the statement of comprehensive income. The increase was the result of the strengthening of the period-end rates against the sterling.

Foreign exchange rate sensitivity:

- The impact of a 10% change in the £/CHF exchange rate for a sustained period of one year is that profit after tax would increase/decrease by £4m (FY21: increase/decrease by £1m) due to exposure to the £/CHF exchange rate.
- The impact of a 10% change in the £/ZAR exchange rate for a sustained period of one year is that profit after tax would increase/decrease by £8m (FY21: increase/decrease by £3m) due to exposure to the £/ZAR exchange rate.
- The impact of a 10% change in the £/AED exchange rate for a sustained period of one year is that profit after tax would increase/decrease by £5m (FY21: increase/decrease by £4m) due to exposure to the £/AED exchange rate.

GOING CONCERN

For the purposes of assessing liquidity specifically and going concern broadly at 31 March 2022, the Group modelled a combination of severe but plausible downside scenarios on a month-by-month basis and also applied appropriate mitigation actions which would be within the Group's control. The effect of the downside scenarios was informed by knowledge and insight gained during the COVID-19 pandemic.

Due to the mostly fixed employee cost base across the business, lower revenue due to either a reduction in tariffs or volumes will most likely have the most pronounced impact on EBITDA. Compared with the business plan, in modelling the severe but plausible scenarios, the combined adverse effect of reduction of tariffs and volumes after mitigation amounts to an aggregate decline of 18% of EBITDA over the 18-month period to 30 September 2023 compared with the base case. On a monthly basis, the EBITDA effect ranges from 12% to 29% compared with the base case.

Based on the assumptions applied and the effect of mitigating actions, most within the control of the Group, the analyses demonstrate that the divisions will continue to be able to meet their obligations for the 18-month period to 30 September 2023.

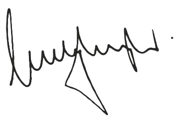
While recognising that there remains risk to the Group's financial performance for at least the next 12 months, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for a period of at least 12 months from the date of approving the financial statements.

DIVIDEND POLICY AND PROPOSED DIVIDEND

The Group's existing dividend policy is to target a payout ratio of between 25% to 35% of adjusted earnings. The Board may revise the policy at its discretion.

The Board proposes a final dividend from retained earnings of 3.00 pence per ordinary share for the year ended 31 March 2022 for approval by the Company's shareholders at the AGM on Thursday, 28 July 2022.

See page 264 of **Shareholder information** for details on the final dividend, including salient dates



Jurgens Myburgh
Group Chief Financial Officer
24 May 2022

FIVE-YEAR SUMMARY

Presented in sterling, rounded to the nearest million

	IFRS 16			Pre-IFRS 16	
INCOME STATEMENTS	**FY22 £'m**	**FY21 £'m**	**FY20 £'m**	**FY19 £'m**	**FY18 £'m**
Revenue	**3 233**	2 995	3 083	2 932	2 876
Adjusted EBITDA	**522**	426	541	493	515
Operating profit/(loss)	**280**	209	(184)	81	(288)
Adjusted operating profit	**311**	221	327	330	370
Reported earnings/(loss)	**151**	68	(320)	(151)	(492)
Adjusted earnings	**167**	101	177	198	221

PER SHARE STATISTICS	**FY22 pence**	**FY21 pence**	**FY20 pence**	**FY19 pence**	**FY18 pence**
Basic earnings/(loss) basis	**20.5**	9.2	(43.4)	(20.5)	(66.7)
Diluted earnings/(loss) basis	**20.5**	9.2	(43.4)	(20.5)	(66.7)
Basic adjusted earnings basis	**22.6**	13.7	24.0	26.9	30.0
Diluted adjusted earnings basis	**22.6**	13.7	24.0	26.9	30.0
Dividends declared per share	**3.00**	-	3.20	7.90	7.90

	IFRS 16			Pre-IFRS 16	
STATEMENTS OF FINANCIAL POSITION	**FY22 £'m**	**FY21 £'m**	**FY20 £'m**	**FY19 £'m**	**FY18 £'m**
ASSETS					
Non-current assets	**5 733**	5 440	5 741	5 335	5 382
Current assets	**1 474**	1 232	1 213	1 091	961
Total assets	**7 207**	6 672	6 954	6 426	6 343
EQUITY					
Owners of the parent	**3 107**	2 849	2 890	3 151	3 286
Non-controlling interests	**139**	118	113	115	87
Total equity	**3 246**	2 967	3 003	3 266	3 373
LIABILITIES					
Non-current liabilities	**3 138**	3 021	3 182	2 576	2 445
Current liabilities	**823**	684	769	584	525
Total liabilities	**3 961**	3 705	3 951	3 160	2 970
Total equity and liabilities	**7 207**	6 672	6 954	6 426	6 343

STATEMENTS OF CASH FLOWS	**FY22**	**FY21**	**FY20**	**FY19**	**FY18**
Cash generated from operations (£'m)	**663**	330	589	451	466
Adjusted EBITDA cash conversion (%)	**127**	77	109	91	90

Page 80 in the 'Financial review' section in the **Group Chief Financial Officer's Report** sets out the Group's use of adjusted non-IFRS financial measures. Non-IFRS measures, which include cash conversion, are further discussed, with reconciliations from the most comparable IFRS measure provided, on pages 81–86.

RISK MANAGEMENT REPORT

INTRODUCTION

The Group's ERM Policy follows the International Committee of Sponsoring Organizations of the Treadway Commission's Internal Control – Integrated Framework and is reviewed annually. The policy defines the risk management objectives, methodology, risk appetite, risk identification, assessment and response, as well as the responsibilities of the various risk management role players in the Group.

Through risk management, an integrated and effective framework is established which seeks to identify, assess and manage important and emerging risks which could impact on our ability to achieve strategic, financial and operational goals, and regulatory compliance. The risk management process is fully integrated into the strategic planning process and supports the achievement of our strategy.

See the **Strategy overview** on pages 16–22

2026 STRATEGIC GOALS

1. Become an integrated healthcare provider across the continuum of care
2. Improve our value proposition significantly
3. Transform our services and client engagement through innovation and digitalisation
4. Evolve as a data-driven organisation
5. Minimise our environmental impact
6. Grow in existing markets and expand into new markets

Risks are classified according to their degree of controllability and relevance to our strategy. Risk management processes are tailored to the relevant risk type:

- **Strategic risks** – We consider it appropriate to assume some risk in achieving our strategy and generating appropriate returns for shareholders. Strategic risks are different from preventable risks in that they are not inherently undesirable. The risk management system is designed to reduce the likelihood that the assumed risks materialise and to improve our ability to manage or contain the risk events, should they occur.
- **External risks/Threats** – Certain risks arise from events or circumstances external to our influence or control, e.g. natural disasters, geopolitical tensions or macroeconomic changes. Management's response focuses on identifying the sources of such risks and mitigating their impact on the business.
- **Internal preventable risks** – These risks arise from within the Group and are controllable. They are managed through active prevention by monitoring operational processes and guiding behaviours and decisions towards desired norms.

The Board is ultimately accountable for the Group's risk management processes and internal control system, and for determining the Group's risk appetite. It receives regular updates on the current and emerging risks facing the business, and considers the impact these risks may have on key stakeholders and the achievement of our strategic goals.

The Audit and Risk Committee supports the Board in the management of risk and is responsible for reviewing the effectiveness of the risk management and internal control processes during the year.

See the **Audit and Risk Committee Report** on pages 121–131

The Board is further supported by the Clinical Performance Committee, which provides governance and oversight over clinical performance, related risks and control effectiveness, and the ESG Committee, which fulfils a similar function in relation to ESG matters including climate change.

See the reports of the Clinical Performance and the ESG committees on pages 132–134 and 135–136, respectively

RISK MANAGEMENT REPORT CONTINUED

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks are risks that can materially affect our business model, performance, prospects, solvency, liquidity or reputation. These are determined through a strategic risk review process where top risks are identified and assessed by divisional executive committees and the Group Executive Committee (with input from non-executive directors).

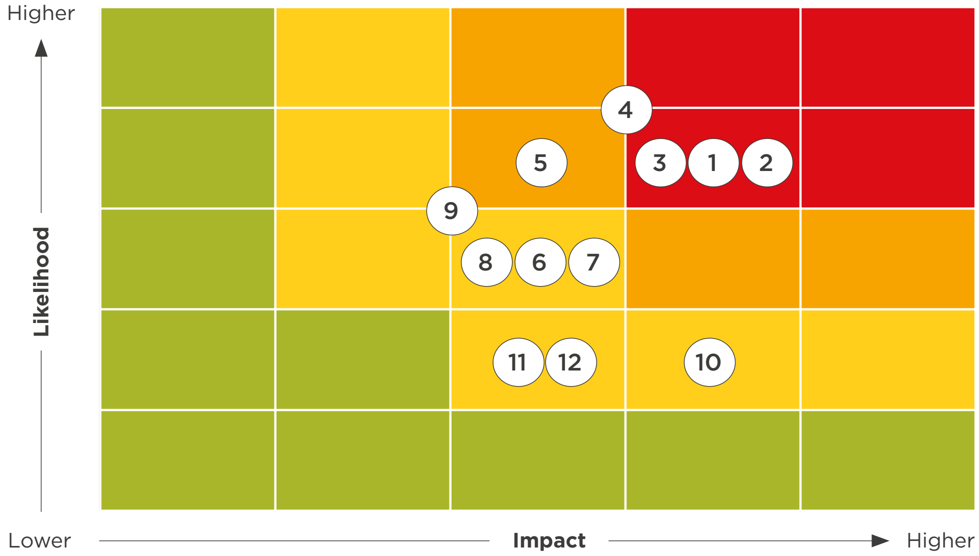
Risk assessments at functional, project and operational level → Divisional executive committee risk assessments → Group Executive Committee risk assessment → Principal risks

Our risk landscape is reviewed regularly by the Group Executive Committee and the Board. Political, economic, social, technological, environmental and legal developments that may impact the Group's operations and business model viability in the short, medium or long term are reviewed to identify emerging and transition risks (i.e. climate policy or technological shifts).

The Board reconsidered the Group's key risks and have made the following changes to the principal risks:

- The principal risks 'Business projects' and 'Disruptive innovation and digitalisation' were combined, and 'Patient safety and clinical quality' was combined with 'Quality of service and operational stability' due to the integrated or connected nature of these risk items.
- Given the potential direct and indirect impacts the changing climate poses to our operations, 'Climate change' has been added as a principal risk.

THE HEAT MAP SHOWS THE PRINCIPAL RISKS OF THE GROUP



		STRATEGIC RISKS	EXTERNAL RISKS/ THREATS	INTERNAL PREVENTABLE RISKS
1	Economic and business environment		•	
2	Regulatory and compliance		•	
3	Information systems security and cyberattacks		•	
4	Pandemics and infectious diseases		•	
5	Disruptive innovation and digitalisation	•		
6	Competition		•	
7	Workforce risks			•
8	Climate change		•	
9	Patient safety, quality of service and operational stability			•
10	Availability and cost of capital		•	
11	Financial and credit risk		•	
12	Business investments and acquisitions	•		

RISK MANAGEMENT REPORT CONTINUED

1. ECONOMIC AND BUSINESS ENVIRONMENT

TYPE OF RISK
External risk/Threat

OWNER
Group CFO

RISK APPETITE
Moderate to significant

RISK RATING
Critical

PRINCIPAL RISK
Downturn in the general economic and business environments impacting the affordability of healthcare for funders and self-paying patients.

The business environment risks include the effect of market dynamics on tariffs and fees as well as political stability and geopolitical risks.

KEY STAKEHOLDERS
- Clients
- Governments and authorities
- Healthcare insurers
- Investors

CONSIDERED IN VIABILITY ASSESSMENT
Yes, modelled volume reduction and downturn in the macroeconomic and business environment.

KEY MITIGATION
- Monitor developments and trends in the economic and business environments and early warning indicators
- Proactive monitoring and negotiation with funders
- Focus on quality and continuum of care to reinforce our market position

TREND
FY22 FY21
Escalation due to the increase in the political and geopolitical risk landscape.

LINK TO STRATEGY
1 2 3 4 5 6

2. REGULATORY AND COMPLIANCE

TYPE OF RISK
External risk/Threat

OWNER
Group Chief Governance Officer and divisional CEOs

RISK APPETITE
Low

RISK RATING
Critical

PRINCIPAL RISK
Adverse changes in legislation and regulations impacting on the Group, or where failure to comply with legislation and regulations may result in losses, fines, penalties or damage to reputation. We are also exposed to an increasing compliance monitoring cost.

The risks include healthcare reform by regulators aimed at reducing the cost of healthcare, broadening the access to quality healthcare, and increasing quality standards monitoring by regulators.

KEY STAKEHOLDERS
- Governments and authorities
- Industry partners
- Investors
- Medical practitioners

CONSIDERED IN VIABILITY ASSESSMENT
Yes, modelled reductions in tariffs and volumes.

KEY MITIGATION
- Proactive engagement with stakeholders
- Health policy units created to conduct research and provide strategic input into reform processes
- Active industry participation across all divisions
- Company Secretarial, Legal and Compliance functions support operational management, monitor regulatory developments and, where necessary, obtain expert legal advice for the effective implementation of compliance initiatives
- Compliance risks identified and assessed as part of compliance management processes

TREND
FY22 FY21
Increase due to healthcare reform and related impact on regulated tariffs, and the introduction of new legislation or regulations.

LINK TO STRATEGY
1 2 3 4 5 6

Risk exposure has increased due to change in the business environment, increased investments, increased dependency of operations on information technology ('IT'), information sensitivity, and associated cost.

Proactive and continuous monitoring, favourable results of negotiations, effective treasury, and risk management processes have resulted in lowering of risk exposure.

Risk exposure remains largely unchanged as the operating and regulatory environments have remained stable, and enhanced risk mitigation measures have kept the risk at the same level.

RISK MANAGEMENT REPORT CONTINUED

3. INFORMATION SYSTEMS SECURITY AND CYBERATTACKS

TYPE OF RISK
External risk/Threat

OWNER
Group Chief Information Officer

RISK APPETITE
Low

RISK RATING
Critical

PRINCIPAL RISK
Unauthorised access to information systems through external or internal attack or unauthorised breaches, resulting in the unavailability of systems, failure of data integrity and loss of confidential data.

KEY STAKEHOLDERS
- Clients
- Employees, alumni and potential applicants
- Governments and authorities
- Investors

CONSIDERED IN VIABILITY ASSESSMENT
Yes, considered the potential impacts on systems and operations and the possible effect of delayed billing on liquidity.

KEY MITIGATION
- Comprehensive information systems identity access management, change and physical access controls
- Regular security reviews
- Business continuity and disaster recovery plans
- Group information security and data privacy policies
- Insurance
- Group ICT Security Committee

TREND
FY22 FY21
Escalation due to increased prevalence of ransomware attacks compared with the prior reporting period.

LINK TO STRATEGY
1 2 3 4 5 6

4. PANDEMICS AND INFECTIOUS DISEASES

TYPE OF RISK
External risk/Threat

OWNER
Group Chief Clinical Officer

RISK APPETITE
Low

RISK RATING
Critical

PRINCIPAL RISK
A pandemic occurs when an infectious disease rapidly infects many people and spreads to multiple countries and continents.

These risks refer to our ability to respond effectively to the potential adverse clinical, operational and business effects caused by a pandemic or infectious disease.

KEY STAKEHOLDERS
- Clients
- Employees, alumni and potential applicants
- Governments and authorities
- Investors
- Medical practitioners
- Professional societies

CONSIDERED IN VIABILITY ASSESSMENT
Yes, modelled adverse impact on volumes caused by COVID-19 pandemic.

KEY MITIGATION
- Hospital and business incident response planning
- Central coordination of task teams and clinical governance
- Monitoring
- Financial scenario planning
- Communication strategy

TREND
FY22 FY21
The risk relating to the COVID-19 pandemic has decreased due to the effectiveness of the global response, vaccination programmes and the robust performance of the Group throughout the period.

LINK TO STRATEGY
1 2 3 4 5 6

RISK MANAGEMENT REPORT CONTINUED

5. DISRUPTIVE INNOVATION AND DIGITALISATION

TYPE OF RISK
Strategic

OWNER
Group Chief Innovation Officer

RISK APPETITE
Moderate to significant

RISK RATING
High

PRINCIPAL RISK
The disintermediation and erosion of our business model due to the impact of technological development. It refers to the extent and speed at which new technologies (and combinations thereof) change and transform industries, and to what extent an organisation can exploit these opportunities by being responsive and innovative, while managing associated risks.

We are implementing various business projects as we adapt to the evolving operational and regulatory environment and healthcare market. These business projects carry risks relating to occurrences that could interfere with successful completion of projects, including timelines, cost and quality.

KEY STAKEHOLDERS
- Clients
- Employees, alumni and potential applicants
- Industry partners
- Investors
- Medical practitioners

CONSIDERED IN VIABILITY ASSESSMENT
No

KEY MITIGATION
- Dedicated Innovation function, which includes digital transformation
- Strategic planning processes
- Proactive monitoring
- Continuum of care strategy
- Effective project governance practices, methodologies and reporting
- Experienced project management teams
- Proactive monitoring and oversight

TREND
FY22 FY21
Improved as we continue to invest in our innovation and digitalisation initiatives across the continuum of care.

LINK TO STRATEGY
1 2 3 4 5 6

6. COMPETITION

TYPE OF RISK
External risk/Threat

OWNER
Group CEO and divisional CEOs

RISK APPETITE
Moderate

RISK RATING
Medium

PRINCIPAL RISK
Uncertainty created by existing and/or emerging competitors with alternative business models, including outmigration of care (partly driven by further technological developments) and the development of alternative care models.

KEY STAKEHOLDERS
- Clients
- Employees, alumni and potential applicants
- Healthcare insurers
- Industry partners
- Investors
- Medical practitioners

CONSIDERED IN VIABILITY ASSESSMENT
Yes, modelled reductions in volumes as well as tariffs.

KEY MITIGATION
- Proactive monitoring
- Strategic planning processes
- Quality and value of care processes

TREND
FY22 FY21
Providers in the healthcare market remained stable for the period under review with no significant change in our risk profile.

LINK TO STRATEGY
1 2 3 4 5 6

7. WORKFORCE RISKS

TYPE OF RISK
Internal preventable risk

OWNER
Group Chief Strategy and Human Resources Officer and divisional CEOs

RISK APPETITE
Low

RISK RATING
Medium

PRINCIPAL RISK
Availability, retention, recruitment and affordability of qualified healthcare workers.

The availability and support of admitting medical practitioners, whether independent or employed, are critical to our services.

Potential negative effect of COVID-19 on frontline healthcare workers, who are working under immense and unprecedented pressure for extended periods and putting their physical, mental and social wellbeing at risk.

KEY STAKEHOLDERS
- Employees, alumni and potential applicants
- Investors
- Medical practitioners

CONSIDERED IN VIABILITY ASSESSMENT
Yes, modelled shortage of qualified and experienced healthcare employees as part of cost inflation in business environment scenario.

KEY MITIGATION
- Systems to monitor satisfaction, movement and profiles of medical practitioners
- Details on the relationship and engagement with medical practitioners provided in the **2022 Sustainable Development Report**
- Employment, recruitment and retention strategies explained in the **2022 Sustainable Development Report**
- Extensive training and skills development programme and international recruitment programme explained in the **2022 Sustainable Development Report**
- The wellbeing of all employees is actively monitored and managed through well-established support structures, as expanded on in the **2022 Sustainable Development Report**

TREND
FY22 FY21
Vacancies and turnover ratios in respect of skilled resources and medical practitioners are expected to remain at similar levels in the Group, supported by a growing number of wellbeing and mental health initiatives.

LINK TO STRATEGY
1 2 3 4 5 6

8. CLIMATE CHANGE

TYPE OF RISK
External risk/Threat

OWNER
Group Chief Governance Officer

RISK APPETITE
Low to moderate

RISK RATING
Medium

PRINCIPAL RISK
Potential impacts caused by long-term shifts in climate patterns. This includes the rise in temperatures across the globe as well as the increase in extreme weather events, which, in turn, may impact negatively on the economic environment. Climate change may disrupt our day-to-day operations and increase our cost of doing business due to:

- increased risk of extreme weather events; and
- increased costs due to
  - increased electricity consumption,
  - carbon tax,
  - investment in new technology, and
  - water scarcity.

See the **TCFD report** on page 53 for a list of transitional and physical risks

KEY STAKEHOLDERS
- Employees, alumni and potential applicants
- Governments and authorities
- Industry partners
- Investors

CONSIDERED IN VIABILITY ASSESSMENT
No

KEY MITIGATION
- Group's Sustainable Development Strategy addresses environmental risks

See the **Sustainable development overview** on page 34

- Monitoring of the risks from climate change
- Programmes to reduce waste to landfill
- Reducing water and electricity usage
- Investing in energy-efficient technologies and procuring renewable energy
- Insurance cover
- Group actions to mitigate and minimise the impact of climate change, and minimise our impact on the environment are described on pages 37–39

TREND
FY22: New risk item added. FY21: - The risk is added as a principal risk as the effects of climate change are expected to make extreme climate events more frequent and significant for the Group.

LINK TO STRATEGY
1 2 3 4 5 6

9. PATIENT SAFETY, QUALITY OF SERVICE AND OPERATIONAL STABILITY

TYPE OF RISK
Internal preventable risk

OWNER
Group Chief Clinical Officer and divisional chief operating officers

RISK APPETITE
Low

RISK RATING
Medium

PRINCIPAL RISK
These risks firstly relate to all clinical risks associated with clinical care provision resulting in undesirable clinical outcomes.

Such risks may also result in damage to Mediclinic's reputation and impact on brand equity[1].

Operational risks refer to diverse types of operational events with a potential for financial loss, operational interruptions or reputational damage. These risks refer to the quality of service and the stability of the operations, including:
- incidents of poor service or where operational management fails to respond effectively to complaints;
- operational interruptions, which refer to any disruption of the facility and may include the threat of disrupted electricity or water supply; and
- fire and allied perils causing damage or business interruption.

KEY STAKEHOLDERS
- Clients
- Employees, alumni and potential applicants
- Healthcare insurers
- Industry partners
- Investors
- Medical practitioners

CONSIDERED IN VIABILITY ASSESSMENT
No

KEY MITIGATION
See the **2022 Clinical Services Report** for a detailed analysis of the strategies to manage and monitor clinical risks

- Accreditation processes
- Clinical governance processes
- Monitoring of clinical performance indicators
- Focus on quality management processes
- Stakeholder engagement and disclosure strategies
- Clinical audits
- Client experience surveys (both internal and external)
- Complaints monitoring
- Training programmes and supervision of service levels
- Emergency backup electricity generation
- Emergency and disaster planning
- Extensive fire-fighting and detection systems, including comprehensive maintenance processes
- Comprehensive insurance cover for financial impact of disasters

TREND
FY22 FY21
These risks did not change significantly and remained stable for the period under review.

LINK TO STRATEGY
1 2 3 4 5 6

Note
[1] Brand equity refers to the commercial value derived from the consumer perception of our brand names rather than the services provided under those brand names.

10. AVAILABILITY AND COST OF CAPITAL

TYPE OF RISK
External risk/Threat

OWNER
Group CFO

RISK APPETITE
Moderate

RISK RATING
Medium

PRINCIPAL RISK
We require capital to finance strategic expansion opportunities and/or refinance or restructure existing debt – the cost, terms and availability of which depend on prevailing market conditions.

KEY STAKEHOLDERS
- Financial institutions
- Investors

CONSIDERED IN VIABILITY ASSESSMENT
Yes, modelled increased cost of capital as part of cost inflation in business environment risk scenario. Modelled working capital as part of deterioration in the Middle East accounts receivable scenarios.

KEY MITIGATION
- Long-term planning of capital requirements and cash-flow forecasting
- Scrutiny of cash-generating capacity within the Group
- Proactive and long-term agreements with banks and other funders relating to funding facilities
- Systems to monitor compliance with requirements of debt covenants

See note 25 to the **Group annual financial statements** on page 215 for further details on capital risk management and the Group's borrowings

TREND
FY22 FY21
Long-term financing arrangements are in place.

The Group's leverage across the divisions has reduced and is at levels where the refinancing at current market conditions should be possible. Although interest rates are expected to increase during FY23, they are not giving rise to an increase in the risk rating.

LINK TO STRATEGY
1 2 3 4 5 6

11. FINANCIAL AND CREDIT RISK

TYPE OF RISK
External risk/Threat

OWNER
Group CFO

RISK APPETITE
Low

RISK RATING
Medium

PRINCIPAL RISK
Credit risks relate to possible loss arising from a funder's inability to pay the outstanding balance owing, default by banks and/or other deposit-taking institutions, or the inability to recover outstanding amounts due from patients.

Credit risk with respect to trade receivables consists mainly of medical schemes and insurance companies, which are required to maintain minimum reserve levels. In Switzerland and the Middle East, a large part of trade receivables is owed by cantonal or government-funded programmes.

KEY STAKEHOLDERS
- Healthcare insurers
- Investors

CONSIDERED IN VIABILITY ASSESSMENT
Yes, modelled working capital deterioration.

KEY MITIGATION
- Preservation of a sound internal financial control environment
- Effective operational risk management processes
- Effective monitoring and oversight of operations
- Regulated minimum solvency requirements for funders
- Monitoring of approved funders
- Group Treasury Policy

TREND
FY22 FY21
The credit risks did not change significantly and remained stable.

LINK TO STRATEGY
n/a

12. BUSINESS INVESTMENTS AND ACQUISITIONS

TYPE OF RISK
Strategic

OWNER
Group CFO

RISK APPETITE
Moderate

RISK RATING
Medium

PRINCIPAL RISK
Increased financial exposure resulting from major strategic business investments and acquisitions, including the sensitivity of the assumptions made when capital is allocated and the effective implementation of major investment decisions.

KEY STAKEHOLDERS
- Governments and authorities
- Industry partners
- Investors

CONSIDERED IN VIABILITY ASSESSMENT
No

KEY MITIGATION
- Strategic planning processes
- Due diligence processes
- Investment mandates
- Board oversight
- Post-acquisition management processes

TREND
FY22 FY21
The investment and governance processes remained unchanged for the period under review.

LINK TO STRATEGY
1 2 3 4 5 6

VIABILITY ASSESSMENT

ASSESSMENT OF PROSPECTS

The directors have assessed the prospects of the Group by reference to its current financial position, its recent performance, investment case, strategy, annual financial planning and risk assessment. The Group's strategy, which informs the annual financial planning process, considers factors such as technological, social and environmental changes.

ASSESSMENT PERIOD

The directors have determined the five years to March 2027 to be an appropriate period for providing the viability statement as it is consistent with the annual planning period, which largely reflects the benefit of investments made in the present period.

ASSESSMENT OF VIABILITY

The business plan reflects the Group's strategy, associated risks and the directors' best estimate of its prospects. Fundamental to the assessment of the Group's prospects is the long-term business model of quality service delivery and revenue growth under acceptable risk tolerance. The annual financial planning process includes a detailed bottom-up approach per division for the budget year (performed by each clinic and hospital) and an extension of the key assumptions to the forecast period. The budgets and five-year plans, including the Group strategic goals, are iteratively reviewed and finally approved by the divisional executive committees, the Group Executive Committee and the Board.

The five-year period extends beyond the maturities of a material portion of the Group's borrowings in each division. The Group expects to be able to refinance existing borrowings on broadly similar terms and conditions before the existing facilities expire.

See page 237 for the maturity profile of the Group's borrowings

The assessment included stress tests of various severe but plausible scenarios.

RISK SCENARIOS	IMPACT
1. Adverse regulatory changes and pressure on tariffs	Annual impact on Group EBITDA between 2.6% and 4.4%
2. Reduction in volumes	Annual impact on Group EBITDA between 9.8% and 15.9%
3. Macroeconomic environment and cost inflation in business environment	Annual impact on Group EBITDA between 4.6% and 11.3%
4. Deterioration in the Middle East accounts receivable collection	Net debt impact between £4.0m and £5.0m
5. Deterioration in health insurance mix	Annual impact on Group EBITDA between 1.5% and 9.4%
6. Impact of COVID-19 pandemic	FY23 Group EBITDA of 5.6%

The impact of each scenario and certain scenarios in combination were modelled and assessed on EBITDA or profit after tax as appropriate, net debt and debt covenant tests over the five-year forecast period.

The principal risks and related key assumptions underlying each division's business plans were stress tested. Due to the mostly fixed employee cost base across the business, lower revenue – due to either a reduction in tariffs or volumes – has the most pronounced impact on EBITDA.

See pages 186–187 for a further analysis of the going concern assertion, which has been adopted in preparing the financial statements

VIABILITY STATEMENT

The assessment described alongside showed that the business, with its geographically diverse portfolio, would be able to withstand any of the severe but plausible individual scenarios and the combinations modelled, *ceteris paribus*, by taking management action with the following key mitigating steps: reducing discretionary investment, initiating cost management initiatives, using drawdown of overdraft facilities, and improving net working capital days.

Considering the Group's prospects and principal risks and uncertainties, the directors confirm that the Group will be able to continue in operation and meet its liabilities as they fall due, in the ordinary course of business, over the five-year period of their detailed assessment, ending 31 March 2027.

GOVERNANCE AND REMUNERATION REPORT

CONTENTS

CHAIR'S INTRODUCTION

I am pleased to present this year's Governance and Remuneration Report. As I mentioned earlier in this Annual Report, it has been another challenging year for our people, management and my fellow Board members, and I am proud of how we supported not only each other, but also our clients, our colleagues and other stakeholders across the business.

The Board and executive team remain committed to applying robust and effective corporate governance practices and the highest standards of integrity and ethics, embodied in our purpose, values and culture. These aspects are embedded in our policies, practices and day-to-day operations, actively managed by the Group's leadership, and closely monitored by the Board. This Governance and Remuneration Report provides further details on our corporate governance, the activities of the Board and its committees during the year, and their alignment with the strategic direction of the Group.

The Board continued to exercise keen oversight of the Group's strategy and its implementation. In parallel, we took the opportunity to review the composition of the Board, and the structure of its committees and the Group Executive Committee, and align them more closely to the Group's strategy. Natalia Barsegiyan and Zarina Bassa were welcomed to the Board as independent non-executive directors during the year, broadening and strengthening our existing skills and experience. We also welcomed Professor Wim de Villiers as an independent external expert adviser to support the work of the Clinical Performance Committee. The Board bid farewell to Alan Grieve and Trevor Petersen as they stepped down as directors, and we express our gratitude for their contribution during their many years of service. I am grateful to Dr Felicity Harvey for assuming the role of SID, and to Tom Singer and Steve Weiner for taking over as chairs of the Audit and Risk and the Remuneration committees, respectively.

Following these changes, the composition of the Board exceeds the targets set by the Hampton-Alexander and Parker reviews, as well as the Board-level targets of the FTSE Women Leaders Review. The restructuring of the Group Executive Committee has created new opportunities to increase the diversity of the executive leadership team, in line with the aims and objectives of the Group's Diversity and Inclusion Policy. The Nomination Committee will continue to work with management to strengthen the breadth, depth and diversity of the talent pipeline leading up to the executive directors. This effort will be supported in part by the new committee charged with oversight of ESG matters, reflecting the importance of this area to our success and to management, the Board and our stakeholders. The composition of each of the Board's committees has been carefully designed to ensure they have the necessary skills and links to committees with overlapping interests, enhancing the flow of information between them. The benefit of these new arrangements started to become evident as we prepared to publish our first TCFD report this year.

Lintstock Ltd ('Lintstock') conducted a detailed Board evaluation during the period to ensure the Board continued to operate effectively and was well positioned to lead the Group going forward. The Board and its committees subsequently reviewed and updated their priorities as necessary, to ensure our time is allocated to the areas of most importance to the Group in the coming year. After a long period of meeting mostly virtually, we are excited by the opportunity for more in-person interactions in FY23.

See page 114 of the **Corporate Governance Statement** and pages 30–33 of our **Section 172 statement** for more details of the Board's principal areas of focus and key decisions

We are looking forward to welcoming shareholders to our 2022 AGM (assuming no untoward developments). We will also be holding a pre-AGM online event for anyone unable to attend the AGM. I hope you will be able to join and engage with us at one of these opportunities.

Dame Inga Beale
Non-executive Chair
24 May 2022

BOARD OF DIRECTORS

1. Dr Muhadditha Al Hashimi
2. Dr Ronnie van der Merwe
3. Jannie Durand
4. Steve Weiner
5. Dr Anja Oswald
6. Danie Meintjes
7. Natalia Barsegiyan
8. Jurgens Myburgh
9. Zarina Bassa
10. Tom Singer
11. Dame Inga Beale
12. Dr Felicity Harvey

BOARD OF DIRECTORS CONTINUED

The biographies of the directors and their committee memberships are set out in this section.

COMMITTEE MEMBERSHIP KEY

- A Audit and Risk Committee
- C Clinical Performance Committee
- E ESG Committee
- I Investment Committee
- N Nomination Committee
- R Remuneration Committee
- ■ Chair of committee

NATIONALITY:
BRITISH

APPOINTED:
CHAIR DESIGNATE MARCH 2020, CHAIR JULY 2020

DAME INGA BEALE
NON-EXECUTIVE CHAIR

E I N R

KEY STRENGTHS AND EXPERIENCE

- Nearly 40 years' business management and leadership experience
- Instrumental in large-scale digital and cultural transformation

As the first female CEO of Lloyd's of London, from 2014 to 2018, Inga led its expansion into Dubai, China and India, and advanced diversity and inclusion initiatives across the international insurance sector. Her background in global financial services, insurance and risk management brings a different perspective to the Board's debates. Previously, she held various senior leadership positions at Converium, Zurich Insurance Group, Canopius and GE Insurance Solutions.

She has been an associate of the Chartered Insurance Institute since 1987 and was appointed Dame Commander of the Order of the British Empire in 2017 for services to the UK economy.

KEY EXTERNAL APPOINTMENTS

Independent non-executive director of Crawford & Company, Inc. and Willis Towers Watson plc, member of the supervisory board of NN Group N.V., and Patron of Insuring Women's Futures.

NATIONALITY:
SOUTH AFRICAN

APPOINTED:
JUNE 2018

DR RONNIE VAN DER MERWE
GROUP CHIEF EXECUTIVE OFFICER

C E I

KEY STRENGTHS AND EXPERIENCE

- Strong track record of leadership and management within private sector healthcare
- Experience in strategy, organisational development, clinical performance, technology adoption and quality management
- Qualified anaesthesiologist with expertise in intensive care, acute and chronic pain, and trauma, as well as managed healthcare principles and reimbursement models

Ronnie joined Mediclinic in 1999 and served as Chief Clinical Officer before his appointment as Group CEO. He was an executive director of Mediclinic International Ltd from 2010 up to the reverse takeover of Al Noor Hospitals Group plc. Ronnie has extensive knowledge of Mediclinic's operations. He established the Clinical Services, Clinical Information, Advanced Analytics, Health Information Management and central Procurement functions at Mediclinic, driving growth.

He holds an MBChB (Stellenbosch University), a DA (SA) (College of Anaesthetists of South Africa) and the FCA (SA) (Fellowship of the College of Anaesthetists of South Africa), and has completed the Advanced Management Program (Harvard Business School).

KEY EXTERNAL APPOINTMENTS

Non-executive director of Spire since 24 May 2018 under the terms of the shareholder agreement between Spire and Mediclinic.

NATIONALITY:
SOUTH AFRICAN

APPOINTED:
AUGUST 2016

JURGENS MYBURGH
GROUP CHIEF FINANCIAL OFFICER

I

KEY STRENGTHS AND EXPERIENCE

Over 20 years' broad financial and accounting experience

As a qualified chartered accountant with extensive investment banking experience, Jurgens takes a balanced approach to financial management and growth. Since joining Mediclinic as Group CFO, he has driven a structured approach to capital allocation with an emphasis on free cash flow and ROIC. Previously, he served as CFO at Datatec Ltd. He qualified with KPMG and, in 2001, joined The Standard Bank of South Africa Ltd, where he was appointed as Head of Mergers and Acquisitions in 2009.

He holds a BCom Hons in Accounting (University of Johannesburg) and is registered with the South African Institute of Chartered Accountants ('SAICA').

KEY EXTERNAL APPOINTMENTS

None.

BOARD OF DIRECTORS CONTINUED

NATIONALITY:
BRITISH

APPOINTED:
INDEPENDENT NON-EXECUTIVE DIRECTOR OCTOBER 2017,
SID SEPTEMBER 2021

DR FELICITY HARVEY CBE
SENIOR INDEPENDENT DIRECTOR

C E N

KEY STRENGTHS AND EXPERIENCE
- In-depth knowledge of health sector with both clinical experience and public health expertise
- Strong insight into healthcare technology and sustainable development

Felicity was previously Director General for Public and International Health for the UK Government; Head of Medicines, Pharmacy and Industry Group at the Department of Health, London; Director of the UK Prime Minister's Delivery Unit; Director of Prison Health for Her Majesty's Prison Service; Head of Quality Management at NHS Executive; and Private Secretary to the Chief Medical Officer.

She holds an MBBS (St Bartholomew's Medical College, University of London), a PgDip in Clinical Microbiology (The Royal London Hospital College, University of London) and an MBA (Henley Management College). She was appointed CBE in 2008 and is an Honorary Fellow of the Royal College of Physicians and a Fellow of the Faculty of Public Health.

KEY EXTERNAL APPOINTMENTS
Non-executive director of Guy's and St Thomas' NHS Foundation Trust and Halcyon Topco Ltd (ultimate parent company of Sciensus); visiting professor at the Institute of Global Health Innovation, Imperial College London; co-chair of the World Health Organization Independent Oversight and Advisory Committee for Health Emergencies Programme.

NATIONALITY:
EMIRATI

APPOINTED:
NOVEMBER 2017

DR MUHADDITHA AL HASHIMI
INDEPENDENT NON-EXECUTIVE DIRECTOR

C R

KEY STRENGTHS AND EXPERIENCE
- Significant experience of healthcare and higher education industry in the UAE
- Strategic and tactical expertise in operations, fiscal management and transaction negotiation

Muhadditha contributes valuable insights into the Middle East's geopolitical landscape. Previously, she was CEO of Dubai Healthcare City; CEO of the Mohammed Bin Rashid Al Maktoum Academic Medical Center; Deputy CEO of Tatweer; a member of Dubai Holding; Executive Dean of the Faculty of Health Sciences, Higher Colleges of Technology ('HCT'); Acting Deputy Vice Chancellor of Academic Affairs at HCT; and Director of Education of the Harvard Medical School Dubai Center.

She holds a BS in Medical Technology (University of Minnesota), an MSc in Clinical Laboratory Services (University of Minnesota) and a Doctor of Public Health (University of Texas).

KEY EXTERNAL APPOINTMENTS
President and chair of the board of trustees of the Sharjah Education Academy; chair of the Sharjah Private Education Authority; a member of the University of Sharjah's board of trustees, Audit and Compliance Committee and Academic Committee.

NATIONALITY:
FRENCH, RUSSIAN

APPOINTED:
AUGUST 2021

NATALIA BARSEGIYAN
INDEPENDENT NON-EXECUTIVE DIRECTOR

A E

KEY STRENGTHS AND EXPERIENCE
- Strong finance background with commercial and strategic focus
- Extensive understanding of data analytics to support transformation

Natalia is a former Chief Commercial Officer of Yum! Brands, Inc. (owner of brands such as KFC) and former CFO of its subsidiary, Taco Bell. A certified professional accountant (RF CPA) and certified management accountant (USA CMA), she was born in Ukraine, and has lived and worked across the United States, Europe, Russia and the UK.

She holds an MEng in Electrical Engineering (Moscow State University of Transport, Russia) and an MBA (Academy of National Economy, Russia), and completed executive education programmes on Valuation, Mergers and Acquisitions (Harvard), Financial Management (Stanford Graduate School of Business), and Organisational Design for Digital Transformation (MIT Sloan School of Management).

KEY EXTERNAL APPOINTMENTS
Non-executive director of Domino's Pizza Group plc, chair of its Sustainability Committee and member of its Audit, Remuneration and Nomination committees; adviser to Kharis Capital, a private equity firm based in Belgium.

NATIONALITY:
SOUTH AFRICAN

APPOINTED:
FEBRUARY 2022

ZARINA BASSA
INDEPENDENT NON-EXECUTIVE DIRECTOR

R

KEY STRENGTHS AND EXPERIENCE
- Strategic and operational experience in complex, regulated environments
- Strong financial and accounting background
- Diverse experience in listed companies across a breadth of sectors and jurisdictions

Zarina has served as a non-executive director at several companies, including Kumba Iron Ore Limited, Mercedes Benz SA Ltd, Sun International Ltd, Vodacom South Africa Proprietary Ltd, Yebo Yethu Ltd and Woolworths Holdings Ltd, as well as SAICA, the Accounting Standards Board, and the Financial Services Board. She also chaired the South African Public Accountants' and Auditors' Board, and the South African Auditing Standards Board. Prior to that, she was a partner of Ernst & Young Inc. and, in 2002, joined the Absa Group, where she served as an executive director of Absa Bank, a member of the group's executive committee and Head of the Private Bank.

She holds a BAcc (University of Durban-Westville) and is registered with SAICA.

KEY EXTERNAL APPOINTMENTS
SID of Investec plc and Investec Ltd, the specialist banking and wealth management group with dual listings on the LSE and JSE, and non-executive director of certain of their subsidiaries; non-executive director of JSE Ltd and Oceana Group Ltd, South African companies listed on the JSE.

BOARD OF DIRECTORS CONTINUED

NATIONALITY:
SOUTH AFRICAN

APPOINTED:
FEBRUARY 2016[1]

JANNIE DURAND
NON-EXECUTIVE DIRECTOR

I N

KEY STRENGTHS AND EXPERIENCE
- Over 20 years' investment experience with substantial strategic and tactical expertise
- Significant knowledge of capital markets, finance and accounting, risk management, investor relations

Jannie joined the Rembrandt Group in 1996 and became CEO of Remgro in 2012. He is the Board representative for Remgro, which holds a 44.56% interest in the Company. Jannie was a non-executive director of Mediclinic International Ltd from 2012 to 2016, when it combined with the Company (then Al Noor Hospitals Group plc) to become Mediclinic International plc.

He holds a BAcc Hons in Accountancy (Stellenbosch University) and an MPhil in Management Studies (Oxford University). Jannie is registered with SAICA.

KEY EXTERNAL APPOINTMENTS
CEO of Remgro; non-executive chair for the following listed companies within the Remgro group: Distell Group Holdings Ltd, RCL Foods Ltd and Rand Merchant Investment Holdings Ltd.

Note
[1] Pieter Uys, the Head of Strategic Investment at Remgro, was appointed as Jannie's alternate in April 2016. Prior to joining Remgro, he was a founding member and ultimately became the CEO of the Vodacom Group. Pieter holds an MEng in Electronic Engineering (Stellenbosch University) and an Executive MBA (Stellenbosch University).

NATIONALITY:
SOUTH AFRICAN

APPOINTED:
NON-EXECUTIVE DIRECTOR AUGUST 2018, NON-EXECUTIVE DIRECTOR FOR WORKFORCE ENGAGEMENT APRIL 2019

DANIE MEINTJES
NON-EXECUTIVE DIRECTOR

E I

KEY STRENGTHS AND EXPERIENCE
- Significant operational, strategic and risk management experience
- Extensive knowledge of the healthcare sector

As the former Group CEO, Danie led Mediclinic's efforts to invest in our workforce and is uniquely positioned to oversee and evaluate employee engagement. He was CEO of Mediclinic from 2010 up to his retirement on 1 June 2018. He became an executive director and Group CEO of the Company on 15 February 2016 upon the Company's listing on the LSE. Danie served in various management positions in the Remgro group before becoming the Hospital Manager of Mediclinic Sandton in 1985. He joined Mediclinic's Executive Committee in 1995 and became a director in 1996. He was seconded to the Group's Dubai operations in 2006 and appointed CEO of Mediclinic Middle East in 2007. He served as a non-executive director of Spire from 2015 to 2018.

He holds a BPL Hons in Industrial Psychology (University of the Free State) and completed the Advanced Management Program (Harvard Business School).

KEY EXTERNAL APPOINTMENTS
Non-executive director of Capitec Bank Holdings Ltd and Capitec Bank Ltd.

NATIONALITY:
SWISS

APPOINTED:
JULY 2018

DR ANJA OSWALD
INDEPENDENT NON-EXECUTIVE DIRECTOR

C N

KEY STRENGTHS AND EXPERIENCE
- Experience in healthcare, clients' needs and the medical operational sector
- Experience in digital transformation and digital ecosystems in healthcare services
- Insights into political, regulatory and administrative context of healthcare in Switzerland

Anja was previously Deputy Medical Officer in the Department of Health and Head of Medical and Pharmaceutical Services. She served on various cantonal, regional and national committees in Swiss health administration, working closely with political opinion leaders. She was also CEO of a healthcare start-up company and worked several years as a medical doctor in various hospitals.

Anja holds an MD-PhD (University of Basel), specialising in Orthopaedic Surgery and Traumatology, as well as in Sports Medicine; an Executive MBA (University of Rochester-Bern); a certificate in General Management (University of Bern); and a certificate of the Swiss Board School (International Center for Corporate Governance of the University of St. Gallen).

KEY EXTERNAL APPOINTMENTS
CEO of Klinik Sonnenhalde AG; member of the boards of Integrierte Psychiatrie Winterthur and Zippsafe AG; Past-President of the Association of Private Hospitals in Basel.

NATIONALITY:
BRITISH

APPOINTED:
JULY 2019

TOM SINGER
INDEPENDENT NON-EXECUTIVE DIRECTOR

A I R

KEY STRENGTHS AND EXPERIENCE
- Thorough understanding of UK-listed company environment, including risk management and internal control
- Experience in healthcare, innovation and transformation

Tom's long career in finance makes him ideally suited to his role as Chair of the Audit and Risk Committee. He is a former non-executive director of Liberty Living Group PLC and DP Eurasia N.V. and previously served as CFO of InterContinental Hotels Group PLC and British United Provident Association ('BUPA'), a provider of health-related services including private hospitals. Earlier in his career, Tom was CFO and Chief Operating Officer of William Hill PLC and Finance Director of Moss Bros PLC. He started his career in professional services and spent a total of 12 years at Price Waterhouse and McKinsey.

He is a qualified chartered accountant with a BSc Hons Finance and Accounting (University of Bristol) and has completed the Advanced Management Programme (INSEAD).

KEY EXTERNAL APPOINTMENTS
Non-executive director of Halfords Group plc, chair of their Audit Committee and member of their ESG, Nomination and Remuneration committees.

BOARD OF DIRECTORS CONTINUED

NATIONALITY:
AMERICAN

APPOINTED:
JULY 2020

STEVE WEINER
INDEPENDENT NON-EXECUTIVE DIRECTOR

A C R

KEY STRENGTHS AND EXPERIENCE

- Significant healthcare and international consumer goods experience
- Finance and business transformation leadership roles in large, complex organisations in developed and developing markets

Steve spent the majority of his finance career with the international consumer goods group Unilever, most recently as Group Controller responsible for performance management, accounting, reporting and control. He was a member of Unilever's Global Finance Leadership Team, working closely with the group's board and Audit Committee.

He has a Masters in Finance (Columbia University) and a BSc in Management (Rutgers University).

KEY EXTERNAL APPOINTMENTS

Non-executive director of Guy's and St Thomas' NHS Foundation Trust, chair of their Transformation and Major Programmes Committee and member of their Audit and Risk, Quality and Performance, Remuneration, and Strategy and Partnership committees; non-executive director of King's College Hospital NHS Foundation Trust and member of its Audit and Finance and Commercial committees.

BOARD SKILLS MATRIX

	HEALTHCARE	MEDICAL/CLINICAL/ OPERATIONAL	SUSTAINABILITY	MARKETING AND CUSTOMER FOCUS	AUDIT, FINANCE AND CONTROL	RISK MANAGEMENT	IT, CYBERSECURITY	STRATEGY, CAPITAL MARKETS, INVESTOR MANAGEMENT	OTHER STAKEHOLDER MANAGEMENT	HUMAN RESOURCES, TALENT MANAGEMENT, COMPENSATION AND BENEFITS	INNOVATION, TRANSFORMATION
Dame Inga Beale			●	●	●	●	●	●	●	●	●
Dr Ronnie van der Merwe	●	●	●	●	●	●	●	●	●	●	●
Jurgens Myburgh					●	●		●			
Dr Felicity Harvey	●	●	●			●			●		●
Dr Muhadditha Al Hashimi	●	●		●	●	●	●		●	●	●
Natalia Barsegiyan			●	●	●	●	●	●		●	●
Zarina Bassa					●	●	●	●	●	●	
Jannie Durand			●	●	●	●	●	●	●	●	●
Danie Meintjes	●	●	●	●				●	●	●	
Dr Anja Oswald	●	●		●					●		●
Tom Singer					●	●		●			●
Steve Weiner	●		●		●	●	●	●		●	●

● Indicates strong oversight or practical experience

GROUP EXECUTIVE COMMITTEE

See page 104 for the biographies of the Group CEO and Group CFO

See the 'About Mediclinic International' section of our website at www.mediclinic.com for the complete biographies of the Group Executive Committee

The Group CEO is supported by an experienced and capable executive management team, with extensive industry experience and organisational knowledge. The success of Mediclinic is testament to the strong management team and its ability to execute on the Mediclinic Group Strategy.

GERT HATTINGH
Group Chief Governance Officer

DR DIRK LE ROUX
Group Chief Information Officer

MAGNUS OETIKER
Group Chief Strategy Officer

KOERT PRETORIUS
Group Chief Operating Officer

DR RENÉ TOUA
Group Chief Clinical Officer

DR TYSON WELZEL
Group Chief Innovation Officer

DR DANIEL LIEDTKE
Chief Executive Officer: Hirslanden

GREG VAN WYK
Chief Executive Officer: Mediclinic Southern Africa

DAVID HADLEY
Chief Executive Officer: Mediclinic Middle East

CORPORATE GOVERNANCE STATEMENT

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE AND LISTING RULES

This Governance and Remuneration Report describes how the Board has applied the principles of the Code published by the FRC (www.frc.org.uk) and complied with its provisions. The five themes set out in the Code are covered in this Corporate Governance Statement (the 'Statement') and subsequent pages of the Governance and Remuneration Report or in other sections of the Annual Report, where indicated with cross references.

THEME	PAGE/S
Board leadership and Company purpose	26–34, 91–92, 102, 110–112, 114–117, 129
Division of responsibilities	110–114, 119, 136, 157–161
Composition, succession and evaluation	110–111, 117–119, 137–142
Audit, risk and internal control	89, 91–101, 121–131, 171
Remuneration	143–167

The Board is pleased to report that during FY22 and up to 24 May 2022 (the 'Last Practicable Date'), the Company complied with all the provisions of the Code, with the following exceptions:

- Steve Weiner's appointment as Chair of the Remuneration Committee on 13 September 2021 was not fully compliant with Provision 32 as, prior to that, he had served as a member of the Remuneration Committee for only 10 months. Nevertheless, the Nomination Committee had every confidence that Steve had the appropriate skills and experience to carry out the role. He had attended five meetings of the Remuneration Committee after his appointment as a member, and was therefore familiar with its discussions and workings. In addition, as a member of the Audit and Risk and the Clinical Performance committees, he had excellent insight into the setting of appropriate financial and non-financial performance measures and targets for the STI and LTI schemes.
- The Remuneration Committee has engaged with investors on the Company's Remuneration Policy and outcome. However, the Remuneration Committee has not engaged directly with the workforce on remuneration matters and is therefore not fully compliant with Provisions 40 and 41 of the Code.

See page 156 of the **Remuneration Committee Report** for a more detailed explanation

Midstream, South Africa

- Under the Code and associated FRC guidance, the chair is not subject to the independence test after appointment, and excluded from the Board independence calculation, but is expected to exercise objective judgement throughout their service. The Code allows a chair who was independent upon appointment to be a member of the remuneration committee. However, there is no explicit indication on how the same chair should be treated for the purpose of calculating the independence of the nomination committee. The Board considers Dame Inga Beale to be fully independent, as explained on page 111 of the Annual Report, but notes that if this were not the case, the composition of the Nomination Committee would not be viewed as compliant with Provision 17 of the Code.

In addition to complying with all other applicable corporate governance requirements in the UK in accordance with the Company's primary listing on the LSE, the Board is also satisfied that the Company meets all the relevant requirements of the JSE Listings Requirements and the NSX Listings Requirements arising from its secondary listings on the JSE in South Africa and the NSX in Namibia, respectively.

CORPORATE GOVERNANCE STATEMENT CONTINUED

BOARD COMPOSITION AND DIVERSITY

At the date of this Annual Report, the Board comprised the non-executive Chair, two executive directors, seven independent non-executive directors and two non-executive directors.

The Board seeks to construct an effective, robust, well-balanced and complementary Board, the capability of which is appropriate to the nature, complexity and strategic demands of the business. The Board and the Nomination Committee actively consider the structure, size and composition of the Board and its committees when contemplating new appointments and succession planning for the year ahead. Various diversity factors are taken into account in determining the optimal composition of the Board and its committees, together with the need to balance their composition and refresh this progressively over time.

The Company's non-executive directors come from varied industries, backgrounds and geographical locations and have appropriate experience of organisations with international reach. The skills and expertise of the Board have been further extended and reinforced through the appointment of Natalia Barsegiyan and Zarina Bassa during the year under review.

See pages 139–141 of the **Nomination Committee Report** for more information on Board diversity, the Board Diversity Policy and Board succession planning

FIGURE 1: BOARD COMPOSITION AND DIVERSITY[1]

Independence (%)

- Independent non-executive directors[2]
- Non-executive directors
- Executive directors

Gender and ethnicity

	FEMALE	MALE	TOTAL
Diverse ethnicity[3]	2	0	2
White	4	6	10
Total	**50%**	**50%**	**12**

Tenure[4] – non-executive directors (%)

- **< 3 years:** 50%
- **3–6 years:** 30%
- **> 6 years:** 20%

Country of residence (number of directors)

- South Africa
- The UK
- France
- Switzerland
- The UAE

See the directors' biographies and skills matrix on pages 104–107

Notes

1 The composition of the Board is shown at the Last Practicable Date.
2 Calculation excludes the Chair of the Board, as per Provision 11 of the Code.
3 Diverse ethnicity refers to individuals of African, Asian, Middle Eastern, Central and South American background (as considered by the Parker Review) or from other historically disadvantaged ethnic groups.
4 Tenure is calculated at 31 March 2022, from the date of first appointment as a director of the Company or one of its predecessor companies.

> "The Board seeks to construct an effective, robust, well-balanced and complementary Board.

EXTERNAL APPOINTMENTS AND CONFLICTS OF INTEREST

The Board has well-established and effective procedures to identify and manage directors' conflicts of interest, including those that may result from Remgro's shareholding in the Company, and thus ensure that the overall independence of the Board is not compromised or overridden by the influence of a third party. Candidates for Board roles are required to complete a questionnaire prior to Board approval of their appointment to establish whether they have any direct or indirect, actual or potential conflict of interest or any direct or indirect interest in a proposed or existing transaction or arrangement entered into by the Company. Directors are required to complete this questionnaire annually and are reminded at each meeting of their duty to declare any new conflicts, interests in proposed transactions or changes to previous declarations.

Candidates for Board roles are also requested to provide a list of their existing significant external commitments and associated time commitments to inform the decisions made by the Nomination Committee and the Board. Following their appointment, the Board Charter requires directors to seek the Board's approval prior to accepting any new appointments.

Any proposed appointment, new conflict of interest or interest in a proposed transaction notified to the Company is considered for authorisation by the Board at the next scheduled meeting. The relevant director is not permitted to count towards quorum nor vote on the corresponding resolution. The directors eligible to vote give particular consideration to the type of role, expected time commitments, the impact on the director's ability to discharge their duties to Mediclinic, any relationships between the Group and the external organisation, and their duties as directors under the Act. Any authorisation is granted in accordance with the Act and the Articles, with conditions attached where appropriate.

The ESG Committee annually reviews any authorisations granted by the Board and makes the appropriate recommendations to the Board. The Board is satisfied that the external commitments of the Chair and other non-executive directors serve to enhance their skills and experience for the benefit of Mediclinic and do not affect their ability to commit sufficient time to their roles as directors of the Company, as evidenced by their attendance records and contributions in meetings.

DIRECTORS' INDEPENDENCE

The ESG Committee, at the request of the Board, also reviews the independence of the non-executive directors. Each review is undertaken by reference to Provision 10 of the Code and the director's individual circumstances, including their external appointments and conflicts of interest, to ensure there are no relationships or matters likely to affect their judgement. Careful consideration is also given to the conduct and independence of thought and judgement exhibited by the director.

The Board is satisfied that all seven directors identified as independent non-executive directors in their biographies are independent and free from any relationship that could affect their judgement and continue to demonstrate their independence by how they conduct themselves in Board meetings, including how they exercise independent thinking. The Board also carefully considered the independence of the Chair, in view of the composition of the Nomination Committee after Alan Grieve stepped down as a member on 13 September 2021. After following the approach adopted by the ESG Committee to assess the independence of the other non-executive directors, outlined above, the Board is satisfied that the Chair continues to be fully independent.

DIRECTORS' ELECTION/RE-ELECTION

Under the Company's Articles and the Code, a director appointed by the Board must stand for election at the first AGM subsequent to such appointment and other directors must stand for re-election annually.

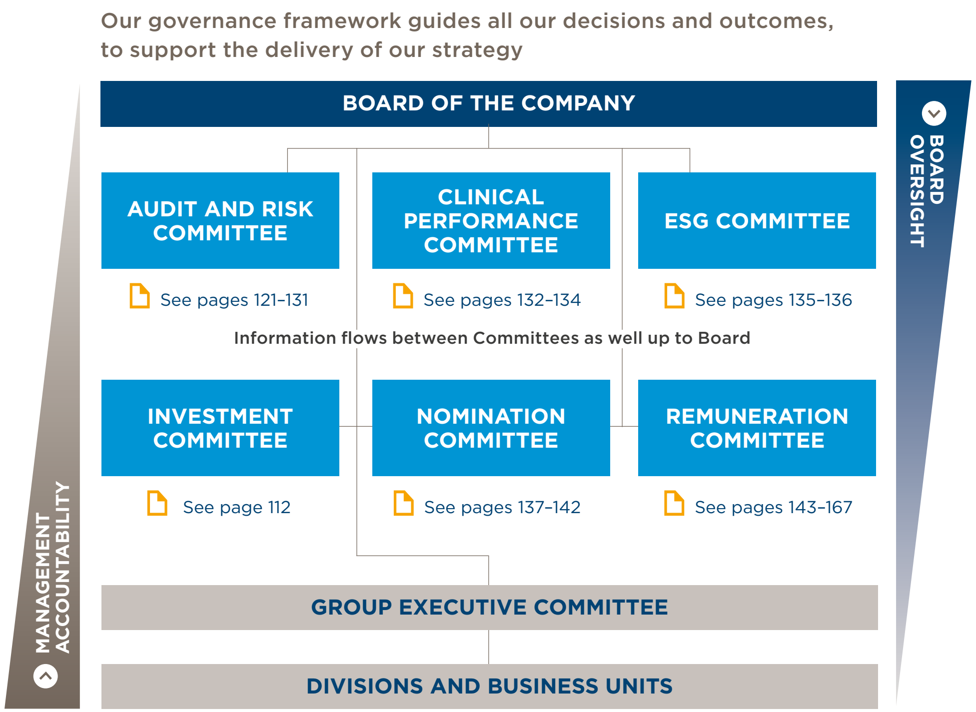
Taking into account the results of the FY22 Board evaluation, the skills of each director and the composition of the Board, including the balance of independence, the Board considers that each of the current directors is committed to their role, has sufficient time available to fully discharge their duties, and will continue to contribute positively and effectively to the Group's long-term, sustainable success. The Board therefore recommends the election of Natalia Barsegiyan and Zarina Bassa (appointed on 1 August 2021 and 1 February 2022, respectively) and the re-election of all other current directors at the Company's 2022 AGM.

Remgro holds 44.56% of the issued ordinary shares of the Company and is therefore regarded as a controlling shareholder of the Company for the purposes of the Listing Rules. Accordingly, as explained in more detail in the **2022 Notice of AGM**, the election or re-election of the independent non-executive directors must be approved by a majority of: (a) the shareholders of the Company; and (b) the independent shareholders of the Company.

MEDICLINIC'S CORPORATE GOVERNANCE FRAMEWORK

The Board has adopted a robust corporate governance framework which encompasses the minimum expectations of the Board in terms of standards, ethical conduct and internal controls. The framework maps out where accountability resides in line with delegated authorities and is shaped in part by the areas of importance to the Group's operations and to the Board. Oversight of delegated matters is supported by formalised reporting channels, described further below.

FIGURE 2: SUMMARY OF MEDICLINIC'S CORPORATE GOVERNANCE FRAMEWORK



THE ROLE OF THE BOARD

The Board is responsible for promoting Mediclinic's long-term, sustainable success, in line with the Group's purpose and vision. Consequently, the Board is deeply engaged in developing the Group's strategic direction, ensuring it aligns with the Group's purpose, vision, values and culture, and monitoring progress of its delivery.

The Board is also responsible for organising and directing the affairs of the Group in a manner that supports the effective delivery of the Group's strategy and reflects the Group's purpose and values.

DIVISION OF RESPONSIBILITIES

There is a clear segregation of responsibilities between the Chair and Mediclinic's executive leadership, set out in a Board Charter, which is reviewed annually by the Board. The charter clearly defines the roles of the Chair, SID, Group CEO, Company Secretary, non-executive directors and the Board committees.

See the 'Governance' section of the Company's website at www.mediclinic.com for further details of each of the above roles

In particular:

- The **Chair** is primarily responsible for leading the Board's effective operation and governance. The Chair also ensures that the Board understands key stakeholders' views and seeks assurance that they have been considered. The role is a non-executive one, but the Chair meets regularly with the Group CEO to stay informed and provide advice.
- The **Group CEO**, supported by the wider Group Executive Committee, is responsible for implementing the Group's strategy and leading the day-to-day operation of the business within the agreed delegations of authority, governance and processes, and with clearly defined accountabilities. The Group CEO and Group CFO provide written reports at each Board meeting on executive matters and Board papers include dashboards tracking the Group's financial and non-financial performance.
- The **SID**'s role includes acting as a sounding board for the Chair, leading the performance evaluation of the Chair, and generally being available to directors and shareholders should they wish to discuss matters that have not been addressed through normal channels.
- In order to operate efficiently and provide the appropriate level of attention and consideration to relevant matters, the Board has established **six committees** that carry out certain tasks on its behalf in accordance with their expertise and written terms of reference. The composition of each committee is deliberately designed to ensure common membership between committees with overlapping interests and that individual directors are not overburdened by their committee roles. The terms of reference of each committee are reviewed at least annually by the Board to ensure they remain appropriate.

Details of the key responsibilities and activities of the Audit and Risk, Clinical Performance, ESG, Nomination and Remuneration committees are set out in the separate reports for these committees that follow this Statement. The key responsibility of the Investment Committee is to provide strategic input and direction on capital allocation and growth opportunities in new geographies. It reviews and approves or makes recommendations to the Board on proposed investments and capital expenditures, in accordance with its authority levels. It further monitors the performance of approved investments and debt funding, including the refinancing of existing facilities which fall within its remit.

MATTERS RESERVED FOR THE BOARD

The Board's delegated authorities framework includes a schedule of matters reserved for approval by the Board, which covers areas material to the Group's strategy and overall resilience. This schedule is reviewed annually by the Board and includes:

- the Group's purpose, values, strategy and strategic goals;
- the annual budget and long-term financial and business plan, and financial results and reporting;
- the Group's dividend policy and dividend payments;
- the Group's risk appetite and system of risk management and internal control;
- changes to the Group's capital structure;
- major acquisitions and disposals, and other transactions outside the delegated limits;
- changes to the Board and Board committee structure, size and composition, including new appointments; and
- succession plans for the Board and senior management.

Other key elements of the Board's role include:

- establishing and overseeing a framework of prudent and effective controls; and
- ensuring effective engagement with shareholders and other stakeholders.

See the **Risk management report** and the **Audit and Risk Committee Report** on pages 91–92 and 128–129, respectively, as well as pages 115–117 of this Statement and **Stakeholder engagement** on pages 26–29

> "The composition of each committee is deliberately designed to ensure common membership between committees with overlapping interests.

BOARD AND COMMITTEE MEETINGS

Table 1 alongside sets out the directors' attendance record for scheduled Board and committee meetings during FY22. Meetings continued to be held as virtual or hybrid meetings due to various COVID-19 travel restrictions at the time. The new practices adopted have also facilitated greater participation by employees in relevant discussions, increasing the interaction between directors and senior leadership and their teams, and providing more visibility over the talent pipeline within the Group.

Directors are expected to attend all Board and relevant committee meetings. Directors who are unable to attend a meeting due to certain exceptional circumstances, such as ill health or pre-existing or unexpected and unavoidable business or personal commitments, still receive the relevant papers. Where feasible, they will communicate their comments and observations to the Chair of the Board or relevant committee for raising as appropriate during the meeting. On the rare occasions where Jannie Durand is unable to attend a meeting, he ensures his alternate, Pieter Uys, attends in his place and is fully briefed in advance. Each director's attendance record is considered as part of the formal annual review of their performance. Despite the challenges posed by COVID-19, directors' external appointments had no, or extremely limited, impact on their attendance. The Board was satisfied that all absences from Board or committee meetings were the result of serious or unforeseen circumstances outside the directors' control.

TABLE 1: BOARD AND COMMITTEE MEETING ATTENDANCE

		COMMITTEES					
NAME	BOARD	AUDIT AND RISK	CLINICAL PERFORMANCE[1]	ESG[1]	INVESTMENT	NOMINATION	REMUNERATION
Number of meetings held[2]	7	4	5	1	2	2	5
Directors at 31 March 2022							
Dame Inga Beale	7/7	-	-	1/1	2/2	2/2	5/5
Dr Ronnie van der Merwe	7/7	-	5/5	1/1	2/2	-	-
Jurgens Myburgh	7/7	-	-	-	2/2	-	-
Dr Felicity Harvey	7/7	-	5/5	1/1	-	2/2	-
Dr Muhadditha Al Hashimi[3]	7/7	-	5/5	-	-	-	3/3
Natalia Barsegiyan[3]	4/5	3/3	-	1/1	-	-	-
Zarina Bassa[3]	2/2	-	-	-	-	-	2/2
Jannie Durand	6/7	-	-	-	2/2	1/2	-
Danie Meintjes	7/7	-	-	1/1	2/2	-	-
Dr Anja Oswald	7/7	-	4/5	-	-	2/2	-
Tom Singer	7/7	4/4	-	-	1/1	-	5/5
Steve Weiner	7/7	4/4	5/5	-	-	-	5/5
Directors retired during the year							
Alan Grieve[3]	6/6	2/2	-	-	1/1	-	-
Trevor Petersen[3]	5/6	2/2	-	-	-	-	2/2

Notes

1 The ESG Committee was constituted with effect 1 September 2021. Prior to that, sustainable development matters were addressed by the former Clinical Performance and Sustainability Committee, which was refocused as a purely Clinical Performance Committee with effect 1 September 2021.

2 The number of meetings held refers to scheduled Board and committee meetings during FY22. In addition, the Board held one ad hoc meeting relating to the proposed takeover of Spire by Ramsay Health Care Limited. Between the Company's financial year end and the Last Practicable Date, the Board held one scheduled meeting, primarily to approve this Annual Report and related matters. The Investment Committee held three ad hoc meetings during the year to deal with urgent approvals required. Further details of the other committees' meetings can be found in their separate committee reports that follow this Statement.

3 Attendance of committee meetings is shown for committee members only. Dr Muhadditha Al Hashimi was appointed to the Remuneration Committee on 13 September 2021. Natalia Barsegiyan was appointed to the Board and as a member of the Audit and Risk and the ESG committees on 1 August 2021. Zarina Bassa was appointed to the Board and as a member of the Remuneration Committee on 1 February 2022. Alan Grieve and Trevor Petersen stepped down from their roles as committee members from 13 September 2021 and retired from the Board on 14 February 2022.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Board and committee meetings follow clear agendas developed by the Chair of the Board or committee, the Group CEO and/or other relevant members of management and the Company Secretary. These are based on an annual plan of business and adjusted to reflect current strategic and operational developments. Each agenda is structured to prioritise matters for decision and discussion, and ensure that sufficient time is allocated to address all necessary matters. Meeting papers are circulated at least one week in advance of each meeting via an electronic portal, which also includes a library of reference resources.

In order to support fully informed decision-making, committee meetings are carefully sequenced to allow insights and decisions to be shared between committees on a timely basis. In addition, committee meetings are held in advance of Board meetings, allowing committee chairs to provide a prompt and full report on the key matters discussed. All committee papers are made available to all directors, except for those on matters of a particularly sensitive nature. In addition, copies of committee minutes are circulated to all Board members at the next opportune meeting. The Chair of each committee attends the AGM to respond to investors' questions regarding the committee's activities.

FY22 PRINCIPAL AREAS OF FOCUS

The Board's principal areas of focus and key decisions taken during FY22 and up to the Last Practicable Date are set out alongside.

See the **Section 172 statement** on pages 30-33 for more detailed information about some of the principal decisions made by the Board during FY22

TABLE 2: BOARD'S FOCUS AREAS

Strategy	Approval of: • the Group's Capital Allocation Policy • adjustments to the Group's strategy and monitoring of its implementation, including: – deep dives into innovation and digital transformation, and growth across the continuum of care and into new markets; – renewable energy purchase agreement with Energy Exchange; and – project to relocate, combine and expand two existing facilities on one site in the city of George, South Africa • FY22 budget and five-year plan and preparation for FY23 process • the Group's response to Ramsay Health Care Limited cash offer to acquire Spire
Performance	Approval of: • FY21 and FY22 preliminary results and Annual Report • FY22 interim results and trading updates • final and interim dividend proposals • impact of COVID-19 • going concern and viability Consideration of: • the Group's holistic performance through Group CEO report and suite of financial and non-financial information dashboards at each Board meeting
Leadership and people	Consideration of: • senior leadership succession plans and development • workforce and stakeholder engagement outcomes and effectiveness • diversity and inclusion progress • employee wellbeing and impact of COVID-19
Governance and risk	Approval of: • risk appetite statement, robust assessment of emerging and principal risks and their management or mitigation • changes in the structure and composition of the Board committees to establish a separate ESG Committee • Group policies, including Board Charter and committees' terms of reference Consideration of: • external evaluation of Board and committees • external appointments and conflicts of interest • cybersecurity preparedness • legal, regulatory and governance updates and compliance Review of: • effectiveness of risk management processes and material internal controls
Investor engagement	Consideration of: • share register analysis • investor feedback from meetings and quarterly QuantiFire reports • investor feedback and voting at the 2021 AGM • feedback from investor consultations on remuneration matters

PURPOSE AND CULTURE

The Group's purpose, to enhance the quality of life, was approved by the Board in February 2019 and sits at the core of the Group's strategy and all decisions made by the Board.

The Board is responsible for promoting, assessing and monitoring the Group's culture and ensuring it is aligned with the Group's purpose, values and strategy. The Group's Code of Business Conduct and Ethics, which applies to all directors and employees and is reviewed and approved annually by the Board, encourages an organisational culture that is client centred, trusting and respectful, patient safety focused, performance driven and team orientated. The Board fully endorses these values and the behaviours they seek to promote, and ensures they are reflected in its discussions and decision-making.

The Board monitors workforce culture with the assistance of its committees in a number of ways, including through:

- reports on medical practitioner and client experience surveys;
- direct feedback from employees and reports on workforce engagement, as described in the 'Workforce engagement' section alongside;
- clinical performance reports;
- reports on internal audits, compliance, ethics and fraud; and
- non-financial information dashboards presented at each Board meeting.

The quantitative and qualitative information received allows the Board to ensure that the Group's culture reflects its stated values and is aligned with its purpose.

WORKFORCE ENGAGEMENT

Employee wellbeing continued to be of the utmost importance to the Group and at the forefront of every decision made by the Board as employees had to deal with COVID-19 for a second year. Listening and responding to employee needs through effective communication and sound relations are important components in being regarded as the employer of choice among existing and prospective employees, and vital to maintaining an engaged and loyal workforce that will help deliver the Group's strategic goals. The negative impact of COVID-19 continues to magnify the workforce-related risks for the Group, as discussed in the **Risk management report** on page 96.

Workforce engagement is conducted through various methods, including virtual leadership conferences, annual employee engagement surveys and other methods outlined in our report on stakeholder engagement on pages 26–29.

Danie Meintjes is the designated non-executive director responsible for workforce engagement. As the former Group CEO and with his prior experience as divisional Human Resources Executive, he was closely involved with the Company's approach to engaging with, investing in and rewarding employees. Given his knowledge and experience gained over 30 years in different capacities at Mediclinic, the Board considers him well positioned to oversee engagement efforts and relay the voice of the workforce.

His responsibilities in this regard include:

- reviewing and assessing the existing workforce engagement programmes;
- understanding and interpreting the views of the workforce;
- providing feedback to the Board on the impact and effectiveness of the Group's various workforce engagement initiatives;
- conveying feedback from the Group's workforce (as consolidated via multiple channels) to the Board and investors;
- providing feedback to the workforce through existing (or, if appropriate, new) communication channels on how their input was communicated to and considered by the Board; and
- providing a formal report on workforce engagement once a year to the ESG Committee and to the Board.

Danie works closely with the Group Chief Strategy and Human Resources Officer and his team in accordance with a work plan designed to support him in the fulfilment of this role. The regular dashboards presented to the Board, reports from the Group CEO and an annual detailed report from Danie enable the Board to assess and monitor the themes arising from the employee engagement programmes. The creation of a separate ESG Committee in September 2021 has increased the opportunity for more in-depth discussion of employee engagement, and diversity and inclusion outcomes.

The Board reviewed the existing and planned workforce engagement channels, with due consideration for recommendations by the designated non-executive director, and was satisfied that these provide an effective means of collecting feedback from and providing feedback to the workforce. It is recognised that the programme of engagement activities and reports to the ESG Committee and the Board will continue to evolve in the coming year in response to directors' feedback and as the Board resumes in-person meetings and annual site visits.

See the **Sustainable development overview** on pages 34–46 for more

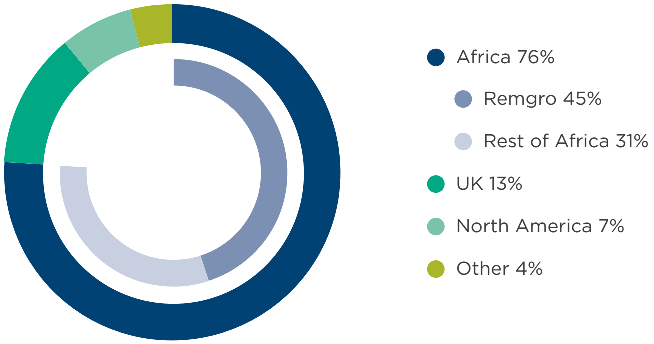
> Employee wellbeing continued to be of the utmost importance to the Group and at the forefront of every decision made by the Board as employees had to deal with COVID-19 for a second year.

SHAREHOLDER ENGAGEMENT

The Board seeks to maintain open and regular communication and engagement with shareholders throughout the year on a range of matters and values their opinions and the time they make available to engage with the Company. The Group CEO, Group CFO and Head of Investor Relations have primary responsibility for managing effective, regular and transparent communications with institutional investors on matters such as operational and financial performance, regulatory changes, governance and strategy. They do so through an annual programme of meetings and conferences, which remained mostly virtual during FY22 in view of the difficulties with international travel due to COVID-19.

The Chair and the SID also engage regularly with major investors and Board committee chairs are available upon request to meet with investors. The Chair ensures that the Board as a whole has a clear understanding of investors' views and the Board considers that appropriate and proportionate mechanisms exist to acquire a good understanding of major investors' key focus areas. These include direct feedback from investors to management and the Investor Relations function, which is then shared through the investor relations reports at every Board meeting, and quarterly reports prepared by QuantiFire, a service provider that collects feedback and confidence measures from investors.

Geographical breakdown of shareholders



Typical investor relations programme

Continuous physical and virtual engagement with capital markets, including:

- one-to-one and group meetings;
- investor conferences;
- roadshows;
- results presentations;
- site visits; and
- ad hoc events with investors, sell-side analysts and sales teams.

19 ROADSHOWS AND OTHER EVENTS

10 ONE-TO-ONE MEETINGS WITH MAJOR INVESTORS

129 MEETINGS WITH UNIQUE FINANCIAL INSTITUTIONS

FY22

- Management and the Head of Investor Relations participated in 19 roadshows, investor conferences and ad hoc capital market events
- The Chair and the SID held one-to-one meetings with 10 major international and South African investors
- The Head of Investor Relations conducted private client broker meetings in the UK
- Meetings with more than 129 unique financial institutions
- Initiation of dedicated ESG engagement
- AGM and pre-AGM shareholder event
- Material published on the Group website and divisional social media channels and websites

AGM

The Board values the AGM as a valuable opportunity to engage with shareholders, including retail investors, and meet them informally in person after the main business of the meeting. All directors will generally attend the AGM, in particular the Chair, the Group CEO and Group CFO, and the committee chairs.

It was therefore disappointing that the Company's 2021 AGM was again disrupted by COVID-19 travel restrictions and public health guidelines. However, the Board held an online shareholder event ahead of the AGM's proxy voting deadline, allowing shareholders to ask questions in writing in advance or at the event and reflect the responses received in their proxy votes. A recording of the event, including the responses from the Board to questions received, was published on the Company's website shortly afterwards. Shareholders were also invited to submit questions ahead of the AGM. Over 90% of the issued share capital of the Company was voted at the 2021 AGM.

The Company's 2022 AGM will take place on 28 July 2022 in London and (subject to no change in circumstances) shareholders are encouraged to attend in person. The specific arrangements for the meeting are outlined in the separate **Notice of AGM** accompanying this document. In addition, for shareholders unable to attend the meeting, the Board is again holding an online event on 14 July 2022. The Board looks forward to engaging with a broad range of the Company's shareholders at these two events.

SHAREHOLDER ENGAGEMENT FOLLOWING THE 2021 AGM

At the Company's 2021 AGM, the resolution to authorise the directors to allot ordinary shares (Resolution 18) received 79.60% support. In accordance with the Code, the Company sought to engage with key investors after the AGM to ensure it fully understood the reasons behind the result and published an update on the Group's website on 25 January 2022. As noted in the update, the voting outcome reflects the differing market practice between the UK and South Africa, where investors in the latter jurisdiction usually approve more restricted levels of authority to issue shares and prefer to vote on the proposed allotments of shares on a case-by-case basis. Most South African investors acknowledge that they operate under policies that do not permit them to support the UK standard level of authority to allot shares, although a number do understand the Company's position.

As Mediclinic is a UK premium-listed company, the Board considers it appropriate to seek authorities in line with the UK's Investment Association's Share Capital Management Guidelines to respond to market developments and finance business opportunities as they arise. The Board will continue to engage with investors on this topic; however, as the voting outcome reflects the difficulty in balancing the expectations of different markets, it is possible this outcome will continue.

ENGAGEMENT IN RELATION TO THE NEW DIRECTORS' REMUNERATION POLICY

During FY22, the Remuneration Committee also engaged with major institutional shareholders and investor-representative bodies on various aspects of the new Directors' Remuneration Policy being proposed at the Company's 2022 AGM, with feedback being largely positive.

See the **Directors' Remuneration Policy** on pages 148–156 for more

OTHER STAKEHOLDER ENGAGEMENT

The Group Executive Committee is responsible for the day-to-day relationships with the Group's key stakeholders and reports on these activities are provided to the Board at each meeting. The Board, directly or through its committees, engages or oversees engagement with the Group's key stakeholders through a number of mechanisms.

The Board last reviewed and approved the Group's stakeholders in November 2021. In addition to employees and investors, the following groups of significant stakeholders were agreed: clients, communities, alumni and potential applicants, financial institutions, governments and authorities, healthcare insurers, industry associations, industry partners, media, medical practitioners, professional societies, and suppliers. The Board also reviewed the Group's mechanisms for engagement with each group of stakeholders and is satisfied that they remain effective.

See **Stakeholder engagement** on pages 26–29 for more

ASSESSING THE BOARD'S EFFECTIVENESS

The Board is committed to monitoring and improving its performance and effectiveness. This is achieved primarily through a formal annual evaluation of the Board, its committees and individual directors (including the Chair), and ensuring the feedback received is acted upon. The Board conducts an in-depth, externally facilitated evaluation every three years and an internally facilitated, questionnaire-based evaluation during the other two years.

The Chair also meets regularly with the SID and other non-executive directors, individually and as a whole, and with the Company Secretary and members of management after each meeting. These sessions provide opportunities to exchange feedback on the functioning of the Board and identify opportunities for improvement, supplementing the formal evaluation process.

> The Board is committed to monitoring and improving its performance and effectiveness.

CORPORATE GOVERNANCE STATEMENT CONTINUED

PROGRESS ON ADDRESSING THE FY21 BOARD EVALUATION FINDINGS

TABLE 3: STATUS OF KEY ACTIONS IDENTIFIED IN THE FY21 BOARD EVALUATION

KEY ACTIONS IDENTIFIED	STATUS
Increase visibility of succession planning at Board level	• A detailed report on succession planning and development plans for the Group Executive Committee and the divisional executive committees was presented to the Board • The group of senior leaders invited to present on relevant topics at Board meetings has been broadened to increase visibility over the talent pipeline
Increase opportunities for reporting on Group and divisional competitors to the Board	• The Board now receives a biannual detailed analysis of the Group's competitive landscape as well as updates on key developments in the Group CEO's report at every Board meeting • An external expert briefing session on the topic has been arranged for FY23
Continue to identify and introduce new methods for the Board to access external expertise and insights into digital business transformation and other pertinent matters	• A number of expert briefing sessions have been arranged for the Board on a range of relevant matters, as noted in the Audit and Risk and the Nomination committees' reports • Further sessions are being arranged
Increase opportunities for discussion on the Company's risk appetite at Board level	The risk appetite statement is presented to the Board for discussion and approval twice a year, following a detailed review by the Audit and Risk Committee
Maintain focus on continuous improvement in the quality of information provided to the Board by way of management information dashboards	Dashboards have been developed to support the Board in monitoring and assessing the culture of the business; these continue to evolve and mature with use and input from the Board

FY22 EVALUATION

The Board was due to undertake an external evaluation in FY21; however, due to the relatively recent appointment of the Chair and the disruption and uncertainty caused by COVID-19, it was agreed that an externally facilitated but questionnaire-only evaluation would be conducted instead, with a full external evaluation being delayed until FY22.

In accordance with that commitment, Lintstock was appointed to undertake an in-depth review with interviews of the Board, its committees and the individual directors (including the Chair), as described below. Lintstock had conducted the Board evaluation in FY18 and FY21, but otherwise had no other connections to the Company or individual directors.

TABLE 4: FY22 EVALUATION PROCESS

APPOINTMENT	EVALUATION DESIGN
Following the Board's approval of the scope and process of the FY22 Board evaluation, the Chair, the SID designate and the Group CEO reviewed the proposals presented by three providers and selected Lintstock. Their choice reflected in part the opportunity to benefit from continuity from the previous year's review, while acknowledging that the next external review should be conducted by another evaluator, in line with good practice.	Lintstock developed questionnaires in consultation with the Company Secretary, the Chair of the Board and the committee chairs, the committees and individual directors. The questions reflected matters that were important to the Board as well as best practice set out in the Code and other guidance. It was agreed that the performance of the ESG Committee would not be evaluated as it had been established only in September 2021.
EVALUATION	**REPORT AND DISCUSSION**
Lintstock issued the questionnaires to Board members and other regular attendees a few weeks ahead of the interviews. Participants in the evaluation of the Audit and Risk Committee included the lead external audit partner. Responses to the questions informed the discussions during the one-to-one interviews, which took place virtually. The anonymity of all feedback was guaranteed throughout the process to promote candid feedback.	The feedback from the evaluations was captured in separate reports for the Board, each committee and individual directors, including the Chair. The relevant report was presented to the corresponding committee for discussion between February and March 2022, and subsequently shared with the Board. Lintstock attended the Board meeting held at the end of March 2022 to present the findings of the Board's evaluation and answer questions. Following these meetings, action plans were agreed with each committee's Chair to implement and monitor the agreed opportunities for improvement.

CORPORATE GOVERNANCE STATEMENT CONTINUED

The FY22 evaluation was structured around core aspects of effective Board oversight, namely:

- Board composition and dynamics;
- support and meetings;
- strategic oversight;
- risk management and internal control;
- culture and stakeholder engagement; and
- people oversight.

In addition, the review addressed lessons that the Board could learn from the COVID-19 pandemic, and the Board's priorities for re-engaging with the business following the prolonged period of virtual meetings.

The results of the evaluation showed a high degree of satisfaction with the Board's overall performance and effectiveness, and identified some areas for increased focus or improvement.

TABLE 5: AREAS OF ASSESSMENT AND FINDINGS

	KEY PRIORITY/IES FOR FY23
Board composition and dynamics	Focus on strengthening social capital between Board members as well as between Board members and management – particularly for new directors
Board support and meetings	Continue to arrange regular external expert briefings on topical subjects
Strategic oversight	Develop a deeper understanding of opportunities and risks relating to digitalisation and data
Risk management and internal control	• Monitor arrangements to attract and retain doctors and nurses, and to promote their wellbeing and development • As the Group expands along the continuum of care, ensure development and appropriate oversight of relevant performance measures, effectiveness of new or enhanced functions, and identification, monitoring and mitigation of new risks
Culture and stakeholder engagement	Identify means of increasing the 'voice of the client' in the boardroom and ways of determining clients' perspectives as the Group expands along the continuum of care
People oversight	Continue to support management on development of robust succession plans for key senior leadership positions, as well as investment in developing a strong and diverse internal talent pipeline
Lessons learned from the pandemic	Continue to foster collaboration between divisions, joint problem-solving, and introduction of minimum levels of standardisation across the Group, while making allowance for the necessary cultural and regulatory differences

Board committees: The evaluation of the Board committees confirmed that each committee continued to provide effective support to the Board. Further information on the committees' evaluations can be found in their respective reports.

Chair of the Board: All directors were asked to provide feedback on the performance of the Chair, following the process outlined above. The SID also discussed the Chair's performance in one-to-one conversations with each of the directors. Lintstock's report was discussed by the SID and the Chair, and the SID provided feedback to the other non-executive directors in the absence of the Chair after the May 2022 Board meeting.

Other directors: The individual performance of the other directors was also assessed and the corresponding report was shared privately with the Chair by Lintstock. The Chair held one-to-one meetings with each director to reflect on any personal development needs and any other matters they wished to raise. The findings from this exercise formed a key part of the basis for the Board's recommendation that all current directors should be elected/re-elected at the Company's 2022 AGM (see page 111).

CORPORATE GOVERNANCE STATEMENT CONTINUED

OTHER GOVERNANCE MATTERS

FRAUD, CORRUPTION, ETHICS AND COMPLIANCE

Conducting business in an honest, fair and legal manner is one of Mediclinic's fundamental guiding principles. The Group has zero tolerance for unethical business conduct, in particular fraud and corruption.

Mediclinic's commitment to high standards of business conduct and ethics is set out in the Code of Business Conduct and Ethics, and the Anti-Bribery Policy, which all directors, agency staff and contract workers across the Group are required to promote and enforce. Both policies are actively endorsed by the Board and management and communicated to new directors and employees as part of their onboarding.

See the 'Governance' section of the Company's website at www.mediclinic.com

An anti-bribery and ethics line awareness campaign aimed at onboarding suppliers was rolled out during the period. The Audit and Risk, the ESG and the Clinical Performance committees receive regular reports on fraud and ethics matters (including instances of whistleblowing) and regular updates are provided to the Board. The Audit and Risk Committee reviews and reports to the Board annually on the effectiveness of the ethics lines, which employees and external parties can use to report issues of concern, anonymously if preferred.

Compliance with relevant legislation, regulations and accepted standards/codes is integral to the Group's risk management process and is monitored in accordance with the Group's Regulatory Compliance Policy.

ICT GOVERNANCE

Mediclinic has an extensive ICT environment that acts as an enabler of business strategies and operations. ICT governance is done in the context of the Group's overall governance, in general, and of the Group's risk management structures and processes, specifically. The Group's risk management system is used to capture and track all ICT risks, audit findings, mitigating actions and responsibilities.

Information security and data protection policies and controls are in place throughout the Group regulating, among others, the processing, use and protection of own, personal and third-party information. The flow of personal data across country borders is managed in accordance with country-specific legislation.

There were no material information security incidents during the year under review.

AUDIT AND RISK COMMITTEE REPORT

"We maintained a strong focus on ensuring the integrity of the Group's corporate reporting and financial statements.

Tom Singer
Chair of the Audit and Risk Committee

I am pleased to present my first report on the activities of the Audit and Risk Committee (the 'Committee') during FY22 and up to the Last Practicable Date. I would like to begin by welcoming Natalia Barsegiyan to the Committee and thanking Committee members, management and the external and internal auditors for their hard work and support during the year. Particular thanks go to my predecessor, Alan Grieve, for his leadership as Committee Chair and his supportive handover when I assumed the role in September 2021, and to Trevor Petersen, who served dutifully on this Committee for five years.

During another year disrupted by COVID-19, the Committee continued to play a key role in the Group's corporate governance framework by supporting the Board on matters relating to financial reporting, risk management and internal controls. We maintained a strong focus on ensuring the integrity of the Group's corporate reporting and financial statements, and dedicated considerable time towards reviewing and challenging the underlying work associated with the Group's financial results. This included the methodology, assumptions and judgements relating to the goodwill impairment testing, going concern and viability assessments.

As part of this workstream, we held a session with Wüest Partner AG, the property consulting group, and received an update on the Swiss property market. We entered into a detailed discussion on their valuation of the property portfolio in Switzerland, which underpins some of the significant estimates and key judgements made in respect of the Group's annual financial statements. Another key focus area was ensuring that the Group's climate-related financial disclosures align with TCFD recommendations and reviewing related carbon metrics reporting. Furthermore, following review of our 2021 Annual Report by the FRC, we have enhanced certain disclosures in our annual report and annual financial statements.

Concerning our work on risk management and internal controls, the Committee scrutinised and challenged the Group's risk appetite statement and review of the emerging and principal risks, taking into account the impact of the ongoing COVID-19 pandemic, key trends in the healthcare sector and the Group's strategy, prior to recommending them for Board approval. We received a presentation from an external expert on the ever-evolving cyber threat landscape, together with regular updates from management on countermeasures to protect Mediclinic from such risks and respond to potential and actual breaches. We also reviewed the Group's internal controls and risk management systems and were satisfied that they continued to be effective.

Following the publication of the UK Government's consultation on 'Restoring trust in audit and corporate governance' (the 'BEIS Consultation'), we had an expert briefing session to explore particular aspects and potential impacts of the consultation in detail. We also encouraged management to identify the practical implications for Mediclinic and begin early preparations for expected changes to ensure the Group was well placed to respond when the final outcome became known.

The outcomes of these and other Committee actions can be found in the rest of this report or through the cross references to other elements of the Annual Report. The Committee has also commenced the process to tender the external audit contract in line with UK statutory requirements and good practice. This report contains a summary of the timelines, and details of the process will be included in next year's report.

Tom Singer
Chair of the Audit and Risk Committee
24 May 2022

AUDIT AND RISK COMMITTEE REPORT CONTINUED

COMMITTEE ROLE AND RESPONSIBILITIES

The Committee's key responsibilities include:

- monitoring and reviewing the quality and integrity of the Group's annual financial statements, narrative disclosures, related announcements and other financial information published by the Group;
- monitoring and reviewing the adequacy and effectiveness of the Group's risk management and internal control systems, including the work and effectiveness of the Internal Audit function (in conjunction with the Clinical Performance and the ESG committees, as appropriate); and
- monitoring and reviewing the effectiveness of the external audit and making recommendations to the Board regarding the reappointment of the external auditors and tender of the external audit contract.

See the Committee's terms of reference, available on the 'Governance' section of the Company's website at www.mediclinic.com, for further details

COMMITTEE MEMBERSHIP AND ATTENDANCE

The Committee membership comprises three independent non-executive directors, all of whom have recent and relevant financial experience due to the senior positions they hold or have held in other listed companies and/or similar large organisations. In addition, the Committee as a whole has competence relevant to the sector through Tom's previous role at BUPA and Steve's role as a non-executive director of two leading NHS Foundation trusts.

See page 113 for full details of the Committee membership and attendance records, and pages 104–107 for Committee members' skills

"The Committee membership comprises three independent non-executive directors, all of whom have recent financial experience.

The Group CEO, Group CFO, Group Chief Governance Officer and Company Secretary attend all meetings. The Chair of the Board, Pieter Uys (alternate to Jannie Durand) and the external and internal auditors are invited to all meetings. Other executives and senior managers from across the business also attend meetings during the year, either as regular attendees or to discuss particular items of business. This direct Board-level engagement with senior leadership and managers augments the Committee's understanding of the issues facing the business. It also helps to support the Board's oversight of succession planning for key leadership roles and develop the talent pipeline within the Group.

MEETINGS AND PRINCIPAL AREAS OF FOCUS IN FY22

The Committee normally holds four meetings during the financial year, with one of these meetings dedicated primarily to an extensive review of risk-related matters. Three additional ad hoc meetings were held during FY22 to discuss underlying work relating to the 2021 Annual Report, the evaluation of the Internal Audit function, and the Company's response to the FRC's letter following its review of the 2021 Annual Report. One scheduled meeting was held between the Company's financial year end and the Last Practicable Date to approve this Annual Report as well as accounts and related matters.

The Committee holds private meetings at least once a year with the external auditors, the Group General Manager: Internal Audit and other regular management attendees (including the Group CEO and Group CFO), respectively, allowing each party to speak candidly and raise any issues of concern.

The Chair of the Committee meets separately with the Group CFO, Group General Manager: Internal Audit and the external auditors during the financial year to ensure that the work of the Committee is focused on key and emerging issues. Natalia and Steve took advantage of their induction site visit to the Middle East (delayed until January 2022 due to the COVID-19 pandemic) to meet the divisional finance team and discuss the particular challenges facing the division.

TABLE 1: AT A GLANCE – FOCUS AREAS IN FY22

ACTIONS	CROSS REFERENCE
BUSINESS AS USUAL	
FY21 and FY22 financial reporting • Reviewed and discussed the FY22 interim results, the FY21 and FY22 preliminary statement of annual results and Annual Report, and the supporting reports prepared by the financial reporting team • Considered the accounting policies applied, management's significant estimates, and accounting judgements and related disclosures • Considered the external auditors' report on their review of the interim results and audit report regarding the annual financial statements and other elements of the Annual Report	See pages 122–127 See pages 172–179
• Reviewed the basis of preparation of the financial statements as a going concern • Reviewed the methodology and assumptions underpinning the viability statement proposed by management, including the five-year period adopted, the stress-testing scenarios applied and their sensitivity to changes in key assumptions	See pages 89 and 101
• Considered whether the interim results, preliminary statement of annual results and Annual Report were fair, balanced and understandable ('FBU'), as well as the use of alternative performance measures ('APMs')	See page 126

AUDIT AND RISK COMMITTEE REPORT CONTINUED

TABLE 1: AT A GLANCE – FOCUS AREAS IN FY22 CONTINUED

ACTIONS	CROSS REFERENCE
BUSINESS AS USUAL CONTINUED	
Internal audit • Reviewed the implementation of the FY22 internal audit plan, findings from specific audits and management's implementation of any resulting actions recommended by the Internal Audit function • Reviewed and approved the annual internal audit plan and focus areas for FY23 • Assessed the effectiveness of the Internal Audit function	See page 127
Risk management and internal controls • Reviewed the Group's risk appetite statement • Assessed the Group's emerging and principal risks and how they were being managed or mitigated • Reviewed the effectiveness of the risk management and internal control systems • Reviewed the implications of COVID-19 on the financial reporting and internal control environment	See pages 128–129 See pages 118, 121 and 128
External audit • Reviewed the FY22 audit plan, including the level of materiality applied in conducting the audit, and areas of audit focus • Assessed the effectiveness of the FY21 and FY22 audits • Reviewed the non-audit services provided by the auditors and related fees in FY21 and FY22, the policy on the provision of non-audit services by the auditors, and the auditors' independence	See pages 129–130
Other • Reviewed the Group Treasury Policy and monitored compliance with its provisions • Reviewed the Group Tax Strategy	

ACTIONS	CROSS REFERENCE
ADDITIONAL TOPICS IN FY22	
• Received deep-dive reports on financial reporting, risk and internal control-related matters • Reviewed the governance processes and monitored the implementation of the project to update the operating model and technology architecture of the Finance function	See page 121
• Reviewed progress on aligning the Group's reporting with the TCFD reporting recommendations and the corresponding TCFD report included in the Annual Report, and considered management's assessment of the impacts of climate change on the financial statements • Reviewed the assurance processes supporting certain aspects of the Group's TCFD reporting	See pages 47–56
• Assessed the proposals set out in the BEIS Consultation and management's plans for addressing the likely outcomes	
• Assessed the impact of the OECD's Pillar 2 proposals on the tax profile of the Group	
• Preparation for and launch of the external audit tender process	See page 130
• External evaluation of the Committee and key priorities for FY23	See page 131
OTHER REGULAR REPORTS	
• Group tax positions covering adjusted underlying tax rate, areas of potential tax exposure and provisioning • Fraud and ethics (including whistleblowing) reports and investigations • Litigation reports • UK accounting and corporate governance developments likely to affect the work of the Committee	

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Midstream, South Africa

FY22 FINANCIAL REPORTING

SIGNIFICANT FINANCIAL REPORTING MATTERS

Table 2 sets out the significant reporting matters and areas of judgement considered by the Committee, together with details of how these items were addressed. The Committee received detailed reports from management and the external auditors on these issues at the time of their review of the FY22 interim financial statements and again at the conclusion of the audit of the FY22 annual financial statements. The Committee discussed with both parties the range of possible treatments for each item, focusing specifically on key assumptions, sensitivity analyses and areas where judgement was applied, to satisfy itself that the conclusions drawn were reasonable and supportable based on available information at the time, and that the corresponding disclosures in the Group's reports were appropriate. For all matters described alongside, the Committee concluded that the treatment adopted in the Group financial statements was appropriate.

TABLE 2: SIGNIFICANT ISSUES CONSIDERED IN RELATION TO THE FINANCIAL STATEMENTS

SIGNIFICANT ISSUE	HOW IT WAS ADDRESSED BY THE COMMITTEE
Impairment reviews (1) **The Group carries significant goodwill and non-financial assets on the Statement of Financial Position.** **The key issues considered were:** • **the impairment assessment and test of the Middle East and Switzerland goodwill; and** • **whether any indication existed that non-financial assets at an individual cash-generating unit ('CGU') level per division may be impaired.**	The Committee evaluated the divisions' five-year business plans on which the impairment calculations were based. The Committee reviewed the assumptions used in the impairment tests, including free cash flows (from the business plans described above), long-term growth rates and discount rates. Long-term growth rates for periods not covered by the forecast periods were challenged to ensure they were appropriate in the countries relevant to the divisions. The Committee noted the judgements and assumptions applied in business plans and was satisfied that management had developed its forecasts based on the best available evidence at this time. The Committee also considered reasonably possible changes to assumptions and associated sensitivities, the impacts of climate change and the related disclosures required by IAS 36 'Impairment of Assets' and IAS 1 'Presentation of Financial Statements'. The Committee reviewed reporting from the external auditors and discussed their feedback and considered its conclusion regarding the impairment assessments, including Wüest Partner AG's valuation of the property portfolio in Switzerland. **Outcome:** The goodwill impairment assessment of the Middle East and Switzerland is no longer labelled as a key estimate in the financial statement disclosure. Sensitivity disclosure for the Middle East goodwill has been retained given the impairment recognised in FY20.

TABLE 2: SIGNIFICANT ISSUES CONSIDERED IN RELATION TO THE FINANCIAL STATEMENTS CONTINUED

SIGNIFICANT ISSUE	HOW IT WAS ADDRESSED BY THE COMMITTEE
The assessment of the Group's going concern and viability assumption **The key issues considered were:** • **the Group's long-term viability assessment; and** • **the going concern status of the Group for a period of at least 12 months from the date of this report.**	The Committee reviewed the viability assessment and sought support from management for the scenarios selected and the key underlying assumptions. The Committee examined the reverse stress testing that was applied per division. It considered the external auditors' views on the methodology and assumptions adopted by management and the outcome of the external auditors' conclusions. As part of the year-end process, management performed a monthly liquidity analysis per division extending to September 2023 that included a base and downside case scenario per division. The Committee evaluated the key assumptions used in preparing these scenarios, including risk scenarios and expected impact of further COVID-19 waves on the business. The Committee reviewed and challenged future forecasts and the risks to those forecasts. The Committee noted that, in all scenarios, the Group had sufficient liquidity and sufficient headroom against covenant requirements. **Outcomes:** • The Committee was satisfied with the stress testing performed and the severe but plausible scenario modelling. • The Committee was satisfied with the actions the Group has taken to protect liquidity. • The Committee was satisfied that the Group was a going concern, given the assessment of the Group's viability and the associated disclosures.

SIGNIFICANT ISSUE	HOW IT WAS ADDRESSED BY THE COMMITTEE
Impairment reviews (2) **The key issue considered was:** • **the carrying value of the equity investment in Spire at year end and whether a reversal of previously recognised impairment losses should be recognised.**	The Group's equity investment in Spire was subjected to impairment charges during FY20 and the two preceding years. The Committee noted that Spire's share price was trading in excess of the carrying value of the equity investment, and that this investment was equity accounted and not carried at fair value. The Committee challenged the assumptions underlying management's valuation of Spire. In particular, it considered whether the equity investment's business revenue growth forecasts and EBITDA margins differed materially from the valuation assumptions applied in the prior years when the impairments were booked. **Outcome:** The Committee was satisfied that an impairment reversal should not be recognised.
Swiss pension fund **The key issue considered was:** • **the carrying value of the Swiss pension fund.**	The Committee reviewed the main assumptions underlying the valuation of the pension obligations, as determined by the external actuaries. These assumptions, such as discount rates, mortality and inflation rate, were discussed with management and the external auditors in the light of prevailing economic indicators in Switzerland. **Outcomes:** • The Committee was satisfied with the carrying value of the Swiss pension fund and the associated disclosures. • The Committee was satisfied that an asset ceiling was applied for the main Swiss pension fund.
Recoverability of the Middle East receivables **The key issue considered was:** • **recoverability of the Middle East trade receivables and if sufficient impairment for credit losses has been recognised.**	The Committee obtained an understanding of the year-on-year increase in the outstanding receivable balances and evaluated the provision for expected credit losses and disallowances. The Committee took note of the improvement in cash conversion compared with the half year and of the collections received after the year end. **Outcome:** The Committee concluded that the Middle East receivables were adequately provided for.

TABLE 2: SIGNIFICANT ISSUES CONSIDERED IN RELATION TO THE FINANCIAL STATEMENTS CONTINUED

SIGNIFICANT ISSUE	HOW IT WAS ADDRESSED BY THE COMMITTEE
Classification and presentation of adjusting items **The adjusting items for FY22 amounted to £16m after taking related tax and deferred tax into account (£20m before tax), of which £19m related to accelerated depreciation and £11m related to past service.** See the **Group Chief Financial Officer's Report** starting on page 72 for more **The key issue considered was:** • **the Group's use of non-IFRS measures and the judgement applied to determine whether the items were adjusting items.**	The Committee reviewed the adjusting items for FY22 and discussed these with management and the external auditors. Particular consideration was given to the types of income and expenses adjusted by management in arriving at the Group's adjusted earnings measure. The Committee received confirmation from management and the external auditors that the adjusting items and adjusted measures had been evaluated, classified and presented in line with the Group's policy and guidance from the FRC, and that management's application of the Group's policy was consistent with previous accounting periods. It also examined whether the disclosures within the **Group Chief Financial Officer's Report** and the interim and preliminary results announcements provided sufficient details to understand the nature of these items. **Outcomes:** • The Committee was satisfied that the amounts classified as adjusting items were reasonable, and the related disclosure of these items in the **Group Chief Financial Officer's Report** and results announcements was appropriate. • The Committee was satisfied that all adjusted measures were appropriately labelled and reconciled to the equivalent statutory measures, and the related disclosures were clear and transparent. • The Committee was satisfied that there was consistent application in determining the adjusting items. • The Committee was satisfied that a comparable statutory measure had been shown for each non-IFRS measure.

FBU REPORTING AND USE OF APMS

The Committee adopted the following process in assessing whether the Group's 2022 Annual Report was FBU and provided the information necessary for shareholders to assess the Group's position:

- Factual content was verified by management, and members of senior management undertook a comprehensive review of the document to consider messaging and balance.
- The Committee reviewed a report from management on the process adopted for the preparation of the Annual Report to support the FBU assessment.
- The Committee received a full draft of the Annual Report in sufficient time to review and comment on the document and consider the overall balance and consistency prior to its circulation to the Board. In carrying out its review, the Committee had regard to whether:
  - there was consistency between the key messages in the document and the Group's position, performance and strategy, and between the narrative sections and the financial statements;
  - all key events, both positive and negative, reported to the Board and its committees during the year were adequately reflected;
  - the significant issues considered as a Committee were consistent with those identified by the external auditors in their report, and any material inconsistencies reported by the external auditors were addressed in the Annual Report; and
  - the APMs used in the Annual Report were appropriate, had been clearly explained, and had not been given greater prominence than the corresponding statutory measures, as described above.
- Particular issues considered for the 2022 Annual Report included whether:
  - the policy for non-IFRS adjusted measures has been disclosed and applied consistently;
  - all non-IFRS adjusted measures have been labelled and reconciled sufficiently; and
  - non-IFRS adjusted measures have not been displayed with more prominence as the reported measures.

Committee feedback on areas that would benefit from further clarity was incorporated into the document before circulating it to the Board with the recommendation that the Annual Report – taken as a whole – was FBU and provided the information necessary for shareholders to understand the Group's business model, strategy, position and performance.

The same process was adopted for the Committee's review of the Group's FY22 interim results and preliminary statement of annual results announcements.

FINANCIAL REPORTING COUNCIL

In January 2022, the Group received a letter from the FRC's Corporate Reporting Review Team following its review of the Company's 2021 Annual Report. The letter requested further information on three principal areas of disclosure in the 2021 Annual Report: (1) the recognition of a defined benefit pension surplus in Switzerland; (2) tariff risk provisions and variable consideration accruals; and (3) the use of APMs. In addition, the Group was encouraged to consider making improvements in response to a number of other observations made by the FRC, if material and relevant.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

The Committee discussed the FRC's findings with PwC and in March 2022, following our response to these queries, the FRC Corporate Reporting Review Team confirmed that they had closed all of their enquiries. The suggested improvements have been incorporated into the relevant notes to the financial statements and the explanation of the APMs used in this Annual Report set out on pages 80–86 where material and relevant.

The FRC's letter states that their review is based on the 2021 Annual Report and provides no assurance that the 2021 Annual Report is correct in all material respects, noting that the FRC's role is not to verify the information but to consider compliance with reporting requirements. The FRC had last reviewed and corresponded with the Group in relation to its annual report for the year ended 31 March 2016.

INTERNAL AUDIT

The Internal Audit function is a key element of the Group's internal control environment. Its role is to provide assurance that the Group's risk management and internal control systems are well designed and operate effectively and that any corrective action is taken in a timely manner. Its audits cover internal controls and risk management processes relating to the financial, operational and clinical performance, as well as IT and compliance activities of the Group. The function's responsibilities also include providing independent appraisal and assurance to the Committee on the effectiveness of the Group's risk management processes and internal control system. Strong reliance is placed on the Group's Combined Assurance Model, which uses control self-assessment techniques to assure on key risk areas.

The purpose, scope and authority of the Internal Audit function is defined within its charter, which is reviewed and approved annually by the Committee. The Group General Manager: Internal Audit reports functionally to the Committee and administratively to the Group Chief Governance Officer. The team supplements its in-house capacity by contracting in specialist services as required to ensure the optimisation of resources.

The internal audit plan is set on a three-year rolling basis. Focus areas are determined and updated annually using a risk-based approach and ensuring the work is appropriately aligned to and coordinated with the activities of other relevant assurance providers. The Internal Audit function works closely with the Risk Management function and engages with the external auditors on at least a quarterly basis.

An internal audit update is provided to the Committee at each meeting, covering progress against the internal audit plan, an overview of audits completed during the period, actions arising from those audits and tracking of the implementation of corrective actions. During FY22, the Committee reviewed and provided feedback on the internal audit plan to ensure that key risk areas identified by the Group's ERM processes would be audited with appropriate frequency and depth. The Committee also monitored progress on the closure of corrective actions and noted the Internal Audit function's assurance that management prioritised closing such actions timeously. The Committee requested that additional details be included in the internal audit reports in this respect.

INTERNAL AUDIT EFFECTIVENESS REVIEW

During the year, the Committee conducted its annual assessment of the effectiveness of the Internal Audit function. A questionnaire was prepared based on guidance outlined by the Chartered Institute of Internal Auditors' Internal Audit Code and the FRC's Guidance on Audit Committees. The questionnaire was approved by the Committee prior to its circulation to Committee members. Responses were collected by the Company Secretariat and reported on an anonymised basis to encourage open and honest feedback. Based on the findings of the assessment, the Committee was satisfied with the effectiveness, resourcing, independence and standing of the Internal Audit function in terms of delivering its current mandate. The Committee noted the steps being taken in response to the changes anticipated to emerge from the BEIS Consultation.

Stellenbosch, South Africa

AUDIT AND RISK COMMITTEE REPORT CONTINUED

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board retains overall responsibility for determining the risk appetite of the Group, assessing the Group's principal and emerging risks, and overseeing its risk management processes and internal controls, including those relating to the financial reporting process. At the request of the Board, the Committee plays an important function in assisting the Board to meet these responsibilities (together with the Clinical Performance and the ESG committees, in respect of clinical and ESG risks, respectively).

The Committee reviews the Group's emerging and principal risks twice a year: prior to the publication of the interim results, to assess whether there have been any changes since the publication of the previous annual report, and a more in-depth, detailed review prior to the publication of the following annual report. This includes a review of the Group's ERM Policy, framework and processes, the Group's risk appetite statement, any changes in the emerging and principal risks facing the Group, and action plans designed to mitigate these risks in line with the Group's risk appetite. During the past year, the Committee focused specifically on the following categories of risk: cybersecurity threats, ICT resilience risks, the implementation of major IT projects, financing and interest rate risks, liquidity risk, and availability of medical practitioners. Detailed oversight of other principal risks was allocated to the Board, and the Clinical Performance and ESG committees, with deep dives into each risk taking place at least annually. Feedback and valuable insights flow back to the

FIGURE 1: GROUP RISK MANAGEMENT GOVERNANCE STRUCTURE

Committee through the carefully planned overlap in membership. The outcome of the assessment of principal risks and uncertainties facing the Group, the procedures in place to identify emerging risks and how these risks are being managed or mitigated, as reviewed by the Committee and approved by the Board in May 2022, are described on pages 91–100 of this Annual Report.

The Committee considers the effectiveness of these arrangements during its discussions at every meeting. It also receives regular reports from management on issues requested by the Committee, or identified from the Company's risk management, internal audit or compliance processes or reports on fraud and ethical matters (including any instances of whistleblowing). These are supplemented by feedback on the internal control environment provided by the external auditors as part of their half-year review and in their formal report on the full-year audit. Additionally, where appropriate, the Group seeks assurance from external experts. Recommendations arising from the above processes are communicated to the relevant business areas by the Risk Management or Internal Audit functions, as appropriate, and the Committee receives regular progress reports on implementation and further requirements identified.

Once a year, prior to the publication of the annual report, the Committee conducts a formal in-depth review of the effectiveness of the Group's risk management and internal control system. This review covers all material financial, operational and regulatory compliance controls (including climate-related and clinical controls, subject to the separation of responsibilities agreed upon with the Clinical Performance and the ESG committees) in accordance with the FRC's *Guidance on Risk Management, Internal Control and related Financial and Business Reporting*. As part of this process, the Committee considers reports from the Risk Management, Internal Audit and Compliance functions, which reflect the outcomes of various peer reviews, control self-assessments, the delivery of the ERM and internal audit plans, and the status of any corrective actions taken by management in response to their findings. The Committee's review is also informed by the feedback and recommendations from the external auditors and other external assurances commissioned, as well as its own observations throughout the year under review.

Following the review of the effectiveness of the Group's risk management and internal control system concluded at its May 2022 meeting, the Committee noted the thoroughness of the processes followed to identify, and the key controls designed to mitigate, key risks, and the various levels of internal and external assurance received to confirm their effectiveness. It further noted that no significant failings or weaknesses had been identified and plans were in place to address the minor issues flagged for improvement.

The Board considered the work of the Committee in these areas as part of its annual robust assessment of the Group's principal and emerging risks and the effectiveness of its risk management and internal controls.

Following this assessment, the Board approved the disclosures in the Annual Report about the Group's emerging and principal risks, and their management or mitigation, and confirmed that it was satisfied that throughout the year under review and up to the Last Practicable Date, the Group's risk management and internal control environment continued to be effective.

Risk management and internal controls relating to financial reporting

A description of the Group's risk management processes can be found in the **Risk management report** on pages 91–92.

Key features of the Group's financial reporting internal controls include:

- clearly defined delegations of authority and lines of accountability;
- policies and procedures governing financial resource management, financial reporting, key ICT projects and security;
- annual self-assessments of the effectiveness of controls by the relevant management teams;
- assurance on key processes and IT audits as part of the internal audit coverage;
- an annual IT general control assessment conducted by the external auditors on the business applications which support the financial close process; and
- a detailed review by the Group Executive Committee, the Committee and the Board of the financial statements and disclosures within the annual, interim and other price-sensitive reports.

EXTERNAL AUDIT

PwC was appointed as the Company's external auditors in February 2016, as approved by the Company's shareholders in December 2015. Neil Grimes became the current lead audit engagement partner from June 2020.

QUALITY AND EFFECTIVENESS OF THE EXTERNAL AUDIT

The Committee, on behalf of the Board, is responsible for ensuring that the Group receives a high-quality and effective statutory audit. The Committee monitored the quality of the external auditors' work on a regular basis throughout the year and conducted a formal assessment towards the end of the audit.

PwC presented the strategy and scope of the FY22 external audit at the Committee meeting held in November 2021, highlighting any areas of increased focus. The Committee satisfied itself that its key areas of interest would be appropriately addressed and provided clear guidance to PwC on its expectations in relation to the audit.

Throughout the year, management presented their current view of various key accounting issues and judgements to the Committee and PwC provided their professional view on whether the approach proposed or adopted by management is appropriate. A number of these issues manifested themselves as the significant issues considered by the Committee in relation to the interim and annual financial statements, set out on pages 124–126. The Committee held open discussions on these matters with management and PwC during Committee meetings and with each group privately, after meetings. This allowed Committee members to scrutinise and challenge management's judgements and the quality of disclosures as well as PwC's analysis and work to develop a clear understanding of any contentious issues. PwC also met regularly with management during the audit process.

PwC provided an update on the audit at the March 2022 meeting, allowing the Committee to monitor progress against the agreed scope and plan, raise questions and challenge both PwC and management on the matters covered.

As the FY22 external audit neared finalisation, the Committee organised a formal evaluation of the external auditors' performance. Committee members, senior management and others who had regular contact with PwC during the course of the audit were asked to complete a questionnaire which focused on four key areas: (1) the robustness of the audit process; (2) the quality of delivery; (3) the quality of reporting; and (4) the quality of people and service. The feedback was collated and considered by the Committee at the meeting held in May 2022, together with the feedback from separate meetings with the external auditors and management, and its own observations and interactions.

Matters discussed included: areas of discussion between the external auditors, management and the Committee; the external auditors' robust but constructive challenge to management's assertions and areas of significant judgement; and the overall thoroughness of their work. A key aspect considered by the Committee was evidence of the external auditors' professional scepticism and challenge in their reports as well as during Committee discussions, particularly on issues such as: the goodwill impairment assessments of the Middle East and Switzerland; the carrying value of the equity investment in Spire at year end; the recoverability of receivables in the Middle East and adequacy of provisions for credit losses and disallowances; and the going concern assessment.

The Committee also took note of the FRC's *Audit Quality Practice Aid for Audit Committees*, published in December 2019, and the Audit Quality Inspection report for PwC, published by the FRC's Audit Quality Review team in July 2021. It was noted that the firm had taken steps to address the key findings of the FRC's previous review and the overall quality of its audits had improved year on year. The main recurring findings flagged by the FRC were also considered. The matters raised in the FRC's report and the background to the questions raised in the FRC's letter regarding the Company's 2021 Annual Report were discussed with PwC.

Following this review, the Committee was satisfied that the statutory audit process and services provided by PwC were satisfactory and effective. Areas for further improving the quality and effectiveness of the audit were discussed with management and the lead audit partner and his team.

EXTERNAL AUDITORS' INDEPENDENCE

The fees paid to PwC for non-audit services represent a key component of the Committee's annual assessment of the independence and objectivity of the audit. In line with best practice, the provision of non-audit services by PwC to the Group is governed by Mediclinic's Non-audit Services Policy. The policy incorporates the restrictions on non-audit services introduced by the FRC's *Revised Ethical Standard 2019*, designed to ensure that the external auditors' independence and objectivity are not impaired or perceived to be impaired. Consequently, PwC is permitted to provide Mediclinic only with certain non-audit services; these are closely linked to the audit itself or required by law or regulation, and the aggregate fees for such services may not exceed 70% of the average audit fee for the previous three financial years. The Committee reviews the policy at least annually and recommends it to the Board for approval. The policy was last approved by the Board in March 2022.

Under the policy, at the beginning of each financial year, the Committee determines the pre-approved monetary thresholds for each category of non-audit services that may be provided by the external auditors. Any individual assignment with a fee exceeding £50 000 requires the Committee's prior approval. The nature of the services, the individual fee levels for each category and the aggregate fee relative to the external audit fee are taken into account in determining these thresholds. PwC is engaged to provide non-audit services only when it can be clearly demonstrated that the firm is best placed to perform the services in a cost-effective and efficient manner because it has the necessary expertise and capabilities, and can leverage its existing detailed knowledge of Mediclinic's business and understanding of the sector and jurisdiction.

The Committee receives regular reports on the non-audit services fees paid to PwC. In FY22, the fees paid to PwC in respect of non-audit services amounted to approximately £0.7m or 27.6% of the statutory audit fees. All non-audit services provided were in line with the Non-audit Services Policy. Approximately £0.2m of the non-audit service fees was in respect of reviews conducted in relation to the financial statements for the six months ended 30 September 2021. Therefore, excluding the half-year reviews, non-audit service fees as a percentage of statutory audit fees amounted to 8.9%. In addition, an amount of approximately £0.3 m or 11% of the statutory audit fees was paid for Swiss billing code audits. These audits are required by Swiss law to ensure that the codes used for the bills issued by our Swiss division on invoices for inpatient hospital services are entered in accordance with the Swiss diagnostic-related grouping tariffs.

See note 8 to the **Group annual financial statements** on page 194 for more information on the fees paid for audit and non-audit services during the year under review

The Committee also reviews the assurances provided in PwC's external audit report, in accordance with the FRC's *Revised Ethical Standard for Auditors*. The Committee noted the letter included in PwC's FY22 external audit report, confirming that PwC's integrity, objectivity and independence were not compromised, together with the information supporting this assessment. The Committee also noted that the quality review partner, who reviews the judgements of the audit team, rotates every seven years; the lead partner and key audit partners at each division rotate every five years.

Based on the above arrangements and confirmations, feedback from management and Committee members' own observations of the external auditors' conduct and judgement, the Committee was satisfied that PwC continues to be independent and free from any conflicting interest with the Group.

REAPPOINTMENT OF THE EXTERNAL AUDITORS AND EXTERNAL AUDIT TENDER

As described above, the Committee concluded that the external audit services provided by PwC were of a high quality, that the external audit process in respect of FY22 was effective, and that the auditors remained objective and independent. Accordingly, the Committee recommended to the Board that the reappointment of PwC as the Company's external auditors be proposed to shareholders at the Company's 2022 AGM.

The Committee complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 during FY22. The Company must also comply with UK Competition and Market Authority ('CMA') rules, which require the external audit contract to be put out to tender at least every 10 years, with the proviso that no single firm may serve as the Company's external auditors for a period exceeding 20 years. The planning for this retendering has already commenced. The intention is for the tender process to be completed during the 2022 calendar year, with the Board making the corresponding recommendation to shareholders at the Company's 2023 AGM. This will allow the external auditors selected from the process to conduct the audit for the financial year commencing 1 April 2023, 10 years after the Company's initial listing.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

COMMITTEE EVALUATION

The table alongside sets out the progress made in relation to the key priorities identified from the Committee's previous evaluation, concluded in March 2021.

In March 2022, the Committee considered the outcome of the external evaluation of its performance, conducted as part of the annual evaluation process described on pages 117–119 of the **Corporate Governance Statement**. The composition and performance of the Committee were highly rated and no significant issues requiring improvement had been identified.

FY23 PRIORITIES

The Committee's main priorities for FY23 are:

- conduct of the external audit tender process in line with statutory requirements and good practice;
- continue to monitor the implementation of any changes required in the Finance, Risk Management and Internal Audit functions, processes and reporting to the Committee and the Board in response to the outcomes from the BEIS Consultation;
- continue to monitor the implementation of climate change-related reporting requirements and best practice;
- continue to monitor the efficiency of the reporting process, information flows and assurance; and
- continue to meet with members of the divisional finance teams.

PROGRESS ON KEY FY22 PRIORITIES

PRIORITIES	STATUS
Monitoring and reviewing the effectiveness of the Group's risk management framework	Clear plan being implemented for the detailed oversight of the Group's principal risks and their mitigation, with responsibility for each risk allocated to the Board or a Board committee. Feedback and insights flow back to the Committee through planned overlaps in committee membership. Further improvements in the quality of reporting to the Committee, including focus on the impact of COVID-19. See page 128
Continuing to monitor the impact of COVID-19 on accounting, audit, risk management and internal control matters	
Monitoring the quality of reporting on climate-related and other ESG matters	Reviewed the planned reporting arrangements and levels of assurance being obtained. Received feedback regarding the ESG Committee's review of the proposed TCFD reporting. See pages 121 and 123
Reviewing and preparing to address the relevant reforms that emerge from the UK Government's white paper on restoring trust in audit and corporate governance	Expert briefing session on the BEIS Consultation to explore particular aspects and potential impacts in detail. Reviewed management's plans to start preparing for the expected changes.
Introducing further regular expert training on developments in accounting, audit and reporting matters	Received expert briefing on the BEIS Consultation and the valuation of the property portfolio in Switzerland. Other expert briefings received as part of Board-wide sessions. Further briefings are planned on an ongoing basis. See page 121

CLINICAL PERFORMANCE COMMITTEE REPORT

"Although COVID-19 continued to be a clinical priority, we were also able to make progress in other areas such as patient safety culture and embedding of clinical governance.

Dr Felicity Harvey
Chair of the Clinical Performance Committee

See the **ESG Committee Report** on pages 135–136 for details of our activities relating to sustainable development matters prior to September 2021

I am pleased to present the report on the activities of the Clinical Performance Committee (the 'Committee') during FY22. The Committee's focus was strengthened in September 2021 through the creation of a separate ESG Committee, which assumed our responsibilities for overseeing sustainable development matters. Dr Anja Oswald's appointment as an additional Committee member has strengthened the breadth of our expertise, while Professor Wim de Villiers's appointment as an expert clinical adviser to the Committee will provide valuable independent external insights. Although COVID-19 continued to be a clinical priority for the Group and the Committee, we were also able to make important progress in other areas such as patient safety culture, the adoption of new technology, improvement of clinical performance and embedding of clinical governance. The Committee continues to be extremely grateful to the Clinical Services teams and all employees across the Group for their diligence and dedication during the pandemic.

Dr Felicity Harvey
Chair of the Clinical Performance Committee
24 May 2022

COMMITTEE ROLE AND RESPONSIBILITIES

The Committee's key responsibilities include promoting a culture of excellence in patient safety, quality of care and client experience by, among other things, monitoring the clinical performance of the Group.

See the Committee's terms of reference, available on the 'Governance' section of the Company's website at www.mediclinic.com, for further details

COMMITTEE MEMBERSHIP AND ATTENDANCE

The Committee membership comprises the SID (who chairs the Committee), three other independent non-executive directors and the Group CEO. All members have current or past clinical and/or public healthcare experience.

See page 113 for details of Committee membership and attendance and pages 104–107 for members' biographies

Professor Wim de Villiers is invited to attend all meetings. Under the Ward-to-Board accountability framework, the Group and divisional chief clinical officers and the Group General Manager: Clinical Services also attend all meetings. Other relevant members of management are invited to attend meetings as required.

MEETINGS AND PRINCIPAL AREAS OF FOCUS IN FY22

The Committee held five meetings during the year under review, one of which was dedicated to discussions on the Group's clinical strategy. One scheduled meeting was held between the Company's financial year end and the Last Practicable Date to approve this report, the **Clinical services overview** and the standalone **2022 Clinical Services Report.**

The Committee also holds private meetings twice a year with the external expert advisers appointed to the divisional clinical performance committees, the Group CEO and the Group Chief Clinical Officer, for an open and transparent discussion of the culture, clinical performance and key issues observed during their interactions with the clinical teams.

CLINICAL PERFORMANCE COMMITTEE REPORT CONTINUED

> This accountability framework is integral to the Group's Patients First approach.

GOVERNANCE

The Committee supports and oversees the operation of the Group-wide Ward-to-Board accountability framework, which includes the following elements:

- hospital-level clinical performance committees chaired by independent doctors and including hospital management;
- divisional clinical performance committees led by the Group Chief Clinical Officer (independent expert advisers to each committee provide an objective view on the clinical performance of the division and an expert opinion on clinical matters when required);
- the Group Chief Clinical Officer;
- the Committee; and
- the Board.

This accountability framework is integral to the Group's Patients First approach, the achievement of its Group strategic goal to improve the value proposition significantly and, ultimately, to creating value for shareholders by:

- aligning the interests of clients and care providers;
- strengthening the culture of performance reporting and accountability;
- ensuring effective information flows up and down the organisation;
- driving improvements in clinical quality and efficiency; and
- facilitating Group-wide alignment and collaboration.

FIGURE 1: MEDICLINIC CLINICAL GOVERNANCE FRAMEWORK

ACCOUNTABILITY	• **Ethical principles** • **Ward-to-Board** accountability • **Accreditation** of facilities, services and healthcare practitioners
LEADERSHIP	• **Culture** • **Credentialing and privileging** of healthcare practitioners • Clinical risk management and clinical internal audit
STAFF, EDUCATION AND TRAINING	• Quality of staff and **staffing** levels • Academic **affiliations** and **teaching** of staff and independent healthcare practitioners • Continuous **professional development training** for staff and independent healthcare practitioners
BUILDINGS, EQUIPMENT AND MATERIALS	• Procurement and maintenance of **equipment** • Procurement and proper use of **materials** • Safe, operationally efficient and environmentally sustainable **facility** design

See the **2022 Clinical Services Report** at annualreport.mediclinic.com

The application of the framework has continued to mature during FY22, resulting in further improvements in the quality and consistency of clinical performance reporting, and the understanding and management of adverse events. It has also facilitated collaboration across the Group, through the sharing of lessons learned and the development of joint solutions to problems affecting all divisions.

CLINICAL PERFORMANCE

The Group's clinical management model is based on a clinical performance framework consisting of four components: patient safety, clinical effectiveness, clinical cost efficiency and value-based care. During the year, the Committee received regular reports on the clinical services and performance of each division. The dashboards reviewed by the Committee continued to mature, providing a clear indication of positive and negative outliers for key indices, trends, potential areas of concern that should be investigated and opportunities to share knowledge across the Group. Further areas of refinement identified included client experience and unfilled vacancy indicators. The Committee encouraged management to continue to evolve its reporting and the clinical performance indicators tracked as the Group expands into new areas across the continuum of care.

Progress on digitalisation projects, the implementation of new medical technology and further opportunities in these areas were key focal points during the Committee's annual clinical strategy meeting. The Committee monitored progress on these initiatives, including, among others:

- the implementation of The Patient Safety Company software across the Group, which will strengthen the management of safety events and uniformity of reporting;
- the roll-out of EHRs, which is nearing completion in the Middle East and Switzerland, and options more appropriate to the Southern Africa operations being progressed; and
- new digital healthcare and virtual care services for the Group's clients and healthcare professionals.

The Committee also provided guidance and support with regard to other patient safety initiatives such as the obstetrics framework and safe surgery and procedures framework that will be introduced across the Group. These frameworks address two of the Group's top five clinical risks by setting minimum standards for Group-wide application, with deviations permitted only if dictated by local requirements.

CLINICAL PERFORMANCE COMMITTEE REPORT CONTINUED

Other topical reports discussed by the Committee with the clinical leadership teams included:

- COVID-19 vaccination levels among employees and affiliated doctors;
- lessons learned from particular developments and application of those learnings in other parts of the Group; and
- the development of patient-reported outcome measures to evaluate improvements in their quality-of-life post-treatment, as well as the response rate and scores from patient surveys.

See the **Clinical services overview** starting on page 58 for more information on our clinical performance

CLINICAL RISK MANAGEMENT AND CONTROLS

The Committee's responsibilities include oversight of the Group's clinical risks and related controls, and liaising with the Audit and Risk Committee on these matters. During FY22, the Committee received a detailed report on the Group's top five clinical risks, comprising:

- adverse obstetric outcomes;
- medication management;
- multidrug-resistant organisms;
- surgical and procedural adverse events; and
- clinical care processes.

The Committee discussed the assessment of these risks and the adequacy of the mitigating actions being taken to ensure their management within the Board's low risk appetite and tolerance limits for clinical risks.

The Committee also received regular reports from the Group's Internal Audit function on the findings from hospital and other clinical audits conducted. Despite the disruption caused by COVID-19, the majority of the clinical audits planned for FY22 were completed and showed compliance with most controls for high-risk areas. Action plans to correct any non-compliance had been formulated, with the divisional clinical performance committees ensuring their implementation and completion.

COMMITTEE EVALUATION

The table below sets out the progress made in relation to the key priorities identified from the Committee's previous evaluation, concluded in March 2021.

PROGRESS ON KEY FY22 PRIORITIES

PRIORITIES	STATUS
Continuing to improve the comparability of reporting within and across all three divisions	The Committee and the independent expert advisers commended management for the improvements made in the comparability of reporting across the Group.
Continuing to provide appropriate patient safety training to senior management and the Board, together with other relevant training on health measures and global trends	Discussions on patient safety and challenges were included in the induction programme for new directors and for the clinical expert adviser. Board and senior management training was deferred to FY23, when travel to divisions could resume.
Monitoring progress on the implementation of a software solution for the management of clinical adverse events	See the 'Clinical performance' section
Monitoring progress on the implementation of EHRs in Switzerland, Southern Africa and the Middle East	See the 'Clinical performance' section
Monitoring progress on the clinical internal audits	See 'Clinical risk management and controls' section
Monitoring the Group's response to COVID-19	Monitoring of COVID-19's impact on clinical services, performance and employees was embedded into the regular clinical performance reports discussed at Committee meetings. The directors also continued to receive daily reports on COVID-19 levels across the Group.

In March 2022, the Committee considered the outcome of the external evaluation of its performance, conducted as part of the annual evaluation process described on pages 117–119 of the **Corporate Governance Statement**. The composition and performance of the Committee were highly rated and no significant issues requiring improvement had been identified.

FY23 PRIORITIES

Reflecting on the feedback from its evaluation, the Committee's main priorities for FY23 are:

- continuing to support management with the optimisation of reports and information presented to the Committee and the Board;
- ensuring clinical performance measures and audits continue to evolve as the Group expands across new areas in the continuum of care;
- increasing focus on the clinical care aspects of clients' experience; and
- ensuring continued collaboration and joint problem-solving across the Group.

> The Committee has taken on the well-established processes developed by the Clinical Performance and Sustainability and the Nomination committees.

Dame Inga Beale
Chair of the ESG Committee

See the **Sustainable development overview** starting on page 34 for sustainable development progress

See the **2022 Sustainable Development Report** at annualreport.mediclinic.com for further details

ESG COMMITTEE REPORT

I am pleased to present the first report on the activities of our new ESG Committee (the 'Committee') during FY22. Consideration of ESG matters is embedded into the Group's business and the Clinical Performance and Sustainability and the Nomination committees previously provided Board-level oversight. However, recognising the significance of these matters, the Board considered it important to establish a dedicated forum for providing oversight of the Group's Sustainable Development Strategy and corporate governance framework, and supporting other Board committees in areas of overlapping interests. The Committee has taken on the well-established processes developed by the Clinical Performance and Sustainability and the Nomination committees, and is building upon them to respond to internal developments and the evolution of external reporting frameworks and regulatory requirements, as set out in this report.

Dame Inga Beale
Chair of the ESG Committee
24 May 2022

COMMITTEE ROLE AND RESPONSIBILITIES

The Committee's key responsibilities include:

- overseeing the Group's conduct with regard to its sustainable development obligations as a responsible corporate citizen;
- reviewing and approving the Group's Sustainable Development Strategy and corresponding implementation plans and measures; and
- monitoring the sustainable development performance of the Group and progress on the implementation of its Sustainable Development Strategy.

See the Committee's terms of reference, available on the 'Governance' section of the Company's website at www.mediclinic.com, for further details

COMMITTEE MEMBERSHIP AND ATTENDANCE

The Committee membership comprises the Chair of the Board (who is also Chair of the Committee), two other independent non-executive directors, the designated non-executive director responsible for workforce engagement and the Group CEO.

See page 113 for details of Committee membership and attendance and pages 104–107 for members' biographies

The Group Chief Governance Officer, responsible for coordinating sustainable development activities across the Group, attends all Committee meetings. Other relevant members of management are invited to attend meetings as required.

MEETINGS AND PRINCIPAL AREAS OF FOCUS IN FY22

The Committee normally holds two scheduled meetings during a financial year. During FY22, it held one additional meeting to review and approve a first draft of the **TCFD report** included in this Annual Report for the first time, Southern Africa's roadmap to send zero waste to landfill by 2030, and various Group policies that fall within its remit. The key activities covered by the Committee (or, prior to 1 September 2021, the Clinical Performance and Sustainability Committee) are set out below.

SUSTAINABLE DEVELOPMENT

The Committee conducted a biannual review of the Group's significant stakeholders and for each group, the methods of engagement, their key areas of concern and Mediclinic's response, noting the minor adjustments proposed to reflect feedback from the business and stakeholders. The Committee (and subsequently the Board) approved the list of significant stakeholders and confirmed that the methods of engagement with clients, workforce, shareholders and other key stakeholders continued to be effective in terms of enabling the flow of information from stakeholders to management and the Board, and the Group's response back to stakeholders.

ESG COMMITTEE REPORT CONTINUED

The Committee also discussed and approved the Group's material sustainability priorities, including the principles adopted for determining materiality and the resulting priorities proposed for 2022, which remained consistent with those identified for the prior year.

The Group's Sustainable Development Strategy was a key focus area for the Committee. It examined the progress made on achieving the objectives for the year and was pleased to note that these were either completed or progressing well, although in a few cases, some adjustments to deadlines for completion were required due to resource constraints. A number of new objectives were proposed to build on existing achievements and ensure the strategy remained relevant and continued to address the Group's ESG priorities.

The Committee also received detailed reports on:

- diversity and inclusion across the wider workforce and the talent pipeline leading up to the Group Executive Committee's direct reports;
- labour relations, working conditions, and employee training and skills development;
- the Southern Africa operations' standing in terms of the goals and purposes of the B-BBEE programme and compliance with the Employment Equity Act, No. 55 of 1998, and the UAE's plans for Emiratisation (increasing the number of roles fulfilled by UAE nationals);
- feasibility studies being conducted with Johnson & Johnson MedTech across the Group's operations to reduce waste through the introduction of circular economies, specifically in relation to consumables such as single-use medical devices and packaging not currently captured by any recycling initiatives;
- the Southern Africa operations' roadmap to achieving carbon neutrality and sending zero waste to landfill by 2030, and related capital expenditures required to deliver the initiatives identified to date; and
- the results of Mediclinic's participation in various sustainability indices and assessments.

ESG REPORTING

The Committee supports the Audit and Risk Committee and the Board in the review of existing and emerging ESG-related risks and reporting. As part of this, the Committee:

- considered and provided guidance on ESG-related risks and their mitigation during its meetings;
- reviewed and approved the climate-related risks set out in the TCFD report and, going forward, will be conducting regular deep dives into environmental, climate-related and other sustainability risks;
- conducted a review of the internal and external assurance processes supporting the Group's assessment of material sustainable development issues and non-financial information reporting, and the outcomes of the ISO 14001 gap audits completed and corresponding certifications obtained;
- considered and approved the Group's **TCFD report** and **Sustainable development overview** included in this Annual Report, this report by the Committee and the standalone **2022 Sustainable Development Report**; and
- conducted its annual review of the Group's Modern Slavery and Human Trafficking Statement prepared in accordance with the UK's Modern Slavery Act 2015, and recommended it to the Board for approval.

The Group's **Modern Slavery and Human Trafficking Statement** can be found on the home page of the Company's website at www.mediclinic.com

GOVERNANCE MATTERS

The Committee discussed reports received on:

- directors' external appointments and time commitments, conflicts of interest and independence, following which it made the corresponding recommendations to the Board (see sections in the **Corporate Governance Statement** on 'External appointments and conflicts of interest' and 'Directors' independence' on pages 110–111);
- fraud and ethics matters;
- compliance, including the governance of advertising and compliance with consumer protection legislation; and
- charitable sponsorship and donations.

The Committee also reviewed and approved the Group's Sustainable Development Policy and Group Environmental Policy, ensuring their continued alignment with the Group Sustainable Development Strategy, and reviewed and recommended to the Board for approval the Group's Code of Business Conduct and Ethics and the Committee's terms of reference.

SA COMPANIES ACT REQUIREMENTS

The Committee performs the statutory functions of a social and ethics committee in respect of certain South African subsidiaries of the Company, in accordance with the South African Companies Act, No. 71 of 2008, as amended. These include the requirement to report to shareholders at a company's AGM on matters within its mandate. The Committee fulfils this responsibility by referring shareholders at the Company's 2022 AGM to this report, which should be read in conjunction with the **2022 Sustainable Development Report**, available at annualreport.mediclinic.com. Any questions for the Committee may be sent to the Company Secretary prior to the 2022 shareholder engagement event or AGM.

COMMITTEE EVALUATION

The Committee was established in September 2021 only; it was therefore decided that the first evaluation of its performance would take place in FY23. The table below sets out the progress made in relation to the key priorities regarding sustainability matters that the Clinical Performance and Sustainability Committee had set itself for FY22, which the ESG Committee assumed after it was established.

PROGRESS ON KEY FY22 PRIORITIES

PRIORITIES	STATUS
Monitoring the wellbeing of employees	See the **Sustainable development overview** starting on page 34
Monitoring progress on the implementation of the Group's Sustainable Development Strategy	See the section on 'Sustainable development'

"We focused on the appointment of two new directors, amending the structure of the Board committees and formalising our Board gender and ethnicity diversity targets.

Dame Inga Beale
Chair of the Nomination Committee

NOMINATION COMMITTEE REPORT

I am pleased to report on the activities of the Nomination Committee (the 'Committee') for FY22, together with its priorities for FY23. The past year has been busy as we focused on the appointment of two new directors, amending the structure of the Board committees and formalising our Board gender and ethnicity diversity targets. We also supported management in restructuring the Group Executive Committee, including appointing two new members, and further developing plans for senior leadership succession and development. I look forward to further progress in the period to come.

Dame Inga Beale
Chair of the Nomination Committee
24 May 2022

COMMITTEE ROLE AND RESPONSIBILITIES

The Committee's key responsibilities include:

- formulating succession plans for the Board and the Group Executive Committee and overseeing the development of a diverse talent pipeline;
- reviewing the structure, size and composition of the Board and the Group Executive Committee;
- identifying and nominating potential candidates to fill vacancies on the Board and its committees as required; and
- monitoring progress on increasing diversity at Board and Group Executive Committee level and in the talent pipeline.

See the Committee's terms of reference, available on the 'Governance' section of the Company's website at www.mediclinic.com, for further details

COMMITTEE MEMBERSHIP AND ATTENDANCE

The Committee membership comprises the Chair of the Board (who is also Chair of the Committee), two other independent non-executive directors and one non-executive director.

See page 113 for details of Committee membership and attendance and pages 104–107 for members' biographies

The Group CEO, the Group Chief Strategy and Human Resources Officer and the Group General Manager: Talent Management also attend Committee meetings regularly, upon invitation.

MEETINGS AND PRINCIPAL AREAS OF FOCUS IN FY22

The Committee normally holds two scheduled meetings during a financial year. During FY22, it held three additional ad hoc meetings to consider non-executive director appointments and the restructuring of the Board committees.

NEW APPOINTMENTS

The Committee progressed its plans to fill the vacancies created by the planned retirement of Alan Grieve and Trevor Petersen as directors. The executive search firm Odgers Berndtson Limited was appointed to conduct an extensive search for suitably qualified individuals. The firm had no connection with the Company or any of the individual directors other than the provision of search services for these roles and is a signatory to the Voluntary Code of Conduct for Executive Search Firms. Based on a thorough and robust process, the Committee was pleased to recommend the appointment of Natalia Barsegiyan and Zarina Bassa to the Board. The Board subsequently appointed Natalia and Zarina as directors with effect 1 September 2021 and 1 February 2022, respectively.

See the **Section 172 statement** on pages 30–33 for more information on the appointment of Natalia and Zarina, one of the principal decisions considered by the Board during the period

NOMINATION COMMITEE REPORT CONTINUED

Following these changes, Mediclinic has:
- a gender-balanced Board;
- a female Chair of the Board and the Committee, and a female SID and Chair of the Clinical Performance Committee;
- two non-executive directors that meet the ethnic diversity criteria set by the Parker Review and the Company;
- a good mix of skills, knowledge, professional background and tenure;
- good coverage of the Board committees without placing undue demands on any one director; and
- Board-level representation in the main jurisdictions in which we operate.

DIRECTORS' INDUCTION AND ONGOING DEVELOPMENT

Directors receive a comprehensive and tailored induction that takes account of their existing expertise and Board committee roles, and incorporates feedback from recent appointees. The programme is designed to ensure they are fully equipped to meet their statutory duties, understand our business and strategic priorities, and establish relationships with the senior leadership team. It is normally structured as a series of formal meetings in the first month after appointment, with site visits to each geography spaced out over the next 12–18 months. Subsequent follow-up sessions are arranged on request.

The induction programmes for Natalia and Zarina were also tailored to their place of residence as well as restrictions and preferences regarding international travel at the time of their appointment in light of COVID-19. A substantial part of Natalia's programme was delivered virtually, whereas Zarina, appointed six months later and being a resident of South Africa, was able to attend more meetings in person. Their site visits were adjusted accordingly and to allow Dame Inga Beale and Steve Weiner to join them to continue their own inductions, which had also been affected by the pandemic.

The Company Secretary and the Company's external advisers monitor legal, regulatory and governance developments and inform the Board and relevant committees accordingly. The development needs of the Board and its committees are periodically discussed at meetings and expert briefing sessions arranged accordingly. During FY22, the Board received expert briefing sessions on patient safety, political developments in the Middle East and the increased focus on ESG, as well as an update session on directors' duties and other corporate governance-related matters. Directors appointed to new committees are offered training tailored to their new responsibilities and other development requirements are considered at meetings between individual directors and the Chair regarding the annual evaluation of their performance.

BOARD COMMITTEES

With management's increasing focus on ESG matters and growing scrutiny from investors and regulators, the Committee considered different options for ensuring appropriate Board-level oversight and support, and recommended to the Board the establishment of a separate ESG Committee to take over and build upon the sustainability responsibilities previously undertaken by the Clinical Performance and Sustainability Committee. As part of this restructuring, certain responsibilities previously allocated to the Nomination Committee were transferred to the ESG Committee. These included the monitoring of the outcomes of the Group's Diversity and Inclusion Policy below the Group Executive Committee level, and the Southern Africa operations' standing in terms of the goals and purposes of the B-BBEE programme and compliance with the Employment Equity Act, No. 55 of 1998.

The Committee also took the opportunity to review and recommend changes to the membership of all Board committees, to accommodate the changes in its composition and to ensure appropriate links were created between committees with common interests and shared responsibilities through overlaps in membership or, where not possible, regular guest attendees.

Following the Board's approval of the Committee's recommendations, the following changes were implemented:

TABLE 1: BOARD COMMITTEE CHANGES DURING FY22

COMMITTEE	CHANGES	EFFECTIVE DATE
Audit and Risk	• Alan Grieve retired as Chair and member; Tom Singer (existing member) appointed as Chair • Natalia Barsegiyan appointed as member • Zarina Bassa to be appointed as member	13 September 2021 1 August 2021 1 January 2023
Clinical Performance and Sustainability	Refocused as Clinical Performance Committee (no changes in membership)	1 September 2021
ESG	Established as new committee with Dame Inga Beale as Chair and Natalia Barsegiyan, Dr Felicity Harvey, Danie Meintjes and Dr Ronnie van der Merwe as members	1 September 2021
Investment	Tom Singer appointed as member	13 September 2021
Nomination	Alan Grieve retired as member	13 September 2021
Remuneration	• Trevor Petersen retired as Chair and member; Steve Weiner (existing member) appointed as Chair • Dr Muhadditha Al Hashimi appointed as member • Zarina Bassa appointed as member	13 September 2021 13 September 2021 1 February 2022

NOMINATION COMMITEE REPORT CONTINUED

BOARD COMPOSITION AND SUCCESSION PLANNING

The Committee reviews the composition of the Board and its committees against the current and future requirements of the business:

- before starting a search for a new director;
- before recommending the extension of the appointment of any existing directors; and
- annually, when considering Board short-, mid- and long-term succession planning and the election or re-election of directors.

The Committee's reviews are based on a comprehensive report which includes a Board skills matrix reflecting the current and future needs of the business and an analysis of various diversity factors such as gender, ethnicity, geographical background, age and tenure. It also takes into account the directors' independence and other external time commitments, as well as feedback from the latest Board evaluation. This process informed the candidate briefs prepared for the appointment of two new directors described earlier in this report.

Following its FY22 review of the Board's composition and succession plans, and taking into account the recent changes to the Board and its committees in response to the findings from the FY21 Board evaluation, the Committee concluded that their composition was adequate for the short to medium term and there was merit in providing a period of stability to allow the newly appointed directors to settle and bring their experience to bear. Nevertheless, the Committee would continue to keep the matter under close review.

The terms and conditions of appointment of the non-executive directors, which include their expected time commitment, are available for inspection at the Company's registered office and at the 2022 AGM.

> "The Board takes the need for boardroom diversity seriously, believing that a diverse and inclusive Board will result in better debates and decisions.

BOARD DIVERSITY POLICY

The Board firmly supports the principle of diversity and inclusion in general and takes the need for boardroom diversity seriously, believing that a diverse and inclusive Board will result in better debates and decisions, to the benefit of the Company, its shareholders, other key stakeholders and society at large. Accordingly, the Committee recommended the adoption of an updated diversity policy that sets out this position more explicitly and introduces specific gender and ethnic diversity targets for the Board. The gender target is consistent with that set for middle, senior and executive management in the Group Diversity and Inclusion Policy. Recognising that the geographical spread of the Group's operations means that an ethnic minority in one jurisdiction may not be a minority in another, the Board has adapted the Parker Review definition and set itself a higher ethnic diversity target.

The revised policy, adopted by the Board in March 2022, states that:

- diversity encompasses a range of factors including gender and ethnicity, nationality, social and educational background, skills, industry and geographical experience, age and tenure, cognitive strengths and a variety of other personal attributes that are less readily visible but no less valuable;
- inclusion means all Board members, regardless of background, are valued and respected and have the opportunity to contribute to the Board's discussions and decision-making;
- appointments to the Board will be made on merit and based on objective criteria, taking into account the composition of the Board and its committees in terms of the required mix of skills, experience, knowledge and tenure and, within this context, the benefits of promoting diversity in its broadest sense;
- the Board will instruct any search consultant engaged to advise on new appointments to review candidates from a variety of backgrounds and perspectives; and
- the Board will engage only executive search consultants who have signed up to the Executive Search Voluntary Code of Conduct.

The Board is committed to the following objectives:

- maintaining a balance of at least 40% female directors and at least 40% male directors, and at least two directors from an African, Asian, Middle Eastern, Central and South American background or from other historically disadvantaged ethnic groups (while recognising that during changes in the composition of the Board, there may be temporary periods when this balance is not achieved);
- in reviewing the composition of the Board, considering the diversity of the directors' skills, knowledge, experience, gender, ethnicity and other diversity factors set out in the policy, non-executive directors' length of service, the balance of independence on the Board and the Group's future requirements;
- in identifying suitable candidates for appointment to the Board, considering candidates from a variety of backgrounds and perspectives, and assessing all candidates on merit against objective criteria, with due regard to the benefits of Board diversity;
- annually assessing and making any necessary amendments to the Board's diversity objectives; and
- supporting and monitoring management's actions to develop an internal pipeline of diverse, high-calibre candidates for senior leadership roles within the Group, in line with Group and divisional diversity and inclusion policies, practices and initiatives.

The Board Diversity Policy applies to the Board only, but sits alongside Mediclinic's Group Diversity and Inclusion Policy and other Group and divisional policies, which, as a whole, set out Mediclinic's commitment to diversity and inclusion throughout the business. The Board is committed to ensuring the development of a diverse internal pipeline qualified and capable of taking up senior leadership positions, including at Board and Group Executive Committee level.

NOMINATION COMMITEE REPORT CONTINUED

The Committee is pleased to note that the composition of the Board already exceeds the diversity targets set by the FCA in the changes to the Listing Rules announced in April 2022 and will work with management and the ESG Committee to address the other requirements and recommendations set out in the new rules and related guidance.

The table below sets out the progress made against the objectives outlined in the previous Board Diversity Policy, which applied during FY22.

PROGRESS AGAINST OBJECTIVES	
OBJECTIVE	**STATUS**
The Board will remain committed to achieving a diverse Board and executive management including aspects such as age, gender, ethnicity, education and professional background.	See sections on 'New director appointments' and 'Group Executive Committee and talent management'
The Committee will annually consider and make recommendations, if applicable, to the Board on its diversity objectives.	Refreshed Board Diversity Policy with specific gender and ethnic diversity targets, as described in this 'Board Diversity Policy' section
In reviewing the composition of the Board and executive management, the Committee will consider diversity, in addition to considering the balance of skills, experience, independence and knowledge.	See sections on 'Board composition and succession planning' and 'Group Executive Committee and talent management'
In identifying suitable candidates for appointment to the Board, the Committee will assess candidates on merit against objective criteria and with due regard to the benefits of a diverse Board.	See the **Section 172 statement** on pages 30-33 for a description of the process adopted for the appointment of Natalia and Zarina

See the **Board Diversity Policy**, available on the 'Governance' section of the Company's website at www.mediclinic.com

NOMINATION COMMITEE REPORT CONTINUED

ORGANISATIONAL DIVERSITY

Details of race, gender and age representation on the Group's governance bodies, including the Board, the Group Executive Committee, the divisional executive committees and senior managers, can be found below.

See page 110 for more details on other diversity aspects for the Board

TABLE 2: RACE, GENDER AND AGE REPRESENTATION ON GOVERNANCE BODIES

		RACE (ONLY IN RESPECT OF SOUTHERN AFRICA)				GENDER				AGE (YEARS) AT 31/03/2022			
		BLACK[2]		WHITE		MALE		FEMALE		30–50		> 50	
	TOTAL MEMBERS[1]	NO	%	NO	%	NO	%	NO	%	NO	%	NO	%
Group Board	12	2 Board members of diverse ethnicity (17%)[3]				6	50%	6	50%	1	8%	11	92%
Group Executive Committee	10	n/a				9	90%	1	10%	4	40%	6	60%
Swiss Executive Committee	7	n/a				6	86%	1	14%	3	43%	4	57%
Southern Africa Executive Committee	10	3	30%[2]	7	70%	8	80%	2	20%	1	10%	9	90%
Middle East Executive Committee	10	n/a				9	90%	1	10%	6	60%	4	40%

TABLE 3: RACE, GENDER AND AGE REPRESENTATION OF DIRECT REPORTS TO GOVERNANCE BODIES

		RACE (ONLY IN RESPECT OF SOUTHERN AFRICA)				GENDER				AGE (YEARS) AT 31/03/2022			
		BLACK[2]		WHITE		MALE		FEMALE		30–50		> 50	
	TOTAL NO OF DIRECT REPORTS[1]	NO	%	NO	%	NO	%	NO	%	NO	%	NO	%
Group Executive Committee	32	n/a				18	56%	14	44%	19	59%	13	41%
Swiss Executive Committee	81	n/a				40	49%	41	51%	51	63%	30	37%
Southern Africa Executive Committee	68	21	31%[2]	47	69%	30	44%	38	56%	28	41%	40	59%
Middle East Executive Committee	65	n/a				20	31%	45	69%	50	77%	15	23%

Notes
1 Total membership shown at 31 March 2022.
2 In the South African context, the term 'black people' is a generic term which means African, Coloureds and Indians who: (a) are citizens of the Republic of South Africa by birth or descent; or (b) became citizens by naturalisation before 27 April 1994 or on or after 27 April 1994 and who would have been entitled to acquire citizenship by naturalisation prior to that date.
3 Diverse ethnicity refers to individuals with evident heritage from African, Asian, Middle Eastern, Central and South American regions, or from another diverse ethnic group, as defined by the Parker Review.

FIGURE 1: GENDER REPRESENTATION – GROUP EMPLOYEES AND SENIOR MANAGERS[1]

Group employees (%)

- Female 22 769
- Male 7 901

Senior managers (%)

- Female 464
- Male 797

Note
1 Senior managers are employees who are responsible for planning, directing or controlling the activities of the Group or a strategically significant part of the Group and direct undertakings included in the Group consolidation (excluding the executive directors of the Company).

NOMINATION COMMITEE REPORT CONTINUED

GROUP EXECUTIVE COMMITTEE AND TALENT MANAGEMENT

Another key leadership change supported by the Committee during FY22 was the restructuring of the Group Executive Committee to ensure it better reflected the operational and strategic needs of the business. The Committee reviewed and discussed the proposals with the Group CEO and the Group Chief Strategy and Human Resources Officer, offering its guidance and support and recommending the proposals to the Board. The Chair of the Committee was also actively involved in the process for appointing a Group Chief Operating Officer and his successor as CEO of Southern Africa.

See the **Section 172 statement** on pages 30–33 for a description of the process adopted for the restructuring of the Group Executive Committee

The Committee conducts an annual review of succession and development plans for the Group Executive Committee as well as the strength and diversity of the talent pipeline leading up to it. Areas of concern identified in the FY22 review were discussed in detail with management and subsequently with the Board, together with the proactive strategies and interventions being implemented or planned to address them.

There was some progress made on increasing gender and ethnic diversity at the Group Executive Committee and direct reports level in FY22 due to limited or no staff turnover; however, changes in the structure of the Group Executive Committee have brought about some subsequent changes. In addition, there were small improvements in the senior and middle management levels below, supported by interventions implemented during recent years such as:

- applying data analytics in human resources to provide valuable insights, such as patterns in appointments and resignations;
- introducing focused conversations and initiatives with key employee stakeholder groups;
- introducing town hall meetings featuring direct conversation with executive leadership at Group and divisional level;
- producing and sharing employee experience videos;
- sharing employee success stories in social media, showing the benefit of joining a diverse workforce;
- supporting accelerated growth of diverse talent in pipelines;
- improving the B-BBEE standing of Mediclinic and its subsidiaries in Southern Africa;
- promoting Emiratisation in the UAE;
- ensuring the candidate brief for any vacancy to be filled through internal promotion or external recruitment considers diversity;
- testing workforce perceptions on diversity and inclusion and benchmarking against Gallup®;
- introducing an ESG index to the annual employee engagement survey to test workforce perceptions on the progress of the organisation's ESG goals;
- establishing diversity and inclusion standards for all talent processes in the employee lifecycle to ensure the elimination of any potential barriers; and
- continuing diversity and inclusion training.

The Board and executive management remain committed to making appointments based on merit, measured against objective criteria, and with regard to the aims and targets set out in the Group Diversity and Inclusion Policy. Further interventions are planned in FY23 in support of this commitment, bearing in mind the recommendations of the FTSE Women Leaders Review.

> "The Board and executive management remain committed to making appointments based on merit.

COMMITTEE EVALUATION

The table below sets out the progress made in relation to the key priorities identified from the Committee's previous evaluation, concluded in March 2021.

PROGRESS ON KEY FY22 PRIORITIES	
PRIORITIES	**STATUS**
Continuing the development of succession plans and the talent pipeline towards key Group and divisional roles	See section on 'Group Executive Committee and talent management'
Continuing the review of the composition of the Board and its committees in respect of skills, diversity, tenure and commitments	See sections on 'New director appointments', 'Board committees' and 'Board composition and succession planning'
Continuing the implementation of the Group Diversity and Inclusion Strategy	See sections on 'Board Diversity Policy' and 'Group Executive Committee and talent management'

In March 2022, the Committee considered the outcome of the external evaluation of its performance, conducted as part of the annual evaluation process described on pages 117–119 of the **Corporate Governance Statement**. The composition and performance of the Committee were highly rated and no significant issues requiring improvement had been identified.

FY23 PRIORITIES

Reflecting on the feedback from its evaluation, the Committee's main priorities for FY23 are:

- monitoring progress of the Group Executive Committee's restructuring and its impact on the business;
- monitoring progress of the implementation of strategies and interventions to strengthen executive management succession plans and the talent pipeline, and to increase diversity; and
- continuing to consider the Group's likely future leadership needs and how new requirements might be addressed.

"We remain committed to a responsible approach to executive pay, as I trust this report demonstrates.

Steve Weiner
Chair of the Remuneration Committee

REMUNERATION COMMITTEE REPORT

LETTER FROM THE CHAIR

This is my first report since becoming Chair of the Remuneration Committee (the 'Committee'). I would like to thank my predecessor, Trevor Petersen, for his service, and welcome Dr Muhadditha Al Hashimi and Zarina Bassa, who joined the Committee during the period. I also wish to thank the shareholders I met since taking on this role and look forward to future engagement on this important matter.

This report contains:
- the revised directors' remuneration policy (the 'Policy'), which will be put to a binding shareholder vote at the 2022 AGM (see pages 148–156); and
- the Chair's letter and the Annual Remuneration Report (see pages 157–167), which describe how the current remuneration policy was applied during FY22 and how we intend to apply the Policy in FY23, both of which will be put to an advisory shareholder vote at the 2022 AGM.

FY21 STI UPDATE

As previously reported, the FY21 STI vested in full last year with the Group delivering a robust performance during an extremely challenging and uncertain COVID-19-impacted period. Given the significant impact of the COVID-19 pandemic on clinical quality and client experience assessments, the FY21 STI was based on Group adjusted operating profit[1] performance targets only. The Committee then reviewed the overall performance of the business, including underlying financial performance, clinical quality and client experience (with input from the Clinical Performance and Sustainability Committee), and employee engagement. The Committee determined that the cash proportion of the STI (50%) be deferred until the Group dividend had been reinstated. That condition was met when the Board proposed a final dividend of 3.00 pence in line with the dividend policy. Therefore, the cash proportion of the STI will be released with the remaining 50% of the STI deferred into shares vesting after two years subject to continued employment.

FY22 PERFORMANCE CONTEXT

The Group delivered a strong operational and financial performance this year, in line with the improved outlook we indicated at the half-year results, driven by increased client activity. This resulted in revenue and earnings in all three divisions exceeding pre-pandemic FY20 levels. Group revenue was up 8%, adjusted EBITDA increased by 22%, adjusted EBITDA margin improved to 16.1% (FY21: 14.2%) and adjusted operating profit was up 41% compared with FY21. Compared with pre-pandemic FY20 levels and in constant currency terms, Group revenue was up 9%, adjusted EBITDA was up 1% and adjusted operating profit was flat. Recovery in profitability and strong cash conversion at 127% (FY21: 77%) significantly reduced the Group's leverage ratio to 3.9x (FY21: 5.1x), below pre-pandemic levels (FY20: 4.3x).

PERFORMANCE OUTCOMES IN FY22

The FY22 STI was based on Group adjusted operating profit and subject to adjustments based on performance against financial and non-financial subset indicators for each of the three divisions.

The Group achieved adjusted operating profit of £312m for FY22, which was above stretch performance levels. This resulted in an initial STI outcome percentage of 100% of the maximum. While the Group exhibited strong financial performance, the STI outcome percentage was reduced by 12.2% taking into account performance against the subset indicators, resulting in an STI outcome of 87.8% of maximum.

Note

[1] The Company has chosen to adopt the term operating profit as opposed to earnings before interest and taxes ('EBIT'); they are, however, the same measures.

REMUNERATION COMMITTEE REPORT CONTINUED

The Committee reviewed the formulaic outcome of the STI against broader perspectives – including overall business performance and the experience of shareholders, employees and clients – and, taking these into account, considers the formulaic outcome fair.

See pages 158–160 for more

The June 2019 LTI was based on EPS performance (60% of the award) and relative TSR performance (40% of the award). The Group's TSR performance was positioned above the median of the TSR comparator group, resulting in a vesting outcome of 30.2% of the TSR element. The EPS threshold performance target was not met, largely due to the impact of the pandemic, which unfolded after the targets were set, and the EPS element therefore lapsed in full. The Committee is satisfied that appropriate ROIC has been achieved, recovering towards pre-pandemic levels despite the ongoing impact COVID-19 had on the Group in FY22, and that underlying operational and economic performance has been satisfactory over the performance period to support the vesting outcome. Reflecting the level of performance delivered, 12.1% of the LTI will vest, the first vesting under the scheme since inception in 2016.

See page 160 for more

REMUNERATION POLICY AND INCENTIVE REVIEW

During FY22, the Committee reviewed the remuneration policy and incentive framework for the executive directors and senior management, ahead of the schedule Policy renewal time frames, to ensure that:

- these employees are appropriately incentivised to deliver on the Group's strategy and create long-term shareholder value;
- the incentive framework is appropriately aligned with the Group's strategic goals and financial KPIs;
- the arrangements are market competitive in line with the Group's size, geographical diversity and operational complexity; and
- the policy continues to align with UK corporate governance best practice.

In its review, the Committee considered a range of incentive frameworks and concluded that the current approach comprising an STI and LTI was appropriate to drive delivery of the Group's strategic priorities. Refinements have been proposed to the performance measures in order to simplify the current structure, provide closer alignment with the Group's strategic priorities, and ensure better visibility.

After consulting with 20 shareholders (representing approximately 77% of the Group's issued share capital) and four proxy voting agencies, we are pleased with the level of support received. We value the feedback, which was considered carefully in finalising the proposed weightings of the STI and LTI performance measures.

A summary of the proposed refinements and application for FY23 is set out below:

SHORT-TERM INCENTIVE	
Current	• Based on Group adjusted operating profit performance and subject to adjustments based on performance against financial and non-financial subset indicators per division
Proposed	• More conventional approach, whereby STI outcome is determined by a combination of financial and strategic measures • Adjusted operating profit retained as principal financial metric; financial measures taken together make up no less than 75% of performance measures • Remainder based on non-financial strategic and/or personal measures that reflect Group core priorities and KPIs
Application for FY23	(see table below)

MEASURE	WEIGHTING	RATIONALE
Adjusted operating profit	70%	Widely used internal and external measure provides a clear indicator of annual growth
Cash conversion	10%	Liquidity management is key in the Group's ability to invest in strategy delivery
NPS®	10%	Client satisfaction and clinical performance are considered fundamental to the Group's long-term sustainability and form part of the Group's ESG measures
Clinical performance/ functional KPIs	10%	

REMUNERATION COMMITTEE REPORT CONTINUED

LONG-TERM INCENTIVE

Current

- FY21 and FY22 LTI awards subject to EPS (40%), relative TSR (25%), ROIC (25%) and client experience (10%)

Proposed

Reflecting on the Group's strategic priorities and to create sustainable long-term value and pursue the Group's purpose to enhance the quality of life, the Committee has proposed a new balance of LTI metrics. The Committee considers that the introduction of a revenue growth metric alongside EPS and ROIC incentivises the delivery of long-term profitable growth and market share gains across the continuum of care within the Group's divisions. The introduction of ESG metrics is especially important and rewards delivery aligned with the Group's purpose, vision, values and sustainable development strategy.

See page 147 for proposed targets in respect of the FY23 awards

MEASURE[1]	WEIGHTING	RATIONALE
EPS	30%	Ensures strategy delivers profitable growth
ROIC	30%	Rewards efficient use of capital
Revenue	20%	Rewards delivery of long-term sustainable growth
Strategic priorities	20%	Rewards delivery of wider strategic non-financial priorities, including ESG commitments

Note

[1] The Committee will adjust for the financial impact resulting from significant mergers and acquisitions during the performance period.

As the current LTI plan rules are due to expire, new plan rules are being proposed for shareholder approval at the 2022 AGM. The proposed rules, further details of which are set out in the **Notice of AGM**, have been drafted with sufficient flexibility to ensure that they can be operated for a 10-year period, including allowing for different types of awards (both deferred bonuses and LTI awards). While flexibility has been introduced, any awards for executive directors will continue to be subject to the terms of the shareholder-approved remuneration policy in place at the time.

REMUNERATION OPPORTUNITY FOR THE GROUP CEO AND GROUP CFO

As part of the policy review, the Committee reviewed the remuneration levels of the Group CEO and Group CFO for market competitiveness.

The Group CEO will receive a salary increase of 4.7%, below that of the wider workforce within South Africa (where the average increase was 5.2%). The Committee is mindful that the Group CEO continues to grow in calibre and experience and will therefore keep his salary under review over the three-year policy period, taking into account the performance of both the Group and the Group CEO, the Group CEO's salary and total compensation positioning against the market, and the wider economic environment.

The Group CFO has grown in experience and performed exceptionally well since his appointment in 2016 and the Committee is conscious that, together with the Group CEO, the Group CFO will be instrumental in executing the Group's long-term strategy. The Group CFO's incentive opportunity (STI of 133% of salary and LTI of 150% of salary) has not been reviewed since his appointment. As part of the policy review, benchmarking against similar-sized FTSE 250 companies showed that the Group CFO's overall remuneration opportunity had fallen behind the market, driven by the overall incentive opportunity. The Committee, therefore, considers it appropriate to marginally increase the Group CFO's LTI opportunity to 175% of salary with effect from FY23. The increase means that the STI and LTI ratio for the Group CFO (1:1.32) is similar to that of the Group CEO (1:1.33). It also transitions the Group CFO's overall remuneration opportunity from the lower end of the market when compared with peers towards the median. The Group CFO will receive a salary increase of 4.4%.

CONCLUSION

We remain committed to a responsible approach to executive pay, as I trust this report demonstrates. The Committee believes that the remuneration policy operated as intended during FY22, and it considers that the remuneration received by executive directors was appropriate in terms of Group and personal performance, and the experience of shareholders, employees and clients.

On behalf of the Committee, I would like to thank our shareholders for their engagement and hope that the Group continues to receive your support on all remuneration-related resolutions at the 2022 AGM.

Steve Weiner
Chair of the Remuneration Committee
24 May 2022

AT A GLANCE

Throughout this section, South African rand remuneration was translated into sterling at a rate of £1:ZAR19.23 at 31 March 2022 and £1:ZAR21.30 at 31 March 2021.

TABLE 1: SINGLE TOTAL FIGURES OF DIRECTORS' REMUNERATION

		FIXED PAY				VARIABLE PAY			
		SALARY & FEES £'000	BENEFITS £'000	PENSION £'000	SUBTOTAL £'000	STI[1] £'000	LTI £'000[2]	SUBTOTAL £'000	TOTAL £'000
EXECUTIVE DIRECTORS									
Dr Ronnie van der Merwe	FY22	569	2	46	617	750	152	902	1 519
	FY21	497	7	39	543	742	0	742	1 285
Jurgens Myburgh	FY22	407	4	31	442	476	84	560	1 002
	FY21	369	6	27	402	488	0	488	890

Notes

1 The formulaic outcome of the FY21 STI was 100% of the maximum, however, the Committee determined that the cash proportion of the STI (50%) be deferred until the Group dividend had been reinstated. That condition was met when the Board proposed a final dividend of 3.00 pence in line with the dividend policy. Therefore, the cash proportion of the STI will be released with the remaining 50% of the STI deferred into shares vesting after two years subject to continued employment.

2 The value of the vesting awards is based on the average share price over the last three months of FY22, being £3.34.

FY22 PERFORMANCE OUTCOMES

STI: The Group CEO and Group CFO earned 87.8% of a maximum bonus based on performance against adjusted operating profit targets and financial and non-financial subset indicators for each of the three divisions. This is equivalent to 132% and 117% of base compensation, respectively. Of the amount earned, 50% will be deferred into Company shares for two years subject to continued employment.

TABLE 2: STI FY22 PERFORMANCE OUTCOMES

	THRESHOLD	TARGET	MAXIMUM	ACTUAL	AMOUNT EARNED (% MAXIMUM)
Adjusted operating profit (£'m)	246	276	297	312	100%
Reduction based on performance against financial and non-financial subset indicators					(12.2)%
GROUP ACHIEVEMENT (GROUP ADJUSTED OPERATING PROFIT LESS SUBSET OUTCOME):					87.8%

The Committee reviewed the formulaic outcome of the STI against broader perspectives – including overall business performance and affordability, and the experience of shareholders, employees and clients – and, taking these into account, considers the formulaic outcome fair.

LTI: The June 2019 LTI was based on EPS performance (60% of the award) and relative TSR performance (40% of the award). The Group's TSR performance was positioned above the median of the TSR comparator group, resulting in a vesting outcome of 30.2% of the TSR element. The EPS threshold performance target was not met, largely due to the impact of the pandemic, which unfolded after the targets were set, and the EPS element therefore lapsed in full. The Committee is satisfied that appropriate ROIC has been achieved, recovering towards pre-pandemic levels despite the ongoing impact COVID-19 had on the Group in FY22, and that underlying operational and economic performance has been satisfactory over the performance period to support the vesting outcome. Reflecting the level of performance delivered, 12.1% of the LTI will vest, the first vesting under the scheme since inception in 2016.

See page 160 for more

REMUNERATION COMMITTEE REPORT CONTINUED

IMPLEMENTATION OF POLICY FOR FY23

As noted on pages 144–145, refinements have been proposed to the performance measures in order to simplify the current structure, provide closer alignment with the Group's strategic priorities, and ensure better visibility.

	GROUP CEO	GROUP CFO
Base salary (April 2022)	£595 788 (+4.7%)	£424 704 (+4.4%)
Pension[1]	9.0%	9.0%
Benefits	Private medical insurance, life insurance of between 5–7 times annual base salary, as selected	
STI[2]	150% of salary	133% of salary
	Performance measures for FY23 awards: The underlying targets are considered commercially sensitive and will be disclosed on a retrospective basis in the FY23 Directors' Remuneration Report.	

MEASURE[1]	WEIGHT
Adjusted operating profit	70%
Cash conversion[2]	10%
NPS®	10%
Clinical performance/functional KPIs	10%

Notes
[1] The Committee will adjust for the financial impact resulting from significant mergers and acquisitions during the performance period and use adjusted income statement measures.
[2] Cash conversion defined as 'cash from operations/adjusted EBITDA x 100'.

	GROUP CEO	GROUP CFO
LTI[2]	200% of salary	175% of salary
	Performance measures and targets for FY23 awards:	

MEASURE[1]	WEIGHT	THRESHOLD	TARGET	MAXIMUM
EPS (p)	30%	29	36	43
ROIC[2] (%)	30%	5.0	5.5	6.5
Revenue (£'bn)	20%	3.45	3.6	3.75
Carbon emission reduction (tCO_2e)[3]	10%	192 446 (15% reduction)	181 417 (20% reduction)	169 805 (25% reduction)
Female representation (%)[4]	10%	39	40	41

Notes
[1] The Committee will adjust for the financial impact resulting from significant mergers and acquisitions during the performance period and use FY25 adjusted income statement measures.
[2] ROIC defined as 'net operating profit less adjusted tax expressed as a percentage of average invested capital'.
[3] Carbon emission reduction will be measured at the end of the 2024 calendar year.
[4] Measures the percentage of females in senior management positions.

	GROUP CEO	GROUP CFO
Share ownership guideline	225% of salary	200% of salary

Notes
[1] Base salary, excluding Board fee, in line with the pension contribution levels provided across the Southern Africa operations.
[2] The Committee retains the discretion to adjust STI and LTI award outcomes at the end of the performance period to ensure that the outcome is fair in the context of overall performance and the experience of key stakeholders.

NON-EXECUTIVE DIRECTOR FEE INCREASES

Fees for the Chair of the Board are determined by the Committee, with the Chair of the Board exempting herself from the decision. The other non-executive directors' fees are determined by the Chair of the Board and executive directors. In setting the fees, advice is sought from external remuneration advisors on the appropriate level of fees, taking into account the responsibilities of non-executive directors in dealing with the complexity and global nature of the Company and the level of fees paid to non-executive directors in comparable companies. No changes are proposed to the remuneration policy for non-executive directors.

TABLE 3: NON-EXECUTIVE DIRECTORS' FEES IN FY23

BASE FEES	FROM 1 APRIL 2021	FROM 1 APRIL 2022	INCREASE
Chair of the Board	£280 000	£280 000	0%
Base Board fee	£63 000	£63 000	0%
COMMITTEE CHAIR/SENIOR INDEPENDENT DIRECTOR FEES			
Audit and Risk Committee	£16 000	£16 000	0%
Clinical Performance Committee	£12 000	£12 000	0%
ESG Committee[1]	n/a[1]	n/a[2]	0%
Investment Committee	£10 000	£10 000	0%
Nomination Committee[2]	n/a[2]	n/a[2]	0%
Remuneration Committee	£16 000	£16 000	0%
Senior Independent Director	£11 000	£11 000	0%
COMMITTEE MEMBER FEES			
Audit and Risk Committee	£10 000	£10 000	0%
Clinical Performance Committee	£8 000	£8 000	0%
ESG Committee	n/a[1]	£7 000	0%
Investment Committee	£7 000	£7 000	0%
Nomination Committee	£7 000	£7 000	0%
Remuneration Committee	£10 000	£10 000	0%

Notes

1 The ESG Committee was established on 1 September 2021.

2 The ESG and Nomination committees are currently chaired by the Board Chair, who receives an all-inclusive fee. Should this change, the fee would be £10 000 for chairing each of the committees.

DIRECTORS' REMUNERATION POLICY

INTRODUCTION

This section of the report sets out the revised Policy on the remuneration of executive and non-executive directors, which is subject to shareholder approval at the 2022 AGM. If approved, the Policy will be binding and take effect from this date and will operate for up to three years.

Directors do not participate in discussions or deliberations involving their own remuneration.

The key changes to the current remuneration policy are outlined in **Table 4**.

In determining the Policy, the Committee followed a robust decision-making process, taking into account the views of our major shareholders and proxy voting agencies, UK corporate governance best practice, the Group's core reward principles, the factors in Provision 40 of the Code (see end of this section), and the views of management and the Committee's independent advisors.

THE GROUP'S CORE REWARD PRINCIPLES	
Simple and transparent	Participants and shareholders understand remuneration arrangements and these can be readily cascaded to the wider workforce
Line of sight	Executives and senior management have appropriate line of sight and genuine ability to impact performance against targets
Alignment to annual and long-term priorities	Performance metrics are appropriately aligned with financial, operational, clinical, client and ESG objectives
Stewardship and alignment with shareholders	A significant element of the total package should be delivered through shares to encourage long-term share ownership
Fairness and equity	Market-competitive base salaries and total compensation should reflect the size and complexity of the business, and calibre and experience of individuals, while incentive arrangements should be valued by participants and serve to attract, retain and motivate key talent

REMUNERATION COMMITTEE REPORT CONTINUED

TABLE 4: REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE CRITERIA
Base compensation	To attract, retain and motivate key talent	• Normally reviewed annually or with change in individual's position or responsibilities • Typically effective from 1 April • Set to reflect experience and capabilities of individual and scope and scale of role • Increases reflect individual performance, and pay and conditions of wider workforce	• No prescribed maximum annual increase • Committee takes into account remuneration levels in comparable organisations in geographies in which the Company operates and in which it competes for talent • Ordinarily, annual salary increases would be no more than average annual increase of workforce in same geographical location in which executive director is based • In exceptional circumstances, a higher increase may be awarded (e.g. assumed additional responsibility; or, an increase in the scale or scope of the role; or, in the case of a new executive director, a move towards desired rate over a period of time where salary was initially set below intended positioning)	n/a
Pension/retirement benefits	To provide employees with long-term savings via pension provisions	• Participation in a defined contribution pension scheme • In appropriate circumstances, cash allowances may be paid in lieu of contribution to pension scheme	A Company contribution (or cash allowance in lieu of a contribution) in line with maximum contribution level available for majority of employees across Southern Africa (currently at 9% of base salary)	n/a
Benefits	To provide market-competitive benefits to ensure wellbeing	• May include, but are not limited to, private medical insurance, and death and disability insurance • Other ancillary benefits, including relocation and allowance towards reasonable fees for professional services such as legal, tax and financial advice • Reasonable business expenses (e.g. travel, accommodation and subsistence) will be reimbursed and, in some instances, associated tax borne by the Company	Actual value of benefits provided	n/a

REMUNERATION COMMITTEE REPORT CONTINUED

TABLE 4: REMUNERATION POLICY FOR EXECUTIVE DIRECTORS CONTINUED

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE CRITERIA
Annual STI	• To encourage and reward delivery of the Group's annual financial and operational objectives • To encourage share ownership and align with shareholder risk and reward	• Performance targets, normally set annually by the Committee, are linked to financial and strategic goals • Proportion of bonus earned (normally no less than half) is deferred into shares for two years, subject to continued employment • Deferred awards are ordinarily settled in shares • Dividends that accrue on deferred awards are paid in shares or cash at the time of vesting • Awards subject to *malus* and clawback provisions (see below) • Discretion retained to adjust award outcomes at end of performance period to ensure fair outcome in context of overall performance and experience of key stakeholders	Maximum opportunity of 150% of base compensation in respect of any financial year	• Outcome determined based on combination of financial and non-financial measures • At least 75% will be based on Group financial measures, with remainder based on non-financial strategic and/or personal measures that reflect Group core priorities and KPIs • For each performance measure, performance below threshold target results in zero vesting; vesting then increases from 0% to 100% of maximum opportunity for performance between threshold and maximum targets • FY23 STI awards expected to be based on adjusted operating profit (70%), cash conversion (10%), NPS® (10%) and clinical/functional targets (10%)

KEY CHANGES TO THE POLICY – STI

- More conventional approach, whereby STI outcome is determined by a combination of financial and strategic measures
- Adjusted operating profit retained as principal financial metric; financial measures taken together make up no less than 75% of performance measures
- Remainder based on non-financial strategic and/or personal measures that reflect Group core priorities and KPIs

REMUNERATION COMMITTEE REPORT CONTINUED

TABLE 4: REMUNERATION POLICY FOR EXECUTIVE DIRECTORS CONTINUED

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE CRITERIA
LTI	• To balance performance pay between achieving financial and strategic performance objectives and delivering sustainable outperformance • To encourage share ownership and align with shareholders' interests	• Annual awards denominated in shares with vesting dependent on the achievement of performance conditions normally measured over three-year period • Executive directors normally required to hold vested awards for two years following end of performance period • Awards ordinarily settled in shares • Performance targets normally set annually by the Committee according to prevalent economic outlook and risk factors, ensuring such targets remain challenging and realistic enough to motivate and incentivise • Dividends that accrue during vesting and holding periods paid in shares or cash, to extent that awards have vested • Awards subject to *malus* and clawback provisions (see below) • Discretion retained to adjust award outcomes at end of performance period to ensure fair outcome in context of overall performance and experience of key stakeholders	Maximum opportunity of 200% of base compensation in respect of any financial year	• Performance measures set by Committee and linked to appropriate mix of capital efficiency, profitable growth, and strategic milestones including ESG targets (which will account for not more than 20% of the award) • For each performance measure, no more than 25% will vest for achieving threshold target, increasing to full vesting for achieving maximum performance target • FY23 LTI awards expected to be based on adjusted EPS (30%), ROIC (30%), revenue (20%) and strategic/ ESG targets (20%)

KEY CHANGES TO THE POLICY – LTI

Reflecting on the Group's strategic priorities and to create sustainable long-term value and pursue the Group's purpose to enhance the quality of life, the Committee has proposed a new balance of LTI metrics. The Committee considers that the introduction of a revenue growth metric alongside EPS and ROIC incentivises the delivery of long-term profitable growth and market share gains across the continuum of care within the Group's divisions. The introduction of ESG metrics is especially important and rewards delivery aligned with the Group's purpose, vision, values and sustainable development strategy.

Shareholding guidelines	To align executive directors' interests with those of shareholders	Within employment • Group CEO and Group CFO expected to build up and maintain a Company shareholding equal to 225% and 200% of salary, respectively Post-employment • Executive directors required to hold Company shares equal to: (1) 100% of their within-employment requirement (or their actual shareholding at the point of departure, if lower) for first 12 months post-employment; and (2) 50% of the above level for the subsequent 12 months

REMUNERATION COMMITTEE REPORT CONTINUED

COMMITTEE DISCRETION IN RELATION TO EXISTING COMMITMENTS

The Committee reserves the right to make any remuneration payment and payment for loss of office, notwithstanding that they are not in line with the Policy set out in this report, where the terms were agreed:

- before the Policy set out in this report comes into effect;
- at a time when a previous remuneration policy approved by shareholders was in place, provided that the payment is in line with the terms of that policy; or
- at a time when the individual was not a director of the Company and the payment was not in consideration of them becoming a director of the Company.

This includes awards granted prior to the introduction of the revised Policy that are still to vest i.e. the FY21 and FY22 LTI, and the FY20, FY21 and FY22 STI.

INCENTIVE DISCRETIONS

The Committee operates the STI and the LTI in accordance with their respective rules, the Listing Rules and the rules of relevant tax authorities, where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plans. These include (but are not limited to):

- participants in the plans;
- timing of the grant and/or vesting of award;
- size of an award (up to plan and Policy limits) and/or vesting;
- choice of performance measures, weightings and targets;
- ability, in exceptional circumstances, to settle share-based awards in cash (e.g. where share settlement is not feasible due to regulatory restrictions);
- discretion to review the level of vesting in the context of overall performance and the experience of stakeholders;
- discretion relating to the measurement of performance and/or adjustments to awards required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends);
- ability to adjust existing performance conditions for exceptional events to fulfil their original purpose; and
- whether (and to what extent) *malus*/clawback provisions shall apply to an award (see recovery provisions below).

RECOVERY PROVISIONS

At the discretion of the Committee, awards may be adjusted before delivery (*malus*) or reclaimed after delivery (clawback) if an adjustment event occurs. Such events may include a material misstatement of the Group's audited financial results; a material miscalculation of any relevant performance measure; a material failure of risk management or regulatory compliance by a relevant entity; material reputational damage to the Group; corporate failure; or the participant's material misconduct.

TABLE 5: STI AND LTI RECOVERY PROVISIONS

	MALUS	CLAWBACK
STI (cash)	To such time as payment is made	Up to two years following payment
STI (deferred share award)	To such time as award vests	n/a
LTI	To such time as award vests	Up to two years following vesting

CHOICE OF PERFORMANCE MEASURES AND APPROACH TO SETTING TARGETS

The performance measures used for the STI and LTI awards reflect the Group's annual and long-term financial and strategic priorities. The STI is focused predominantly on the Group's financial KPIs to reflect the Group's success in managing its operations. Balance is provided through the use of non-financial strategic and clinical performance measures.

Stretching targets are set on sliding scales annually, taking into account multiple internal and external reference points, including internal budgets and market expectations. Modest rewards are available for achieving threshold performance with maximum rewards requiring substantial outperformance of challenging strategic plans.

CONSIDERATION OF SHAREHOLDER VIEWS

The Company is committed to maintaining an open and transparent dialogue with its shareholders and the Committee engages regularly in a process of investor consultation. As part of the development of the Policy, the Committee sought input from major shareholders and proxy voting agencies, and reviewed their feedback. Shareholders were supportive of the Policy in principle. Reflecting on feedback received, the Committee adjusted the weightings of the LTI metrics to increase the proportion of the ROIC metric over revenue growth.

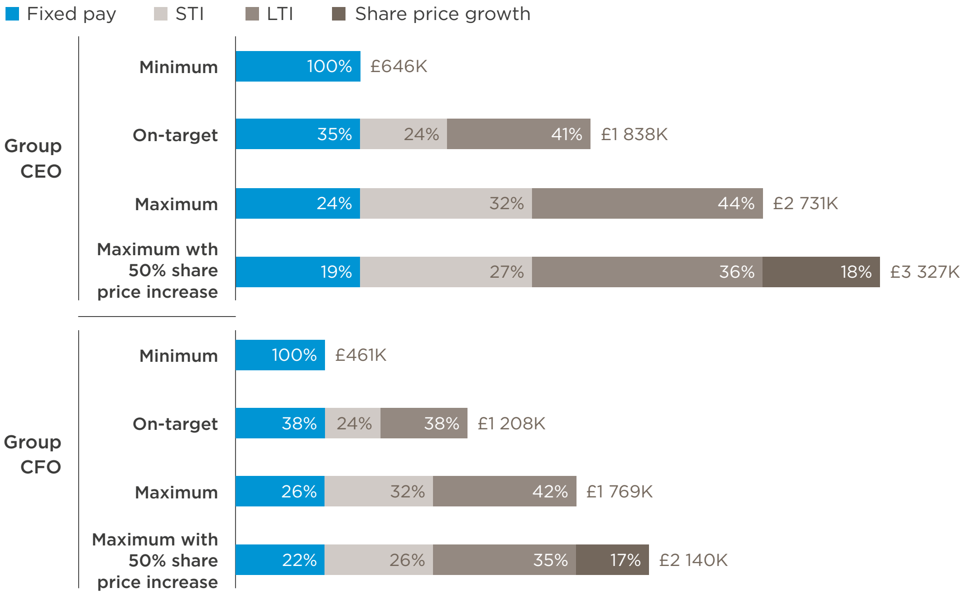
The Committee considers the AGM to be an opportunity to engage further with shareholders, giving them the opportunity to provide feedback in advance on the way in which the Policy operates and the way in which it is implemented. In addition, the Committee will continue to engage directly with major shareholders and their representative bodies should any material changes be made to the Policy or its implementation in the future.

REMUNERATION COMMITTEE REPORT CONTINUED

REMUNERATION SCENARIOS FOR THE EXECUTIVE DIRECTORS

The total remuneration for each executive director that could result from the Policy in FY23 is shown below under four different performance scenarios.

FIGURE 1: EXECUTIVE DIRECTORS' REMUNERATION SCENARIOS FOR FY23



The basis of calculation for these scenarios is as follows:

FIXED PAY	Salary from 1 April 2022 9% of salary pension contribution Value of benefits as shown in the total single figure table for FY22 Remuneration is earned in sterling (GBP) and South African rand (ZAR) The ZAR portion of the remuneration package is translated into GBP at a rate of £1:ZAR20.27			
	MINIMUM	**TARGET**	**MAXIMUM**	**MAXIMUM WITH 50% SHARE PRICE GROWTH**
STI (PAYOUT AS % OF MAXIMUM)	0%	50%	100%	100%
LTI (VESTING AS % OF MAXIMUM)	0%	50%	100%	100% plus 50% share price growth

The chart highlights how the performance-related elements of the package comprise a significant portion of total remuneration at on-target and maximum performance.

TABLE 6: REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

ELEMENTS AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY
Set to attract, retain and motivate talented individuals through the provision of market-competitive fees	• Board Chair receives an all-inclusive fee • Other non-executive director roles receive Board fee with additional fees for: (1) chairing a committee; (2) SID role; and (3) committee membership, taking into account additional responsibilities and time commitments of these roles • Additional fees may be introduced where deemed appropriate to reflect additional responsibilities and time commitments • In consultation with executive directors, the Board Chair (or in the case of the Board Chair's fee, the Remuneration Committee) will review fees periodically or in the event of a change in an individual's position or responsibilities (as appropriate) • Fee levels are set at market rates, taking into consideration responsibility and time commitments, and pay and conditions in the workplace • Fees are paid in cash; the Board retains the discretion to pay a proportion in shares where appropriate • Reasonable business expenses (e.g. travel, accommodation and subsistence) will be reimbursed and, in some instances, associated tax borne by the Company • Benefits may be provided as appropriate to the role	• Aggregate Board fees are subject to maximum cap as stated in Group's Articles • No prescribed maximum annual increase for non-executive directors – changes are guided by general increase for broader workforce

DIRECTORS' RECRUITMENT AND PROMOTIONS

The policy on the recruitment or promotion of an executive director takes into account the need to attract, retain and motivate the best person for each position, while ensuring close alignment between the interests of shareholders and management.

If a new executive director is appointed, the Committee will align the remuneration package with the Policy approved by shareholders. Outlined in the table below are all components that would be considered for inclusion in the remuneration package for a new executive director appointment.

TABLE 7: DIRECTORS' RECRUITMENT AND PROMOTIONS

COMPONENT	APPROACH
Fixed pay	• Base salary will reflect individual's role, calibre and experience, and will be set in context of market practice • Future increases up to market rate may be agreed, in line with increased experience and/or responsibilities, subject to strong performance, where considered appropriate • Pension contribution (or cash allowance) will be no more than maximum contribution available to majority of workforce across the geographical location in which individual is based
Benefits	• Provided in line with the Policy • The Committee may agree that the Company will meet certain relocation and incidental expenses as appropriate
STI and LTI	• New appointments will be eligible to be considered for incentive awards consisting of an STI and/or LTI award (or any other element which the Committee considers appropriate given the particular circumstances but not exceeding the maximum level of variable remuneration set out below) • In line with the limits as set out in the Policy, the maximum level of variable pay for a new executive director is 350% of salary (excluding buy-out awards)
Buy-out awards	• To facilitate recruitment, the Committee may make an award to buy out remuneration terms forfeited on leaving a previous employer • The Committee will look to replicate arrangements being forfeited as closely as possible and, in doing so, will take account of relevant factors including the nature of the remuneration being forfeited; any performance conditions; and the time over which they would have vested or been paid • Where appropriate, the Committee retains the discretion to utilise the Listing Rules exemption (Listing Rule 9.4.2) to facilitate the recruitment of an executive director
Other elements of remuneration	May be included in the following circumstances: • An interim appointment being made to fill an executive director role on a short-term basis • If exceptional circumstances require that the Chair or a non-executive director takes on an executive function on a short-term basis

For an internal appointment, any incentive amount awarded in respect of a prior role may be allowed to vest on its original terms or be adjusted as relevant to take into account the appointment. Any other ongoing remuneration obligations existing prior to appointment may continue. For the appointment of a new Chair or non-executive director, the fee arrangement will be set in accordance with the Policy approved by shareholders.

DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

The Committee seeks to ensure that contractual terms of the executive directors' service agreements reflect best practice. It is the Company's policy that all executive directors have rolling contracts that can be terminated by the employee in line with his/her service agreement. Executive directors' service agreements are terminable on six months' notice on either side.

Executive directors may, on nomination from the Company, take on outside appointments; however, all fees will normally be retained by Mediclinic.

TABLE 8: EXECUTIVE DIRECTORS' SERVICE CONTRACT COMMENCEMENT DATES

EXECUTIVE DIRECTOR	COMMENCEMENT DATE OF SERVICE AGREEMENT
Dr Ronnie van der Merwe	1 June 2018 (joined Mediclinic on 1 July 1999)
Jurgens Myburgh	1 August 2016

Non-executive directors have letters of appointment setting out the terms under which they provide their services to the Company. Non-executive directors are normally appointed for an initial period of three years that, subject to review, may be subsequently extended for further such terms. Non-executive directors' appointment is terminable by three months' notice on either side.

The dates of the non-executive directors' original appointment and expiry of their current three-year term are shown below.

TABLE 9: NON-EXECUTIVE DIRECTORS' APPOINTMENT DATE AND EXPIRY OF CURRENT TERM

NON-EXECUTIVE DIRECTOR	DATE OF APPOINTMENT	EXPIRY OF CURRENT TERM
Dame Inga Beale	26 March 2020	25 March 2023
Dr Felicity Harvey	3 October 2017	2 October 2023
Dr Muhadditha Al Hashimi	1 November 2017	30 October 2023
Natalia Barsegiyan	1 August 2021	30 September 2024
Zarina Bassa	1 February 2022	31 January 2025
Jannie Durand	15 February 2016	10 February 2025
Danie Meintjes	15 February 2016	14 February 2025
Dr Anja Oswald	25 July 2018	31 July 2024
Tom Singer	24 July 2019	31 July 2025
Steve Weiner	22 July 2020	21 July 2023

In accordance with the Code, all directors are subject to annual election or re-election by shareholders at the Company's AGM.

PAYMENT FOR LOSS OF OFFICE

In circumstances of termination on notice, the Committee will determine an equitable compensation package, having regard to the particular circumstances of the case. The Committee may require notice to be worked, or to make payment in lieu of notice, or to place the director on garden leave for the notice period. Such a decision is made to protect the Company's and shareholders' interests.

In case of payment in lieu of notice or garden leave, the salary, benefits and pension will be paid for the period of notice served on garden leave or paid in lieu of notice. If the Committee feels it would be in shareholders' interests, payments will be made in phased instalments. In the case of payment in lieu of notice, payments will be subject to mitigation.

Subject to the circumstances on cessation of employment, an STI may be payable in respect of the period of the incentive year worked by the executive director. There is no provision for an amount in lieu of any STI to be payable for any part of the notice period not worked. Such payout would, unless the Committee determines otherwise, be scaled back *pro rata* for the period of the incentive year worked by the director, and would vest at the normal date and be subject to performance.

Awards held under the deferred STI and LTI arrangements are subject to the rules containing provisions setting out the treatment of awards where a participant leaves. The table below sets out the relevant provisions for each award.

TABLE 10: STI AND LTI LEAVER'S ARRANGEMENTS

<table>
<tr><th>AWARD</th><th>GOOD LEAVER DEFINITION</th><th>GOOD LEAVER TREATMENT</th><th>BAD LEAVER TREATMENT</th></tr>
<tr><td>STI (deferred share award)</td><td rowspan="2">• Death
• Retirement with agreement of Company
• Injury or disability
• Employing entity ceasing to be a member of the Group
• Any other reason as decided by the Committee</td><td>• Awards normally vest on normal vesting date
• The Committee retains discretion to allow awards to vest on date of cessation</td><td rowspan="3">Award lapses on date of cessation</td></tr>
<tr><td>Unvested LTI award</td><td>• Upon death, award will normally vest and be released on the date of cessation subject to the achievement of performance measures at that date
• Award will normally vest on the normal vesting date, subject to performance achieved over performance period and time proration as a proportion of vesting period served; any vested awards will then normally be released following two-year holding period
• The Committee retains discretion to allow awards to vest on the date of cessation and/or waive holding period and/or disapply time prorating</td></tr>
<tr><td>Vested LTI award subject to holding period</td><td>• Any circumstance other than cessation due to dismissal or misconduct</td><td>• Award is released following two-year holding period
• The Committee retains discretion to waive holding period</td></tr>
</table>

REMUNERATION COMMITTEE REPORT CONTINUED

The Committee may make any other payments determined by a court of law in respect of the termination of a director's service agreement or may pay any statutory entitlements or any sums to settle or compromise claims in connection with the termination (including, at the discretion of the Committee, reimbursement for legal advice and provision of outplacement services) as necessary.

In the event of a change of control, STI awards will be payable to participants subject to the extent to which the performance conditions have been achieved at that time (taking into account any factors considered appropriate by the Committee). Unvested awards under the deferred STI and LTI arrangements will normally vest, taking into account the extent that any performance conditions attached to the relevant awards have been achieved. Unless the Committee determines otherwise, LTI awards will be scaled back *pro rata* for the period of the performance period worked by the director.

CONSIDERATION OF EMPLOYEE PAY AND CONDITIONS

Pay and employment conditions are considered when setting remuneration for executive directors. Given the size and scale of the Group's operations, which include multiple jurisdictions, the Committee currently does not formally consult with employees in respect of the design of the Policy and its implementation. However, the Committee receives information on workforce pay and employment conditions as part of the annual Committee calendar and oversees the operation of share plans across the Group.

While not specifically consulted on executive remuneration, feedback from employees is gathered through a wide range of electronic and in-person channels, including the annual Gallup® employee engagement survey, focus groups, performance reviews, leadership video conferences, internal campaigns and employee wellness programmes. In FY22, the Board received and discussed biannual reports from the designated non-executive director for workforce engagement, outlining the outcomes from the annual employee engagement survey and feedback and insight from all levels within the Group, supplemented by feedback from management.

When determining executive director remuneration arrangements, including base compensation increases, the Committee takes account of appropriate information on the approach to such issues within the wider workforce to permit informed comparison of relevant metrics.

The structure of the executive directors' pay policy on the STI is generally in line with the policy for remuneration of management within the Group. The performance measures that apply to management are based on the respective division's financial performance and division-specific operational targets, including measures of clinical excellence. A proportion of the award for all senior management roles is based on Group-wide performance indicators.

Similarly, the structure of the executive directors' pay policy on the LTI is in line with the policy for remuneration of key senior management within the Group, with awards for all participants subject to the achievement of the same performance conditions over a three-year period.

CONSIDERATION OF PROVISION 40 OF THE CODE

In developing the Remuneration Policy set out above, the Committee was mindful of the following factors set out in the Code:

Clarity	Incentive arrangements are based on clearly defined financial and non-financial metrics which are aligned with Mediclinic's strategy.
Simplicity	• Remuneration arrangements have been simplified and now comprise: - Fixed pay: base salary, benefits and pension. - STI: simplified structure based on financial and non-financial KPIs (subset indicators removed). A proportion of the bonus is delivered in cash, with the balance deferred into shares. - LTI: drives performance over a three-year period, promoting sustainable value creation. Awards are subject to a two-year holding period.
Risk	• The Committee considers that the structure of incentive arrangements does not encourage inappropriate risk-taking. • Under the incentive arrangements, discretion may be applied to ensure formulaic outturns are fair in context of the overall performance and experience of key stakeholders.
Predictability	The remuneration scenario charts, set out on page 153, provide estimates on the potential future reward opportunity in a range of scenarios – including below threshold, on target and maximum performance – and with share price appreciation included.
Proportionality	• The incentive arrangements are directly aligned to Mediclinic's strategic priorities (which have been further developed as part of the policy review undertaken this year), and payments are calibrated to ensure that payments are only made where strong performance is delivered. • As set out above, all incentive arrangements are subject to discretion to ensure formulaic outturns are fair in context of the overall performance and experience of key stakeholders.
Culture	• The remuneration policy at Mediclinic has been set to be appropriate for the nature, size and complexity of the Group and is designed to drive delivery of its strategic priorities. • This is recognised through alignment of the remuneration policy with the wider workforce whenever possible.

ANNUAL REMUNERATION REPORT

This section includes the implementation of the Policy for FY23. See pages 147–148

Throughout the Annual Remuneration Report, South African rand remuneration was translated into sterling at a rate of £1:ZAR19.23 at 31 March 2022 and £1:ZAR21.30 at 31 March 2021.

TABLE 11: SINGLE TOTAL FIGURES OF DIRECTORS' REMUNERATION (AUDITED)

		FIXED PAY				VARIABLE PAY			
		SALARY & FEES £'000	BENEFITS £'000	PENSION £'000	SUBTOTAL £'000	STI[1] £'000	LTI £'000[2]	SUBTOTAL £'000	TOTAL £'000
EXECUTIVE DIRECTORS									
Dr Ronnie van der Merwe	FY22	569	2	46	617	750	152	902	1 519
	FY21	497	7	39	543	742	0	742	1 285
Jurgens Myburgh	FY22	407	4	31	442	476	84	560	1 002
	FY21	369	6	27	402	488	0	488	890

		FIXED PAY		
		FEES £'000	BENEFITS[3] £'000	TOTAL £'000
NON-EXECUTIVE CHAIR				
Dame Inga Beale	FY22	280	0	280
	FY21	219	0	219
NON-EXECUTIVE DIRECTORS				
Dr Muhadditha Al Hashimi	FY22	77	0	77
	FY21	70	1	71
Natalia Barsegiyan[4]	FY22	53	0	53
	FY21	n/a	n/a	n/a
Zarina Bassa[5]	FY22	12	0	12
	FY21	n/a	n/a	n/a
Jannie Durand[6]	FY22	80	0	80
	FY21	79	3	82
Alan Grieve[7]	FY22	80	0	80
	FY21	118	0	118

		FIXED PAY		
		FEES £'000	BENEFITS[3] £'000	TOTAL £'000
NON-EXECUTIVE DIRECTORS				
Dr Felicity Harvey[8]	FY22	92	0	92
	FY21	80	0	80
Danie Meintjes	FY22	74	0	74
	FY21	70	2	72
Dr Anja Oswald	FY22	78	0	78
	FY21	80	2	82
Trevor Petersen[7]	FY22	67	0	67
	FY21	89	3	92
Tom Singer[9]	FY22	90	0	90
	FY21	83	0	83
Steve Weiner[10]	FY22	94	0	94
	FY21	60	0	60

Notes

1. The formulaic outcome of the FY21 STI was 100% of maximum, however, the Committee determined that the cash proportion of the STI (50%) be deferred until the Group dividend had been reinstated. That condition was met when the Board proposed a final dividend of 3.00 pence in line with the dividend policy. Therefore, the cash proportion of the STI will be released with the remaining 50% of the STI deferred into shares vesting after two years subject to continued employment.
2. The value of the vesting awards is based on the average share price over the last three months of FY22, being £3.34.
3. Benefits to non-executive directors include reimbursement of reasonable travel, accommodation and subsistence expenses plus the associated tax.
4. Natalia Barsegiyan was appointed as a non-executive director of the Company on 1 August 2021.
5. Zarina Bassa was appointed as a non-executive director of the Company on 1 February 2022.
6. Jannie Durand's fees are paid to Remgro and include services rendered by him or his alternate, Pieter Uys.
7. Alan Grieve and Trevor Petersen resigned from all committee responsibilities and Alan Grieve resigned as SID on 13 September 2021; both continued to serve the Board in a non-independent capacity from 13 September 2021 until 14 February 2022.
8. Dr Felicity Harvey succeeded Alan Grieve as SID of the Company on 13 September 2021.
9. Tom Singer succeeded Alan Grieve as Chair of the Audit and Risk Committee on 13 September 2021.
10. Steve Weiner succeeded Trevor Petersen as Chair of the Remuneration Committee on 13 September 2021.

BENEFITS AND PENSION (AUDITED)

The benefits that form part of Dr Ronnie van der Merwe and Jurgens Myburgh's remuneration include private medical insurance, life insurance and reimbursements for reasonable business-related expenses (e.g. travel, accommodation subsistence, including, where appropriate, any associated taxes).

The executive directors participated in the Southern Africa-defined contribution fund and received a company pension contribution equal to 9% of base salary in line with the rate allocated to all Southern Africa and Group Services employees.

PRIOR YEAR AWARDS (AUDITED)

FY21 STI AWARDS

Given the significant impact of the COVID-19 pandemic on clinical quality and client experience assessments, the FY21 STI was based on Group adjusted operating profit performance targets only. The Committee then reviewed the overall performance of the business, including underlying financial performance, clinical quality and client experience (with input from the Clinical Performance and Sustainability Committee), and employee engagement. Further details of performance achieved are set out in the 2021 Annual Report.

As explained in the 2021 Annual Report, release of the FY21 STI was conditional on the resumption of the Group's dividend. That condition was met when the Board proposed a final dividend of 3.00 pence in line with the dividend policy. Therefore, the cash proportion of the STI will be released with the remaining 50% of the STI deferred into shares vesting after two years subject to continued employement.

TABLE 12: FY21 STI AWARDS

EXECUTIVE DIRECTORS	ACTUAL BONUS (£)	ACTUAL BONUS AS A % OF ANNUAL BASE COMPENSATION	MAXIMUM BONUS OPPORTUNITY AS A % OF ANNUAL BASE COMPENSATION
Dr Ronnie van der Merwe	741 596	150	150
Jurgens Myburgh	487 821	133	133

EXECUTIVE DIRECTOR	DATE OF GRANT	NATURE OF AWARD[1]	NUMBER OF SHARES[2]	FACE VALUE[2] (£)
Dr Ronnie van der Merwe	04/06/2021	Conditional Share Awards	122 614	410 757
Jurgens Myburgh			80 655	270 194

Notes

1 Subject to employment conditions only and settled in Company shares.

2 Number of shares granted, and face value, was based on the five-day average middle market quotation prior to grant of an LSE share (£3.35) and converted from sterling to ZAR64.41 using the spot exchange rate on 4 June 2021 (£1:ZAR19.23).

FY22 STI (AUDITED)

The FY22 STI was based on Group adjusted operating profit performance and financial and strategic subset performance indicators for each division. Whereas adjusted operating profit performance determines the initial STI outcome percentage, any non-achievement of subset performance indicators results in a reduction to the initial STI outcome percentage.

FIGURE 2: SUMMARY OF THE PERFORMANCE CONDITIONS AND ACHIEVEMENT AGAINST TARGETS

For the purposes of the STI, Group adjusted operating profit, based on budgeted foreign exchange rates, was £312m. In line with the targets set, this excludes bonus accruals (£27m) and was adjusted for one-off items in the year (less £10m impact on adjusted operating profit used for the purpose of the bonus).

TABLE 13: FY22 STI AWARDS

	SWITZERLAND	SOUTHERN AFRICA	THE MIDDLE EAST
FINANCIAL PERFORMANCE INDICATORS			
Debtors' days	n/a	n/a	Threshold: > 110 days Maximum: <= 100 days Achievement: 110 days **Reduction: (7% / 10%)**
Cash conversion	Threshold: 85% Maximum: 95% Achievement: 128.6% **Reduction: (0% / 10%)**	n/a	n/a

REMUNERATION COMMITTEE REPORT CONTINUED

TABLE 13: FY22 STI AWARDS CONTINUED

	SWITZERLAND	SOUTHERN AFRICA	THE MIDDLE EAST
OPERATIONAL, CLINICAL AND PATIENT QUALITY PERFORMANCE INDICATORS			
Clinical care quality[1]	Partial achievement – see note 2 **Reduction: (10% / 15%)**	Partial achievement against mortality index targets Threshold performance not achieved against never events and aggregated antimicrobial index value indicators **Reduction: (12.5% / 15%)**	Partial achievement Maximum performance delivered on surgical site infection and medication errors Threshold performance not achieved on never events **Reduction: (3.3% / 10%)**
Employee engagement	n/a	Measures Gallup® Employee Engagement Accountability Index Threshold: < 3.75 Maximum: >= 3.79 Achievement: 3.79 **Reduction: (0% / 2.5%}**	n/a
Client experience[1]	n/a	Measures overall mean Press Ganey® client experience indicator score Threshold: < 82.7 Maximum: >= 82.9 Achievement: 83.1 **Reduction: (0% / 2.5%)**	Measures Press Ganey® client experience indicator score Inpatient: Threshold: < 85.8 Maximum: >= 86.8 Achievement: 84.8 Outpatient: Threshold: < 82.1 Maximum: >= 83.1 Achievement: 81.1 **Reduction: (5% / 5%)**

	SWITZERLAND	SOUTHERN AFRICA	THE MIDDLE EAST
OPERATIONAL, CLINICAL AND PATIENT QUALITY PERFORMANCE INDICATORS CONTINUED			
Diversity and inclusion	n/a	Diversity appointments (skilled/qualified job levels and above) Target >= 50% diverse appointments Achievement: 53% **Reduction: (0% / 2.5%)**	n/a
Reduction	(10.0)%	(12.5)%	(15.3)%
Weighting of division	37.2%	40.9%	21.9%
Weighted reduction	(3.7)%	(5.1)%	(3.4)%
Total reduction	(12.2)%		
GROUP ACHIEVEMENT (GROUP ADJUSTED OPERATING PROFIT LESS SUBSET OUTCOME): 87.8%			

Notes

1 Disclosure of clinical care quality measures and weightings only, because we regard the target and maximum as commercially sensitive. Over the performance period, COVID-19 continued to have a significant impact on the business and distorts clinical quality and client experience assessments versus pre-pandemic baseline data. The business continues to take each of these areas seriously given their importance to long-term sustainable performance and, as such, Mediclinic sets exceptionally high clinical targets to maintain the current standards we deliver and expect to deliver in the future, regardless of the effects of a pandemic.

2 As in FY21, COVID-19 impacted availability of data on clinical performance in Switzerland in FY22. In assessing performance, the Committee considered partial vesting (with a negative adjustment of 10% out of 15% applied) to be reflective of performance delivered in the year. This is based on: (i) the mortality rate of patients admitted to intensive care units, with the Simplified Acute Physiology Score (SAPS)II of 0.37 being within the Swiss benchmark of 0.40; (ii) a low inpatient mortality rate of 1% having been maintained despite the COVID-19 pandemic; (iii) safe surgical checklist performance; and (iv) the unadjusted readmission rate across the division remaining low at 2.3%.

REMUNERATION COMMITTEE REPORT CONTINUED

The Committee reviewed the formulaic outcome of the STI against broader perspectives, including overall business performance and affordability, and the experience of shareholders, employees and clients. The Committee considers that the formulaic outcome is fair taking into account these broader perspectives.

TABLE 14: FY22 STI AWARDS

EXECUTIVE DIRECTOR	ACTUAL BONUS (£)	ACTUAL BONUS AS % OF ANNUAL BASE COMPENSATION	MAXIMUM BONUS OPPORTUNITY AS % OF ANNUAL BASE COMPENSATION
Dr Ronnie van der Merwe	749 713	132	150
Jurgens Myburgh	476 488	117	133

In line with the Policy, 50% of the amount earned will be deferred into Company shares for two years subject to continued employment.

LTI AWARDS VESTED TO EXECUTIVE DIRECTORS (AUDITED)

In June 2019, an LTI award equal to 200% and 150% of base compensation was granted to Dr Ronnie van der Merwe and Jurgens Myburgh, respectively. The awards were based on adjusted EPS performance (60% of award) and relative TSR performance versus the FTSE 250 (excluding Financial Services and Extraction companies) (40% of award) over the three financial years to 31 March 2022. Reflecting the level of performance delivered, 12.1% of the LTI will vest, the first vesting under the scheme since inception in 2016.

The Committee is satisfied that appropriate ROIC has been achieved, recovering towards pre-pandemic levels despite the ongoing impact COVID-19 had on the Group in FY22, and that underlying operational and economic performance has been satisfactory over the performance period to support the vesting outcome.

TABLE 15: FY20 LTI PERFORMANCE TARGETS, ACTUAL PERFORMANCE AND LTI VESTING

PERFORMANCE CONDITION	WEIGHTING	THRESHOLD TARGET (25% VESTING)	MAXIMUM TARGET (100% VESTING)	ACTUAL PERFORMANCE	VESTING (% OF MAXIMUM)
Adjusted EPS growth	60%	4% per annum compounded	11% per annum compounded	(5.6)% per annum	0
TSR ranked relative to constituents of the FTSE 250 (excluding Financial Services and Extraction companies)	40%	Median of peers (50th percentile)	Upper quartile of peers (75th percentile)	52nd percentile	30.2
Overall award					**12.1%**

EXECUTIVE DIRECTOR	NUMBER OF SHARES GRANTED	NUMBER OF SHARES VESTING BASED ON PERFORMANCE (12.1%)	ESTIMATED VALUE OF SHARES ON VESTING £[1]	ESTIMATED VALUE OF DIVIDEND EQUIVALENTS £[1]	TOTAL ESTIMATED VALUE OF AWARD ON VESTING £	VALUE ON VESTING ATTRIBUTABLE TO SHARE PRICE GROWTH[2]
Dr Ronnie van der Merwe	373 437	45 185	150 918	1 446	152 364	14 748
Jurgens Myburgh	206 456	24 981	83 437	799	84 236	8 154

Notes

[1] The value of the vesting awards is based on the average share price over the last three months of FY22, being £3.34.

[2] The Company's share price has increased by £0.33 from grant (£3.01) and average share price over the last three months of FY22 (£3.34). The proportion of the value attributable to share price growth is therefore 9.8%, equivalent to £14 748 for Dr Ronnie van der Merwe and £8 154 for Jurgens Myburgh. The Committee did not consider it necessary to exercise discretion in respect of share price fluctuations since grant.

REMUNERATION COMMITTEE REPORT CONTINUED

LTI AWARDS GRANTED TO EXECUTIVE DIRECTORS (AUDITED)

An FY22 LTI award equal to 200% and 150% of base compensation was granted to Dr Ronnie van der Merwe and Jurgens Myburgh, respectively. When determining vesting, the Committee will consider whether there have been any 'windfall gains' in line with the framework set out last year.

TABLE 16: FY22 LTI AWARDS GRANTED TO EXECUTIVE DIRECTORS

EXECUTIVE DIRECTOR	DATE OF GRANT	NATURE OF AWARD	NUMBER OF SHARES[1]	FACE VALUE[1] £	FACE VALUE AS A % OF ANNUAL BASE COMPENSATION[2]	END OF PERFORMANCE PERIOD
Dr Ronnie van der Merwe	04/06/2021	Conditional Share Awards	356 181	1 193 206	200	31/03/2024
Jurgens Myburgh			190 569	638 406	150	

Notes

[1] Number of shares granted, and face value, based on the five-day average middle market quotation prior to grant of an LSE share (£3.35) and translated into sterling at a rate of £1:ZAR19.23 on 3 June 2021.

[2] Annual base salary translated into sterling at a rate of £1:ZAR19.23 on 3 June 2021.

TABLE 17: FY22 LTI PERFORMANCE CONDITIONS

PERFORMANCE CONDITION	WEIGHTING	THRESHOLD (25% VESTING)	TARGET (62.5% VESTING)	MAXIMUM (100% VESTING)
Adjusted EPS for FY24 (measured on a constant currency basis) (p)	40%	28	35	42
TSR ranked relative to constituents of the FTSE 250 (excluding Financial Services and Extraction companies) (measured over the three financial years to 31 March 2024)	25%	Median (50^{th} percentile)	(62.5^{th} percentile)	Upper quartile (75^{th} percentile)
ROIC for FY24 (%)	25%	5.0	5.5	6.25
Group patient experience index (measured over the three financial years to 31 March 2024) (%)	10%	82.85	85.85	88.85

The awards are subject to clawback and *malus* provisions.

Awards are subject to a two-year holding period after vesting, thus settled only at the end of a five-year period from the grant date.

PAYMENTS TO PAST DIRECTORS AND PAYMENTS FOR LOSS OF OFFICE (AUDITED)

No payments that have not been reported previously or in this report were made to past directors, and no loss of office payments were made during FY22.

REMUNERATION COMMITTEE REPORT CONTINUED

DIRECTORS' SHAREHOLDING AND SHARE INTERESTS (AUDITED)

Executive directors are required to build and maintain a minimum shareholding in Mediclinic linked to their base compensation. Shares are valued for these purposes at the year-end price, which was £3.56 per share at 31 March 2022.

Until the shareholding guideline is achieved, Dr Ronnie van der Merwe and Jurgens Myburgh are normally required to retain at least 50% of the net of tax shares from vested LTI, deferred bonus plan or other share awards.

TABLE 18: DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS

EXECUTIVE DIRECTOR	SHAREHOLDING GUIDELINES AS A % OF ANNUAL BASE COMPENSATION	SHARES HELD AT 31 MARCH 2021	SHARES HELD AT 31 MARCH 2022	DEFERRED STI SHARES	OUTSTANDING UNVESTED LTI AWARDS WITHOUT PERFORMANCE CONDITIONS[1]	% OF ANNUAL BASE COMPENSATION[2]	OUTSTANDING UNVESTED LTI AWARDS WITH PERFORMANCE CONDITIONS	SHAREHOLDING REQUIREMENT MET
Dr Ronnie van der Merwe	225	51 630	61 630	143 005	45 185	103	746 842	Progress being made
Jurgens Myburgh	200	90 500	94 500	94 038	24 981	140	406 980	Progress being made

Notes
[1] As noted on page 160, the 2019 LTI awards will vest at 12.1% of maximum based on the achievement against performance targets. This equates to 45 185 and 24 981 shares for Dr Ronnie van der Merwe and Jurgens Myburgh, respectively.
[2] In calculating if an executive director has met the minimum shareholding requirement, the following values are included: shares held at 31 March 2022 and the estimated after-tax value (not subject to performance conditions) of deferred STI and LTI awards.

Dr Ronnie van der Merwe and Jurgens Myburgh will use 50% of the net of tax value of any cash-settled share awards paid to them under the LTI, deferred bonus plan or other awards, to purchase shares in the Company until they meet their shareholding guideline.

TABLE 19: NON-EXECUTIVE DIRECTORS' SHAREHOLDINGS

NON-EXECUTIVE DIRECTOR	AT 31 MARCH 2021	AT 31 MARCH 2022[1]
Dame Inga Beale	-	-
Dr Felicity Harvey	-	-
Dr Muhadditha Al Hashimi	-	-
Natalia Barsegiyan[2]	n/a	-
Zarina Bassa[3]	n/a	-
Jannie Durand[4]	-	-
Alan Grieve[5]	7 500	7 500
Danie Meintjes	123 900	123 900
Dr Anja Oswald	-	-
Trevor Petersen[5]	-	-
Tom Singer	-	-
Pieter Uys[6]	417	417
Steve Weiner	-	-

There were no changes in the directors' shareholdings between the financial year end and the Last Practicable Date. The Company's Register of Directors' Interests, which is open for inspection at the Company's registered office during business hours, contains full details of the directors' shareholdings and share allocations.

SHARE DILUTION LIMITS

The Company is committed to protecting investors' interests and ensuring that the dilution of shares remains within a reasonable limit. In line with guidelines by the Investment Association, the Company limits equity-based awards under its employee share plans to 10% of the Company's issued share capital over a 10-year calendar period and equity-based awards under executive share plans to 5% of issued share capital over the same period.

Notes
[1] Or, if earlier, the date of retirement as a non-executive director of the Company.
[2] Natalia Barsegiyan was appointed as a non-executive director of the Company on 1 August 2021.
[3] Zarina Bassa was appointed as a non-executive director of the Company on 1 February 2022.
[4] Jannie Durand is the CEO/Executive Director of Remgro Ltd and board representative of Remgro, which holds 44.56% interest in the Company.
[5] Alan Grieve and Trevor Petersen resigned from all committee responsibilities and Alan Grieve resigned as SID on 13 September 2021; both continued to serve the Board in a non-independent capacity from 13 September 2021 until 14 February 2022.
[6] Pieter Uys is the alternate to Jannie Durand.

REMUNERATION COMMITTEE REPORT CONTINUED

CHANGE IN REMUNERATION LEVELS

The table below shows the average percentage change in remuneration from FY20 to FY21, and FY21 to FY22 for each of the directors compared with that of the Southern Africa workforce. Given that both the executive directors reside in South Africa, the Southern Africa workforce has been used as a comparator group (currently, there is only one employee employed by Mediclinic International plc based in the UK).

TABLE 20: COMPARATIVE PERCENTAGE CHANGE IN REMUNERATION: EXECUTIVE DIRECTORS AND EMPLOYEES

	FY21 TO FY22			FY20 TO FY21		
	SALARY AND FEES	BENEFITS	STI	SALARY AND FEES	BENEFITS	STI
EXECUTIVE DIRECTORS						
Dr Ronnie van der Merwe	9.6%[1]	(70.1)%[2]	(3.8)%	2.4%	(49.2)%[2]	508.4%
Jurgens Myburgh	5.9%[1]	(45.0)%[2]	(7.0)%	2.3%	(41.7)%[2]	509.8%
NON-EXECUTIVE CHAIR						
Dame Inga Beale[3]	27.7%	0.0%	-	n/a	n/a	-
NON-EXECUTIVE DIRECTORS						
Dr Muhadditha Al Hashimi[4]	9.3%	(100.0)%	-	0.0%	(69.7)%	-
Dr Felicity Harvey[5]	14.9%	0.0%	-	0.0%	0.0%	-
Natalia Barsegiyan[6]	n/a	n/a	-	n/a	n/a	-
Zarina Bassa[7]	n/a	n/a	-	n/a	n/a	-
Jannie Durand[8]	1.6%	(100.0)%	-	2.3%	(52.7)%	-
Alan Grieve[9]	(32.6)%	(100.0)%	-	11.3%	(61.3)%	-
Danie Meintjes[10]	5.8%	(100.0)%	-	0.0%	(64.9)%	-
Dr Anja Oswald	(2.2)%	(100.0)%	-	(0.3)%	(47.2)%	-
Trevor Petersen[9]	(25.4)%	(100.0)%	-	(7.1)%	(55.1)%	-
Tom Singer[11]	8.7%	0.0%	-	0.0%	0.0%	-
Steve Weiner[12]	58.0%	0.0%	-	n/a	n/a	-
AVERAGE INCREASE PER EMPLOYEE	**3.8%**	**3.9%**	-	**5.5%**	**3.9%**	**118%**

Notes

1 As previously reported, the FY21 annual salary increases, ordinarily effective 1 April, were delayed and only implemented 1 October 2020, excluding back-pay for the period April–September 2020. As such, the percentage increase is overinflated. The monthly change equates to 7.1% for Dr Ronnie van der Merwe and 3.6% for Jurgens Myburgh. Percentage change between the executive directors' base compensation, benefits and STI between FY20 to FY21 and FY21 to FY22 paid in ZAR.

2 Benefits include private medical insurance, life insurance and reimbursements for reasonable business-related expenses. Large percentage variance as travel was restricted due to COVID-19 and, as such, business-related expenses were not incurred.

3 Dame Inga Beale was appointed as non-executive director and Chair Designate of the Company on 26 March 2020, and Chair on 22 July 2020.

4 Dr Muhadditha Al Hashimi joined the Committee on 13 September 2021.

5 Dr Felicity Harvey succeeded Alan Grieve as SID of the Company on 13 September 2021. Dr Felicity Harvey joined the ESG Committee on 1 September 2021.

6 Natalia Barsegiyan was appointed as a non-executive director of the Company on 1 August 2021.

7 Zarina Bassa was appointed as a non-executive director of the Company on 1 February 2022.

8 Jannie Durand's fees are paid to Remgro and include services rendered by him or his alternate, Pieter Uys.

9 Alan Grieve and Trevor Petersen resigned from all committee responsibilities and Alan Grieve resigned as SID on 13 September 2021; both continued to serve the Board in a non-independent capacity from 13 September 2021 until 14 February 2022.

10 Danie Meintjes joined the ESG Committee on 1 September 2021.

11 Tom Singer succeeded Alan Grieve as Chair of the Audit and Risk Committee on 13 September 2021.

12 Steve Weiner was appointed as non-executive director of the Company on 22 July 2020. He succeeded Trevor Petersen as Chair of the Committee on 13 September 2021.

REMUNERATION COMMITTEE REPORT CONTINUED

CEO-PAY RATIO

While the Company has fewer than 250 UK-based employees and therefore is not required to disclose a ratio, the Committee felt that it was appropriate to voluntarily disclose the CEO-to-all-employee-pay ratio, given the Company's commitment to high standards of transparency and good governance.

TABLE 21: FY22 CEO-PAY RATIO AND RESTATED FY21 CEO-PAY RATIO

	CEO	25TH PERCENTILE	50TH PERCENTILE	75TH PERCENTILE
FY22				
Ratio		65:1	37:1	24:1
Total pay and benefits	£1 518 970	£23 357	£40 941	£63 325
Salary	£569 149	£10 099	£20 447	£57 495
FY21[1]				
Ratio		67:1	37:1	21:1
Total pay and benefits	£1 283 532	£19 201	£34 341	£62 509
Salary	£497 157	£9 577	£20 665	£59 298

Note

[1] The FY21 CEO-pay ratio has been updated to remove fixed-term contractors and students from the all-employee population.

The Company chose to adopt Option A methodology in calculating the ratio on the basis that it is a robust approach and is preferred by investors and proxy voting agencies.

The Group CEO's single figure of remuneration for the relevant financial year was used for the calculation ratio. All employees' pay (excluding the Group CEO, non-executive directors, interns and students) was annualised for the relevant financial year and translated into sterling (at a rate of £1:ZAR19.23, AED4.82 and CHF1.21 at 31 March 2022, in respect of employees' pay for FY22).

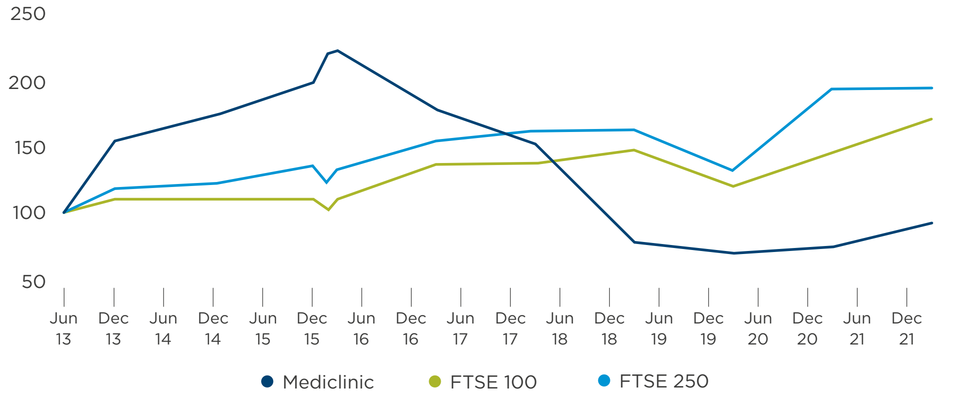
The Committee anticipates that there are likely to be changes in the ratio in future years and disclosures as the Group CEO's total remuneration has a greater portion of pay delivered as variable remuneration, which is consistent with the Company's remuneration principles.

PERFORMANCE AND PAY PERFORMANCE

The figure below shows the value at 31 March 2022 of £100 invested in the Company upon inception on 21 June 2013, compared with the value of £100 invested in the FTSE 100 Index and FTSE 250 Index on the same date. The intervening points are the financial year ends prior to the date of the combination with Al Noor Hospitals Group plc on 15 February 2016 and the financial year ends since.

The FTSE 100 and FTSE 250 were used as comparators as the Company has been a member of each of these indices during the relevant period.

FIGURE 3: MEDICLINIC TSR COMPARED WITH FTSE 100 AND FTSE 250



REMUNERATION COMMITTEE REPORT CONTINUED

The table below shows the remuneration for the Group CEO over the past 10 years.

TABLE 22: TOTAL GROUP CEO REMUNERATION SINCE INCEPTION

	YEAR ENDED 31 DECEMBER				YEAR ENDED 31 MARCH								
	2013	2014	2014	2015	1 Jan–15 Feb 2016	15 Feb–31 Mar 2016	2017	2018	1 Apr–31 May 2018[1]	1 Jun 2018–31 Mar 2019[2]	2020	2021	2022
GROUP CEO	**Kassem Alom**		**Ronald Lavater**			**Danie Meintjes[1]**				**Dr Ronnie van der Merwe[2]**			
Total remuneration £'000	361	290	170	702	2 165	79	1 029	1 126	138	600	739	1 285	1 519
STI outturn (% of maximum)	n/a	n/a	11.8	20.0	n/a	79.7	55.9	61.4	16.5	16.5	17.0	100.0[3]	87.8
Deferred STI portion (%)	n/a	n/a	100.0	n/a	n/a	n/a	50.0	50.0	n/a	n/a	50.0	50.0	50.0
LTI vesting (% of maximum)	n/a	n/a	65.4	69.9	n/a	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.1

Notes

1 Danie Meintjes retired as Group CEO on 31 May 2018.

2 Dr Ronnie van der Merwe was appointed as Group CEO on 1 June 2018.

3 The Board reinstated the Group dividend during FY23, therefore, the cash proportion of the STI will be released, with the remaining 50% of the STI deferred into shares vesting after two years subject to continued employment.

Consistent with the calculation methodology for the single figure for total remuneration, the total remuneration figure includes the total STI award based on that year's performance and the LTI award based on the three-year performance period ending in the relevant year.

TABLE 23: RELATIVE IMPORTANCE OF SPEND ON PAY

	FY22 £'M	FY21 £'M	CHANGE %
Employee costs	1 448	1 381	4.9
Dividends paid	-	-	0

REMUNERATION COMMITTEE REPORT CONTINUED

INVESTOR VOTING

The Directors' Remuneration Report for FY21 was approved by investors at the Company's 2021 AGM with 97.18% of votes cast in favour. The Directors' Remuneration Policy was approved by investors at the Company's 2020 AGM with 97.31% of votes cast in favour.

TABLE 24: INVESTOR VOTING

	FOR	%	AGAINST	%	WITHHELD	TOTAL SHARES VOTED	% OF ISSUED SHARES VOTED
FY21 Directors' Remuneration Report	649 003 589	97.18	18 826 482	2.82	234 674	667 830 071	90.58
Directors' Remuneration Policy	633 886 281	97.31	17 494 687	2.69	414 198	651 380 968	88.35

COMMITTEE ROLE AND RESPONSIBILITIES

The Committee's key responsibilities include to assist the Board in:

- determining the Group's remuneration strategy and policy, having regard to the alignment of incentives and rewards with the Group's culture;
- reviewing remuneration and related policies for the workforce across the Group, taking these into account when setting the remuneration policy for directors;
- establishing the operation of appropriate parameters for the Group's performance-related pay schemes; and
- determining the total remuneration package for the Chair of the Board and each element of the total individual remuneration package for each executive director, other members of the Group Executive Committee and certain other executives (including the Group Company Secretary), and ensuring these support and are linked to the Group strategy, and promote its long-term success.

See the Committee's terms of reference, available on the 'Governance' section of the Company's website at www.mediclinic.com, for further details

COMMITTEE MEMBERSHIP AND ATTENDANCE

The Committee is chaired by an independent non-executive director and its members comprise three other independent non-executive directors (including the Chair of the Board) who have no involvement with the Company at an operational level or any personal financial interest in the matters considered at meetings. The Committee recommends the compensation of the Chair of the Board, but the Chair of the Board, in consultation with the executive directors, determines the non-executive directors' fees.

See page 113 for details of Committee membership and attendance and pages 104–107 for members' biographies

Jannie Durand and/or his alternate, Pieter Uys, attend meetings by invitation but are not voting members. Other attendees, also by invitation only, include the Group CEO, the Group Chief Strategy and Human Resources Officer, the Group Executive: Reward, the Group Manager: Reward and representatives from Deloitte LLP, all of whom provide significant support to the Committee. None of the aforementioned attend as a right, nor do they attend when their own remuneration is under discussion.

MEETINGS AND PRINCIPAL AREAS OF FOCUS IN FY22

The Committee held five scheduled meetings during the financial year and one scheduled meeting after the year end, in line with its usual schedule. Including routine monitoring and approval activities, the material issues discussed by the Committee during the year under review and between the financial year end and the Last Practicable Date are summarised on pages 143–145.

REMUNERATION COMMITTEE REPORT CONTINUED

TABLE 25: MATERIAL ISSUES DISCUSSED BY THE COMMITTEE

AREA	DISCUSSIONS
Policy	• Reviewed and approved the revised directors' remuneration policy and incentive framework • Consulted extensively with shareholders on proposals
Awards	• Considered and approved STI payment for FY21 • Considered and approved the quantum, performance metrics and targets for FY22 STI and LTI awards
Remuneration levels	• Considered and approved FY23 salary increases for executive directors and Group Executive Committee • Reviewed and approved overall FY23 salary increases of all employee groups of each division • Reviewed and approved FY23 fee of Board Chair
Regulatory and governance review	• Reviewed regulatory and corporate governance developments, and reviewed and recommended to Board for approval ensuing changes to its terms of reference • Reviewed and confirmed the independence and objectivity of its remuneration consultant, Deloitte LLP

COMMITTEE EVALUATION

In March 2022, the Committee considered the outcome of the external evaluation of its performance, conducted as part of the annual evaluation process described on pages 117–119 of the **Corporate Governance Statement**. The composition and performance of the Committee were highly rated and no significant issues requiring improvement had been identified.

FY23 PRIORITIES

Reflecting the feedback from its evaluation, the Committee's main priorities for FY23 are:

- continuing to drive strategically based targets and ensure a strong link between executive remuneration and shareholders' experience; and
- ensuring all members receive regular training on remuneration developments and trends.

EXTERNAL ADVISER TO THE COMMITTEE

During the year under review, the Committee and the Company retained an independent external adviser to assist with various aspects of the Company's remuneration.

TABLE 26: EXTERNAL ADVISER TO THE COMMITTEE

ADVISER	APPOINTED/ SELECTED BY	SERVICES PROVIDED TO THE COMMITTEE DURING THE REPORTING PERIOD	FEES PAID BY THE COMPANY FOR THESE SERVICES	OTHER SERVICES PROVIDED TO THE COMPANY IN THE REPORTING PERIOD
Deloitte LLP Founding member of Remuneration Consultants Group and adheres to Voluntary Code of Conduct in relation to executive remuneration consulting in UK	Appointed by Committee following robust selection process and reviewed annually by Committee	• Support with review of directors' remuneration policy and incentive framework • General advice on remuneration matters • Advice on UK market practice and UK investor perspectives	£126 050 based on time charges for work completed	Tax advisory, share plan advisory and share-based payment valuation support

The Committee reviewed the independence and objectivity of Deloitte LLP, taking into consideration its experience and management's feedback, together with the assurances provided by Deloitte LLP that it has effective internal processes to ensure it is able to provide remuneration consultancy services that meet these two critical requirements. Following this review, the Committee is satisfied that Deloitte LLP has maintained independence and objectivity and has no conflicts of interest with the Company that may impact on such.

This report has been prepared on behalf of the Board by the Committee, in accordance with the Code, the Listing Rules, the Act, and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

Signed on behalf of the Committee.

Steve Weiner
Chair of the Remuneration Committee
24 May 2022

OTHER DISCLOSURES

ARTICLES OF ASSOCIATION

The Company's Articles may be amended by way of a special resolution of the shareholders.

See the 'Governance' section of the Company's website at www.mediclinic.com for the current Articles, approved by shareholders at the Company's AGM held on 22 July 2020

DIRECTORS' APPOINTMENT AND REMOVAL

The rules relating to the appointment and removal of directors are set out in the Company's Articles. Non-executive directors are appointed for a term of three years, subject to earlier termination, including provision for early termination by either the Company or the non-executive director on three months' notice. All non-executive directors serve on the basis of letters of appointment, which are available for inspection at the Company's registered office and at the AGM. The letters of appointment set out the time commitment expected of non-executive directors who, on appointment, undertake that they will have sufficient time to meet their responsibilities.

DIRECTORS' POWERS

The general powers of the directors are contained within relevant UK legislation and the Company's Articles. The directors are entitled to exercise all powers of the Company, subject to any limitations imposed by the Articles or applicable legislation.

DIRECTORS' INDEMNIFICATION

The Company has entered into a deed of indemnity with each director who served during the reporting period under identical terms. These qualifying third-party indemnity provisions (as defined in the Act) were in force for the benefit of all directors who held office during FY22 and up to the approval of the Annual Report. The deeds indemnify the directors in accordance with the applicable laws of England against liability incurred as a director or employee of the Group. In addition, the Company has provided directors and officers with indemnity insurance and insurance in connection with their duties and responsibilities.

COMPENSATION FOR LOSS OF OFFICE

There are no agreements in place with any director or employee for compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover.

SIGNIFICANT AGREEMENTS

The following facilities and finance agreements are considered significant in terms of their potential impact on the business of the Group as a whole and could alter or terminate on the change of control of the Company:

- South African senior secured borrowings totalling ZAR7 950m and ZAR500m revolving credit facility ('RCF'), bearing interest at three-month Johannesburg Interbank Average Rate ('JIBAR') plus a margin of 1.54% and 1.60% respectively, expiring in September 2026. The achievement of pre-agreed sustainability performance targets will reduce the facility margin through an incentive-based pricing mechanism.

OTHER DISCLOSURES CONTINUED

PRINCIPAL SHAREHOLDER AND RELATIONSHIP AGREEMENT

Due to Remgro (through subsidiary undertakings) holding 44.56% of the issued ordinary shares of the Company and consequently being regarded as a controlling shareholder of the Company for the purposes of the Listing Rules, Mediclinic entered into a Relationship Agreement with Remgro on 14 October 2015 with an effective date of 15 February 2016. This agreement does not include a change of control provision but does terminate if: (a) the Company's ordinary shares cease to be listed on the premium segment of the Official List and admitted to trading on the LSE's main market for listed securities; or (b) Remgro and its subsidiary undertakings, taken together, cease to hold a minimum interest of 10% of the Company's issued ordinary share capital (or 10% of the aggregate voting rights in the Company from time to time).

Under the Relationship Agreement, in accordance with the Listing Rules, Remgro undertakes to comply with the following provisions to safeguard Mediclinic's independence:

- Transactions and arrangements between the Company and Remgro (and/or its associates) will be conducted at arm's length and on normal commercial terms.
- Neither Remgro nor any of its associates will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules.
- Neither Remgro nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

The Relationship Agreement also provides that, for every 10% of the issued ordinary share capital of the Company (or an interest which carries 10% or more of the aggregate voting rights in the Company from time to time) held, Remgro is entitled to appoint one director to the Board, up to a maximum of three directors, provided that the right to appoint a third director is subject to the requirement that the Board will, following such appointment, comprise a majority of independent non-executive directors. The ordinary shares owned by Remgro rank *pari passu* with the other ordinary shares in all respects.

The Board confirms that during the period under review: (a) the Company has complied with the provisions set out in the Relationship Agreement and with the rules on the election and re-election of independent directors set out in the Listing Rules; and (b) so far as the Company is aware, Remgro and its associates have also complied with the terms of the Relationship Agreement.

POLITICAL DONATIONS

Political donations are generally prohibited in terms of the Company's Code of Business Conduct and Ethics and Anti-bribery Policy, unless pre-approved by the executive committee of the division and reported to the Group Executive Committee. It is not the policy of the Company to make political donations as contemplated in the Act. The Group made no such payments during FY22 and has no intention of doing so during FY23. However, as a result of broad definitions used in the Act, normal business activities of the Company, which might not be considered political donations or expenditure in the usual sense, may possibly be construed as political expenditure or as a donation to a political party or other political organisation and fall within the restrictions of the Act. This could include sponsorships, subscriptions, payment of expenses, paid leave for employees fulfilling public duties and support for bodies representing the business community in policy review or reform. The Board has therefore resolved to propose a resolution for shareholder consideration at the AGM, as in previous years and in line with best practice, to authorise the Company to make political payments up to an aggregate amount of £100 000.

As is customary in Switzerland, our Swiss division maintains a proper and constructive dialogue with political decision-makers and stakeholders to represent its perspective and support informed decision-making that contributes to improving patient outcomes and the long-term sustainability of the business. Under the Swiss political system, citizens are active in political bodies at federal, cantonal and municipal levels in addition to their regular occupations. Parliamentarians are not professional politicians in this system and the parties do not receive state support. Therefore, in line with common and official practice in Switzerland, we have traditionally supported the country's political system by making third-party contributions to a number of political parties, institutions and associations involved in campaigns which are of interest to the business. Payments of this nature made by our Swiss division during FY22 amounted to CHF21 000 (FY21: CHF3 000[1]). Annual fluctuations in spend are mostly due to the timing of national and cantonal renewal elections. These contributions are not considered political payments as contemplated in Part 14 of the Act, as they are not made to the political parties within the scope of the Act.

Note

[1] Correction notice: In the 2021 Annual Report, we stated CHF3 000 was allocated for political donations, but no payments made. We, however, confirm that the CHF3 000 was allocated and paid during FY21.

OTHER DISCLOSURES CONTINUED

GOING CONCERN

The directors confirm that they considered it appropriate to adopt the going concern basis of accounting in preparing the Company's consolidated and parent company financial statements.

See the **Group Chief Financial Officer's Report** and the **Audit and Risk Committee Report** on pages 89 and 126, respectively, as well as note 2.7 to the **Group annual financial statements** on pages 186–187

OVERSEAS BRANCHES

The Company has no overseas branches.

LISTING RULES REQUIREMENTS

Information required to be disclosed in terms of Listing Rule 9.8.4R, as applicable, is referenced below. There are no other disclosures to be made under that rule.

DETAIL	LOCATION IN ANNUAL REPORT
Relationship agreement with a controlling shareholder and compliance with independence provisions and independent directors' election/re-election	See 'Principal shareholder and relationship agreement' on page 169
Contracts of significance with a controlling shareholder	None other than the relationship agreement referred to above
Provision of services by a controlling shareholder	See note 37 to the **Group annual financial statements** on page 243
Capitalised interest	See notes 10 and 14 to the **Group annual financial statements** on pages 194 and 197

DIRECTORS' REPORT

Pages 102–171 of this Annual Report constitute the Directors' Report of the Company for FY22, as contemplated in the Act. The Company has chosen, in accordance with the Act, to include certain information in the Strategic Report that would otherwise be required to be included in this Directors' Report, as follows:

DETAIL	LOCATION IN ANNUAL REPORT
Dividend recommendation	Page 89
Likely future developments in the business	Pages 14–22
Research and development activities	Pages 58–71
GHG emissions and energy consumption and efficiency	Pages 47–56

Other information incorporated by reference into the Directors' Report can be located as follows:

DETAIL	LOCATION IN ANNUAL REPORT
Stakeholder engagement by the Board	Pages 26–29
Financial risk management objectives and policies	Note 32 to the **Group annual financial statements** on pages 235–237
Events after the reporting date	Note 38 to the **Group annual financial statements** on page 244
Share capital, voting rights and significant shareholders	Page 263

For and on behalf of the Board.

Dame Inga Beale
Non-executive Chair
24 May 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' CONFIRMATIONS

The directors consider that the Annual Report and accounts, taken as a whole, is FBU and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed on pages 104–107 of this Annual Report, confirm that, to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the Group and Company, and of the profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

Dr Ronnie van der Merwe
Group Chief Executive Officer
24 May 2022

Jurgens Myburgh
Group Chief Financial Officer
24 May 2022

CONTENTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MEDICLINIC INTERNATIONAL PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, Mediclinic International plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2022 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and company statements of financial position as at 31 March 2022; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 8, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

OUR AUDIT APPROACH

OVERVIEW

AUDIT SCOPE

- Our Group audit included full scope audits at three reporting units. We performed centralised audit procedures on the equity accounted results of Spire Healthcare Group plc ('Spire') based on its audited financial statements at 31 December 2021. We have also audited the financial statement line items Cash and cash equivalents, Share Capital and Share premium of the Company to support the Group audit.
- The above procedures accounted for 94% of consolidated revenue, 93% of consolidated profit before tax and 93% of consolidated adjusted profit before tax.
- For the purposes of the Company audit, we performed a full scope audit in the UK of all material financial statement line items.

KEY AUDIT MATTERS

- Impairment of goodwill and non-current assets (group)
- Carrying value of associate investment in Spire (group)
- Impairment assessment of the Company's investment in subsidiaries (company)

MATERIALITY

- Overall group materiality: £11.5 million (2021: £10.8 million) based on 5% of the consolidated adjusted profit before tax (2021: 5% of the average three year consolidated adjusted profit before tax).
- Overall company materiality: £33.8 million (2021: £33.0 million) based on 1% of total assets.
- Performance materiality: £8.6 million (2021: £8.1 million) (group) and £25.3 million (2021: £24.7 million) (company).

THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Carrying value of associate investment in Spire (group) is a new key audit matter this year. Going concern assessment in response to the economic uncertainties from COVID-19 (group), and impact of COVID-19 (group and company), which were key audit matters last year, are no longer included because of the market recovery from the impact of COVID-19 resulting in the Group's improved trading performance during 2022. Where relevant, the ongoing impact of COVID-19 has been assessed as part of our audit in 2022. Otherwise, the key audit matters below are consistent with last year.

INDEPENDENT AUDITORS' REPORT CONTINUED

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Impairment of goodwill and non-current assets (group)	
The Group has £1 126 million (2021: £1 061 million) of intangible assets. This balance consists mainly of goodwill relating to the Mediclinic Middle East operations amounting to £887 million (2021: £834 million). The Group is required to perform annual impairment tests on goodwill. These impairment tests are generally undertaken at the operating division level being the level at which management monitors goodwill for impairment. The Group also performed separate impairment assessments, where appropriate, of individual CGUs which form part of these operating divisions. Goodwill is generally assessed for impairment at the operating division level on the basis that the commercial rationale for the transactions giving rise to goodwill is to realise synergies across the entire operating division and not just within the acquired business. The two exceptions are the acquisition of Les Grangettes completed in 2018 whose goodwill is assessed for impairment at the CGU level given the existence of a significant non-controlling interest and discrete acquisitions at Mediclinic Southern Africa in which case the goodwill is allocated to that CGU. Other assets subject to impairment assessment at the CGU level primarily comprise land and buildings. In the current year, an impairment loss of £7 million was recorded to partially impair property and equipment at Hirslanden due to a fire that caused significant damage to one of the building wings at Klinik Hirslanden Zurich. We focused on the impairment assessments of goodwill at Mediclinic Middle East and Hirslanden and non-financial assets at two CGUs of Hirslanden as the impairment reviews carried out by the Group contain a number of significant judgements, including the level at which goodwill is monitored for impairment, and estimates, including future cash flow projections, growth rates and discount rates. Changes in these assumptions might lead to a significant change in the recoverable values of the related assets and therefore to impairment losses recognised.	We used our valuation experts to assist us in our assessment of management's impairment calculations and we tested the reasonableness of key assumptions, including cash flow forecasts and the determination of growth rates and discount rates. We challenged management to substantiate its assumptions, including comparing relevant assumptions to industry benchmarks and economic forecasts. We substantively tested the integrity of supporting calculations and we corroborated certain information with third party sources. We agreed the underlying cash flows to approved budgets and we assessed growth rates and discount rates by comparison to third party growth forecasts, the Group's cost of capital and relevant risk factors. Future cash flow assumptions were evaluated in the context of current trading performance against budget and forecasts, considering the historical accuracy of budgeting and forecasting and understanding the reasons for the growth profiles used. We validated the carrying amounts of the net assets subject to impairment testing to the underlying accounting records, making sure that there was appropriate consistency between the assets and liabilities that were included in management's assessment and the related cash flows. In addition, we performed independent sensitivity analyses to ascertain the impact of reasonably possible changes to key assumptions on the available headroom or the level of impairment required. We evaluated management's judgement regarding the levels at which goodwill arising from the Swiss and Middle East acquisitions are monitored for impairment review purposes. We tested management's estimate of disposal costs for each division and we evaluated management's assessment of whether market participant adjustments were required to be made to the valuations. We assessed the appropriateness of management's disclosures about sensitivities in note 14 and 15 of the consolidated financial statements in relation to the Swiss and Middle East operations. Based on the procedures performed, we noted no material issues arising from our work.

INDEPENDENT AUDITORS' REPORT CONTINUED

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Carrying value of associate investment in Spire (group) In previous years, significant impairment losses were recognised against the Group's associate investment in Spire. However, at 31 March 2022, the listed market value exceeded the carrying value of the investment. Management therefore considered whether any of the previously recognised impairment losses should be reversed, but concluded that no reversal was justified. We focused on this area because of the magnitude of the difference between the carrying value and the listed market value of the investment and the judgement involved in determining whether there were significant favourable changes to the circumstances that resulted in the initial impairment charge.	We obtained management's updated impairment assessment and with the assistance of our valuation experts, we tested the reasonableness of key assumptions underpinning management's value-in-use valuation of the Group's investment, including cash flow forecasts and the selection of growth rates and discount rates. We compared the result of the valuation at 31 March 2022 with the valuation performed at 31 March 2020 when the last impairment charge was recognised and noted that the values were broadly aligned. We compared Spire's actual trading for the year ended 31 December 2021 to the estimates included in the Group's impairment assessment performed at 31 March 2020 and noted that the actual results were broadly in line with these estimates. We considered other factors such as Spire's recent history of losses and market developments in the UK health sector. We assessed the appropriateness of management's disclosures about the judgement in note 16.1 of the consolidated financial statements. Based on the procedures performed, we noted no material issues arising from our work.
Impairment assessment of the Company's investment in subsidiaries (company) Investments in subsidiaries are accounted for at cost less impairment in the Company balance sheet. At 31 March 2022, the Company held investments in subsidiaries with a carrying value of £3,311 million. In the current financial year, while no specific impairment triggers were identified for any of the investments, the market capitalisation of the Group is below the carrying value of the investments in subsidiaries. Management therefore performed an impairment assessment of these investments. The impairment assessment performed by management was considered a key audit matter given the size of the underlying investment carrying values and the application of management judgement in determining the key valuation assumptions for each investment. Management's analysis resulted in no further impairment charges.	We independently evaluated management's assessment whether any indicators of impairment existed by comparing the Company's carrying value of investments in subsidiaries to the Group's market capitalisation at 31 March 2022 and to the valuations implied by other models, including valuation models prepared for impairment review purposes at divisions which were subject to audit procedures as part of our Group audit. The key assumptions used in the impairment models were consistent with those used for impairment testing as described in the key audit matter "Impairment of goodwill and non-current assets (group)". We evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes to key assumptions on the level of impairment required. We separately evaluated the difference between the investment carrying values and the Group's market capitalisation. We considered the appropriateness of the related disclosures in the Company financial statements. Based on the procedures performed, we noted no material issues arising from our work.

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements involve a consolidation of 16 reporting units, certain of which are sub-consolidations of the operations in each of the Group's key markets. The sub-consolidations were deemed to be components for our audit and comprise the Group's three main divisions: Southern Africa, Switzerland and the Middle East. These components required an audit of their complete financial information due to their size.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group audit team, or by component auditors from other PwC network firms. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

We instructed, supervised and reviewed the audit work of each of our component audit teams in South Africa, Switzerland and the Middle East, which included audit work paper reviews, participation in key audit discussions and in-person site visits with local management and participation in audit clearance meetings at each component. We also maintained regular dialogue with our component audit teams at each key reporting unit.

Further specific audit procedures over the Group consolidation, selected financial statement line items reported by the Company and over the Group's associate interest in Spire, and procedures over the Annual Report and audit of the financial statement disclosures were directly led by the Group audit team.

Taken together, the component audit work, together with work performed at the Group level, accounted for 94% of consolidated revenue, 93% of consolidated profit before tax and 93% of consolidated adjusted profit before tax calculated on an absolute basis.

As part of the audit, we inquired of management to understand and evaluate the Group's risk assessment process in relation to climate change. We used our knowledge of the Group, and we engaged with our divisional component teams and our climate change experts to support our evaluation of the risk assessment performed by management. We further challenged management on how they considered the Group's 2030 carbon neutrality and zero waste to landfill commitments in their assessment. We assessed that the key financial statement line items and estimates which are more likely to be materially impacted by climate change are those areas that are based on future cash flows. As a result, we particularly considered how climate change risks and the impact of climate commitments made by the Group would impact the assumptions made in the forecasts prepared by management that are used in the Company's impairment analysis. Our procedures did not identify any material impacts on our key audit matters for the year ended 31 March 2022. We also reviewed the disclosures included in the TCFD Report of the Annual Report and we considered the consistency of these disclosures with the relevant financial statement disclosures, including in note 14, and with our understanding of the business.

MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	FINANCIAL STATEMENTS - GROUP	FINANCIAL STATEMENTS - COMPANY
Overall materiality	£11.5 million (2021: £10.8 million).	£33.8 million (2021: £33.0 million).
How we determined it	5% of the consolidated adjusted profit before tax (2021: 5% of the average three year consolidated adjusted profit before tax)	1% of total assets
Rationale for benchmark applied	We believe that adjusted profit before tax is the primary measure used by the shareholders in assessing the performance of the Group. The adjusted profit before tax measure removes the impact of significant items which do not recur from year to year or which otherwise significantly affect the underlying trend of performance from continuing operations. This is the metric against which the performance of the Group is most commonly assessed by management and reported to shareholders. We chose 5%, which is consistent with the quantitative materiality thresholds used for profit-oriented companies in this sector.	Mediclinic International plc is the ultimate parent company which holds the Group's investments. Therefore, the entity is not in itself profit oriented. The strength of the balance sheet is the key measure of financial health that is important to shareholders, since the primary concern for the Company is the payment of dividends. Using a benchmark of total assets is therefore most appropriate. For 2022 and 2021, selected financial statement line items related to cash and equity of the Company are included in the scope of the Group audit and were audited to a lower capped materiality of £10.3 million (2021: £9.7 million). However, we determined that the Company did not require a full scope audit of its complete financial information for the purposes of the Group audit.

INDEPENDENT AUDITORS' REPORT CONTINUED

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £6.5 million and £10.3 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £8.6 million (2021: £8.1 million) for the group financial statements and £25.3 million (2021: £24.7 million) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £1.0 million (group audit) (2021: £1.0 million) and £1.0 million (company audit) (2021: £1.0 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- We assessed the appropriateness of the cash flow forecasts in the context of the group's 2022 financial results and evaluated the directors' downside sensitivities against these forecasts;
- We considered the key assumptions made in preparing the forecasts and considered whether these were supported by the audit evidence we obtained;
- We examined the headroom under the base case cash flow forecasts, as well as the directors' and our own severe but plausible downside sensitised cases, and evaluated whether the directors' conclusion that headroom remained in all events was supported by the evidence we obtained;
- We obtained the group's covenant calculations (which are separately managed at three divisions) and re-performed the calculation including applying sensitivities to assess the potential impact of downside sensitivities on covenant compliance; and
- We also reviewed the disclosures provided relating to the going concern basis of preparation and found that these provided an explanation of the directors' assessment that was consistent with the audit evidence we obtained.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

INDEPENDENT AUDITORS' REPORT CONTINUED

STRATEGIC REPORT AND DIRECTORS' REPORT

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

DIRECTORS' REMUNERATION

In our opinion, the part of the Remuneration Committee Report to be audited has been properly prepared in accordance with the Companies Act 2006.

CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to healthcare regulations in the Group's markets, and UK and international tax regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, accounting for large or unusual transactions outside the normal course of business and management bias in key accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Enquires with finance and non-finance management, internal audit and the Audit and Risk Committee including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of internal audit reports;
- Inspection of reporting from the Group's whistleblowing Helpline and, if applicable, the results of management's further investigations;
- Challenging assumptions and judgements made by management in relation to the Group's accounting estimates;
- Identifying and testing journal entries based on our risk assessment; and
- Instruction, supervision and review of related work performed by component auditors, including the responses to risks related to management override of controls and to fraud in revenue recognition.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

USE OF THIS REPORT

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Remuneration Committee Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

APPOINTMENT

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 18 March 2016 to audit the financial statements for the year ended 31 March 2016 and subsequent financial periods. The period of total uninterrupted engagement is seven years, covering the years ended 31 March 2016 to 31 March 2022.

OTHER MATTER

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Neil Grimes
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 May 2022

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £'m	2021 £'m
Revenue	4	**3 233**	2 995
Other income	5	**25**	13
Employee benefit and contractor costs	6	**(1 522)**	(1 448)
Consumables and supplies	19	**(770)**	(719)
Care-related costs		**(146)**	(145)
Infrastructure-related costs	7	**(121)**	(110)
Service costs		**(169)**	(147)
Provision for expected credit losses	20	**(12)**	(11)
Depreciation and amortisation	14 & 15	**(228)**	(217)
Impairment of property, equipment and vehicles	14	**(7)**	(3)
Impairment of intangible assets	15	**–**	(1)
Other gains and losses	9	**(3)**	2
Operating profit		**280**	209
Finance income		**6**	4
Finance cost	10	**(74)**	(99)
Share of net loss of equity-accounted investments	16	**(1)**	(70)
Reversal of impairment of equity-accounted investments	16	**–**	60
Profit before tax		**211**	104
Income tax expense	11	**(41)**	(25)
Profit for the year		**170**	79

(Continued)	Notes	2022 £'m	2021 £'m
Attributable to:			
Equity holders of the Company		**151**	68
Non-controlling interests	23	**19**	11
		170	79
Profit per ordinary share attributable to the equity holders of the Company – pence			
Basic	12	**20.5**	9.2
Diluted	12	**20.5**	9.2

The notes on pages 185–257 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £'m	(Re-presented)[1] 2021 £'m
Profit for the year		**170**	79
Other comprehensive income/(loss)			
Items that may be reclassified to the income statement in future periods		**188**	(235)
Currency translation differences	22	**182**	(235)
Fair value adjustment on cash flow hedges – gross	22	**1**	(2)
Cash flow hedges reclassified to profit or loss – gross	22	**6**	2
Tax on items relating to cash flow hedges	22	**(2)**	–
Share of other comprehsive income of equity-accounted investments	22	**1**	–
Items that may not be reclassified to the income statement in future periods		**(70)**	127
Remeasurements of retirement benefit obligations – gross		**(90)**	153
Tax on remeasurement of retirement benefit obligations		**16**	(26)
Changes in the fair value of equity investments at fair value through other comprehensive income – gross	22	**4**	–
Other comprehensive income/(loss), net of tax		**118**	(108)
Total comprehensive income/(loss) for the year		**288**	(29)

(Continued)	Notes	2022 £'m	(Re-presented)[1] 2021 £'m
Attributable to:			
Equity holders of the Company		**258**	(45)
Non-controlling interests	23	**30**	16
		288	(29)

Note

[1] Comparatives have been re-presented to present other comprehensive income on a gross basis, with the tax impact presented separately. In the previously reported financial statements for the year ended 31 March 2021, this information was presented in a separate note.

The notes on pages 185–257 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2022

	Notes	2022 £'m	2021 £'m
ASSETS			
Non-current assets		**5 733**	5 440
Property, equipment and vehicles	14	**4 385**	4 052
Intangible assets	15	**1 126**	1 061
Equity-accounted investments	16	**165**	171
Retirement benefit asset	27	**1**	110
Other investments and loans	17	**24**	12
Deferred income tax assets	18	**32**	34
Current assets		**1 474**	1 232
Inventories	19	**97**	109
Trade and other receivables	20	**834**	826
Other investments and loans	17	**6**	2
Current income tax assets		**3**	1
Cash and cash equivalents	33.7	**534**	294
Total assets		**7 207**	6 672
EQUITY			
Capital and reserves			
Share capital	21	**74**	74
Share premium reserve	21	**690**	690
Retained earnings		**4 597**	4 523
Other reserves	22	**(2 254)**	(2 438)
Attributable to equity holders of the Company		**3 107**	2 849
Non-controlling interests	23	**139**	118
Total equity		**3 246**	2 967

(Continued)	Notes	2022 £'m	2021 £'m
LIABILITIES			
Non-current liabilities		**3 138**	3 021
Borrowings	25	**1 688**	1 686
Lease liabilities	26	**730**	621
Deferred income tax liabilities	18	**432**	425
Retirement benefit obligations	27	**119**	127
Provisions	28	**37**	37
Derivative financial instruments	29	**128**	124
Cash-settled share-based payment liabilities	24	**4**	1
Current liabilities		**823**	684
Trade and other payables	30	**586**	498
Borrowings	25	**115**	91
Lease liabilities	26	**56**	55
Provisions	28	**38**	19
Retirement benefit obligations	27	**20**	14
Derivative financial instruments	29	**1**	2
Current income tax liabilities		**7**	5
Total liabilities		**3 961**	3 705
Total equity and liabilities		**7 207**	6 672

These financial statements and the accompanying notes as set out on pages 180–257 were approved for issue by the Board of Directors on 24 May 2022 and were signed on its behalf by:

Ronnie van der Merwe
Group Chief Executive Officer

Jurgens Myburgh
Group Chief Financial Officer

Mediclinic International plc (Company no 08338604)

The notes on pages 185–257 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Share capital (note 21) £'m	Capital redemption reserve (note 22) £'m	Share premium reserve (note 21) £'m	Reverse acquisition reserve (note 22) £'m	Financial assets at FVOCI[1] reserve (note 22) £'m	Foreign currency translation reserve (note 22) £'m	Hedging reserve (note 22) £'m	Retained earnings £'m	Attributable to equity holders of the Company £'m	Non-controlling interests (note 23) £'m	Total equity £'m
Balance at 1 April 2020	74	6	690	(3 014)	–	815	(8)	4 327	2 890	113	3 003
Profit for the year	–	–	–	–	–	–	–	68	68	11	79
Other comprehensive income/(loss) for the year	–	–	–	–	–	(237)	–	124	(113)	5	(108)
Total comprehensive income/(loss) for the year	–	–	–	–	–	(237)	–	192	(45)	16	(29)
Equity-settled share-based payment[2]	–	–	–	–	–	–	–	–	–	–	–
Transactions with non-controlling shareholders	–	–	–	–	–	–	–	4	4	(3)	1
Dividends paid	–	–	–	–	–	–	–	–	–	(8)	(8)
Balance at 31 March 2021	**74**	**6**	**690**	**(3 014)**	**–**	**578**	**(8)**	**4 523**	**2 849**	**118**	**2 967**
Profit for the year	–	–	–	–	–	–	–	151	151	19	170
Other comprehensive income/(loss) for the year	–	–	–	–	4	174	6	(77)	107	11	118
Total comprehensive income/(loss) for the year	–	–	–	–	4	174	6	74	258	30	288
Equity-settled share-based payment	–	–	–	–	–	–	–	1	1	–	1
Transactions with non-controlling shareholders	–	–	–	–	–	–	–	(1)	(1)	3	2
Dividends paid	–	–	–	–	–	–	–	–	–	(12)	(12)
Balance at 31 March 2022	**74**	**6**	**690**	**(3 014)**	**4**	**752**	**(2)**	**4 597**	**3 107**	**139**	**3 246**

Notes
[1] Fair value through other comprehensive income.
[2] Less than £0.5m for the year ended 31 March 2021.

The notes on pages 185–257 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £'m Inflow/(outflow)	2021 £'m Inflow/(outflow)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	33.1	**663**	330
Interest received		**6**	4
Interest paid	33.2	**(69)**	(70)
Tax paid	33.3	**(46)**	(29)
Net cash generated from operating activities		**554**	235
CASH FLOW FROM INVESTMENT ACTIVITIES		**(189)**	(137)
Capital expenditure to maintain operations	33.4	**(96)**	(56)
Capital expenditure to expand operations	33.5	**(83)**	(80)
Acquisition of subsidiaries	34	**(7)**	(2)
Disposal of subsidiaries	35	**–**	4
Acquisition of investment in associate	16	**–**	(1)
Dividends received from equity-accounted investment	16	**2**	–
Proceeds from other investments and loans		**3**	1
Acquisition of investments	17	**(12)**	(4)
Loans granted		**(3)**	–
Proceeds from insurance claim		**6**	1
Proceeds on disposal of property, equipment and vehicles		**1**	–
Net cash generated before financing activities		**365**	98

(Continued)	Notes	2022 £'m Inflow/(outflow)	2021 £'m Inflow/(outflow)
CASH FLOW FROM FINANCING ACTIVITIES		**(149)**	(130)
Distributions to non-controlling interests	23	**(12)**	(8)
Distributions to shareholders	13	**–**	–
Transaction with non-controlling interest	23	**2**	1
Proceeds from borrowings	33.6	**89**	115
Repayment of borrowings	33.6	**(183)**	(196)
Refinancing transaction costs	33.6	**(3)**	(3)
Repayment of lease liabilities	33.6	**(42)**	(39)
Net increase/(decrease) in cash and cash equivalents		**216**	(32)
Opening balance of cash and cash equivalents		**294**	329
Exchange rate movements on foreign cash		**24**	(3)
Closing balance of cash and cash equivalents	33.7	**534**	294

The notes on pages 185–257 form an integral part of these financial statements.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

1. GENERAL INFORMATION
These financial statements are consolidated financial statements for Mediclinic International plc (the 'Company' or 'Mediclinic') and its subsidiaries, associates and joint ventures (collectively, the 'Group'). A list of subsidiaries, associates and joint ventures is included in note 39.

Mediclinic is a public limited company, with a primary listing on the London Stock Exchange ('LSE'), and incorporated and domiciled in England and Wales. Its registered address is 6th Floor, 65 Gresham Street, London, EC2V 7NQ, United Kingdom. The Company has secondary listings on the JSE and the Namibian Stock Exchange ('NSX'). A wholly owned subsidiary, Hirslanden AG, issued bonds listed on the SIX Swiss Exchange.

2. ACCOUNTING INFORMATION AND POLICIES

2.1. Basis of preparation
The Group annual financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. There are no differences for the Group in applying IFRS as issued by the IASB and UK-adopted IFRS. For the year ended 31 March 2022, the Group annual financial statements have been prepared in accordance with IFRS as adopted by the UK Endorsement Board, as required by UK company law for the purposes of financial reporting as a result of the UK's exit from the EU on 31 January 2020 and the cessation of the transition period on 31 December 2020. This change does not constitute a change in accounting policy but rather a change in framework which is required to ground the use of IFRS in company law. There is no impact on recognition, measurement or disclosure between the two frameworks for the year ended 31 March 2022. The financial statements are prepared on a going concern basis on the historical cost convention, except for the following items, which are carried at fair value or valued using another measurement basis:
- Derivative financial assets and liabilities, financial instruments measured at fair value through profit or loss ('FVPL') and financial instruments measured at fair value through other comprehensive income ('FVOCI') are measured at fair value;
- Retirement benefit obligations calculated in terms of the projected unit credit method and corresponding plan assets are measured at fair value; and
- Liabilities for cash-settled share-based payments are measured at fair value.

Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise certain judgements in applying the Group's accounting policies. This note provides an overview of the areas that involved a higher degree of judgement or estimates that are more likely to be materially adjusted in the next 12 months where assumptions vary. Detailed information about each of these estimates and judgements is included in the notes as listed below.

Critical accounting judgements
- Level at which management monitors goodwill for impairment testing (see note 15)
- Impairment/impairment reversals of equity-accounted investments (see note 16)
- Determination of lease term (see note 26)

Key estimates
- Impairment of non-financial assets, excluding goodwill (see note 14)
- Impairment/impairment reversals of equity-accounted investments (see note 16)
- Measurement of retirement benefit obligations (see note 27)
- Remeasurement of redemption liability (written put option) (see note 29)

2.2. Accounting policies
Accounting policies are included in the relevant notes to the Group financial statements. Unless otherwise disclosed, the accounting policies adopted are the same as those which were applied for the previous financial year. The accounting policies below are applied throughout the financial statements.

2.3. Functional and presentation currency
The consolidated financial statements and financial information are presented in sterling (the presentation currency), rounded to the nearest million. The functional currencies of the majority of the Group's entities, and the currencies of the primary economic environments in which they operate, are the Swiss franc, South African rand and UAE dirham. The UAE dirham is pegged against the United States ('US') dollar at a rate of 3.6725 per US dollar.

2.4. Exchange rates
The Group uses the average of exchange rates prevailing during the year to translate the results and cash flows of foreign subsidiaries and equity-accounted investments into sterling and year-end rates to translate the net assets of those undertakings. The following exchange rates were applicable for the year:

2. ACCOUNTING INFORMATION AND POLICIES CONTINUED

2.4. Exchange rates continued

	2022	2021
Average rates with reference to sterling		
Swiss franc	**1.25**	1.21
South African rand	**20.27**	21.30
UAE dirham	**5.02**	4.80
Year-end rates with reference to sterling		
Swiss franc	**1.21**	1.30
South African rand	**19.23**	20.37
UAE dirham	**4.82**	5.07

2.5. Foreign currency transactions

Transactions and balances

Foreign currency transactions are translated into the respective Group entities' functional currencies at exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement (except when recognised in other comprehensive income as part of qualifying cash flow hedges).

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items.

Translation differences on non-monetary financial assets measured at FVOCI are included in other comprehensive income. Foreign exchange gains and losses are presented in the income statement in other gains and losses.

Group entities

The results and financial position of all foreign operations that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses for each income statement are translated at average exchange rates during the year; and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of net investments in foreign operations are taken directly to other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at closing rates at the reporting date.

2.6. Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries are included in the Group financial statements from the effective date of acquisition until control is relinquished. Adjustments to the financial statements of subsidiaries are made when necessary to bring their accounting policies in line with those of the Group. All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests ('NCI') in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to NCI are allocated to the NCI even if this results in a debit balance being recognised.

2.7. Going concern

For the purposes of assessing liquidity specifically and going concern broadly at 31 March 2022, the Group modelled a combination of severe but plausible downside scenarios on a month-by-month basis and also applied appropriate mitigation actions which would be within the Group's control. The effect of the downside scenarios was informed by knowledge and insight gained during the COVID-19 pandemic.

Due to the mostly fixed employee cost base across the business, lower revenue due to either a reduction in tariffs or volumes will most likely have the most pronounced impact on EBITDA.

2. ACCOUNTING INFORMATION AND POLICIES CONTINUED

2.7. Going concern continued

Compared with the business plan, in modelling the severe but plausible scenarios, the combined adverse effect of reduction of tariffs and volumes after mitigation amounts to an aggregate decline of 18% of EBITDA over the 18-month period to 30 September 2023 compared with the base case. On a monthly basis, the EBITDA effect ranges from 12% to 29% compared with the base case.

Based on the assumptions applied and the effect of mitigating actions, most within the control of the Group, the analyses demonstrate that the divisions will continue to be able to meet their obligations for the 18-month period to 30 September 2023. While recognising that there remains risk to the Group's financial performance for at least the next 12 months, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for a period of at least 12 months from the date of approving the financial statements.

2.8. Operating expenses presentation

The Group presents its operating expenses in the Consolidated Income Statement by nature. The expense categories are described in the table below:

Category	Description
Employee benefit and contractor costs	Includes employee benefit expenses for all staff, contractor costs and other employee-related costs.
Consumables and supplies	Includes the cost of all inventories, including obsolete stock, which have been expensed during the year.
Care-related costs	Includes costs closely linked to providing a service or care to patients and enhancing patient experience, and includes catering, laundry, cleaning, security services and other patient-related costs.
Infrastructure-related costs	Includes repairs and maintenance, rates and taxes, utilities, rent expensed in terms of IFRS 16 and other infrastructure-related costs.
Service costs	Includes all other administrative and operating expenses and non-specific service costs rendered, including, but not limited to, consulting, marketing, travel and audits.
Provision for expected credit losses	Consists of the movement in the allowance for expected credit losses recognised in terms of IFRS 9.
Depreciation and amortisation	Includes depreciation on property, equipment and vehicles and right-of-use assets, as well as amortisation of intangible assets.

2.9. Standards, interpretations and amendments

Published standards, amendments and interpretations effective for the 31 March 2022 financial period:

The following published amendment is mandatory for the accounting period beginning on or after 1 April 2021, but was early adopted for the 31 March 2021 financial period:

- *COVID-19-related Rent Concessions* – Amendments to IFRS 16 (1 April 2021)

The following published standards, amendments and interpretations are mandatory for the accounting period beginning on or after 1 April 2021 and have been adopted:

- *Interest Rate Benchmark Reform Phase 2* – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (1 January 2021). See note 25 for a description of the impact of the implementation of this amendment.

The implementation of these standards and amendments had no material financial impact on the reported results or financial position of the Group.

Published standards, amendments and interpretations not yet effective and not early adopted:

The following new accounting standards, interpretations and amendments will have no material impact on the financial statements:

- *Annual improvements 2018–2020 cycle – Amendments and clarifications to existing IFRS standards (1 January 2022)*
- *IAS 16 Property, Plant and Equipment: Proceeds before Intended Use amendments (1 January 2022)*
- *IAS 37 Onerous Contracts – Cost of Fulfilling a Contract amendments (1 January 2022)*
- *Reference to the Conceptual Framework – Amendments to IFRS 3 (1 January 2022)*
- *IAS 1 Classification of Liabilities as Current or Non-current amendments (1 January 2023)*
- *IFRS 17 Insurance Contracts (1 January 2023)*
- *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (1 January 2023)*
- *Definition of Accounting Estimates – Amendments to IAS 8 (1 January 2023)*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (1 January 2023)*

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

3. SEGMENTAL REPORT

Consistent with internal reporting, the Group's reportable segments are identified as the three geographical operating segments in Switzerland, Southern Africa and the Middle East. United Kingdom and Corporate are not reportable operating segments, as they are not separately included in the reports provided to the chief operating decision-maker. The 'United Kingdom' column includes results from the equity-accounted investment in Spire Healthcare Group plc ('Spire'). The 'Corporate' column includes head office and group services. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the segments, has been identified as the Group Executive Committee. The Group Executive Committee comprises the executive directors and senior management as disclosed in the Annual Report on pages 104 and 108.

Intersegment transactions are eliminated and shown separately in the segmental report.

		Reportable operating segments			Other	
Year ended 31 March 2022	Total £'m	Switzerland £'m	Southern Africa £'m	Middle East[1] £'m	United Kingdom £'m	Corporate £'m
Revenue	3 233	1 503	909	820	–	1
Inpatient	2 037	1 094	747	196	–	–
Day cases	250	82	71	97	–	–
Outpatient	804	225	62	517	–	–
Rental income	34	22	12	–	–	–
Other	108	80	17	10	–	1
EBITDA	518	234	170	121	–	(7)
EBITDA before management fee	518	241	177	125	–	(25)
Group Services fees included in EBITDA[2]	–	(7)	(7)	(4)	–	18
Other gains and losses	(3)	–	–	(2)	–	(1)
Depreciation and amortisation	(228)	(134)	(39)	(54)	–	(1)
Impairment of property, equipment and vehicles	(7)	(7)	–	–	–	–
Operating profit/(loss)	280	93	131	65	–	(9)

(Continued)		Reportable operating segments			Other	
Year ended 31 March 2022	Total £'m	Switzerland £'m	Southern Africa £'m	Middle East[1] £'m	United Kingdom £'m	Corporate £'m
Operating profit/(loss)	280	93	131	65	–	(9)
Loss from associate	(1)	2	–	–	(3)	–
Finance income	6	–	5	–	–	1
Finance cost (excluding intersegment loan interest)	(74)	(30)	(27)	(17)	–	–
Total finance cost	(74)	(47)	(27)	(17)	–	17
Elimination of intersegment loan interest[2]	–	17	–	–	–	(17)
Taxation	(41)	(11)	(30)	–	–	–
Segment result	170	54	79	48	(3)	(8)
At 31 March 2022						
Investments in associates	161	2	3	–	156	–
Investments in joint ventures	4	–	4	–	–	–
Capital expenditure for the year[3]	178	103	47	28	–	–
Total segment assets	7 207	4 164	860	1 896	156	131
Total segment liabilities (excluding intersegment loan)	3 961	2 586	640	718	–	17
Total liabilities from reportable segment	4 976	3 601	640	718	–	17
Elimination of intersegment loan	(1 015)	(1 015)	–	–	–	–

Notes

[1] The Middle East segment refers to our UAE operations.
[2] Intersegment transactions' pricing is determined on an arm's length basis.
[3] Relates to additions to non-current assets other than financial instruments, deferred tax assets and net defined benefit assets.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

3. SEGMENTAL REPORT CONTINUED

		Reportable operating segments			Other	
Year ended 31 March 2021	Total £'m	Switzerland £'m	Southern Africa £'m	Middle East £'m	United Kingdom £'m	Corporate £'m
Revenue	2 995	1 478	734	781	–	2
Inpatient	1 926	1 102	618	206	–	–
Day cases	220	85	50	85	–	–
Outpatient	732	216	43	473	–	–
Rental income	31	21	9	1	–	–
Other	86	54	14	16	–	2
EBITDA	428	225	108	102	–	(7)
EBITDA before management fee	428	231	114	105	–	(22)
Group Services fees included in EBITDA[1]	–	(6)	(6)	(3)	–	15
Other gains and losses	2	–	1	1	–	–
Depreciation and amortisation	(217)	(128)	(36)	(52)	–	(1)
Impairment of property, equipment and vehicles	(3)	–	(3)	–	–	–
Impairment of intangible assets	(1)	–	(1)	–	–	–
Operating profit/(loss)	209	97	69	51	–	(8)

(Continued)		Reportable operating segments			Other	
Year ended 31 March 2021	Total £'m	Switzerland £'m	Southern Africa £'m	Middle East £'m	United Kingdom £'m	Corporate £'m
Operating profit/(loss)	209	97	69	51	–	(8)
Loss from associate	(70)	–	–	–	(70)	–
Reversal of impairment of associate	60	–	–	–	60	–
Finance income	4	–	3	–	–	1
Finance cost (excluding intersegment loan interest)	(99)	(54)	(29)	(16)	–	–
Total finance cost	(99)	(72)	(29)	(16)	–	18
Elimination of intersegment loan interest[1]	–	18	–	–	–	(18)
Taxation	(25)	(11)	(14)	–	–	–
Segment result	79	32	29	35	(10)	(7)
At 31 March 2021						
Investments in associates	167	3	2	5	157	–
Investments in joint ventures	4	–	4	–	–	–
Capital expenditure for the year[2]	126	67	33	26	–	–
Total segment assets	6 672	3 972	740	1 701	157	102
Total segment liabilities (excluding intersegment loan)	3 705	2 470	602	624	–	9
Total liabilities from reportable segment	4 635	3 400	602	624	–	9
Elimination of intersegment loan	(930)	(930)	–	–	–	–

Notes

[1] Intersegment transactions' pricing is determined on an arm's length basis.

[2] Relates to additions to non-current assets other than financial instruments, deferred tax assets and net defined benefit assets.

3. SEGMENTAL REPORT CONTINUED

	2022 £'m	2021 £'m
The total non-current assets, excluding financial instruments and deferred tax assets, per geographical location are:		
Switzerland	**3 424**	3 330
Southern Africa	**559**	518
Middle East	**1 538**	1 389
United Kingdom	**156**	157
ENTITY-WIDE DISCLOSURES		
Revenue		
From UK	**–**	–
From foreign countries	**3 233**	2 995

Revenues from external customers are primarily from hospital services.

4. REVENUE

Revenue primarily comprises fees charged for inpatient, day case and outpatient medical services. Services include charges for accommodation, theatre, medical professional services, equipment, radiology, laboratory and pharmaceutical goods used. Inpatient and day case revenue is recognised as services are provided to patients. These services are typically provided over a short time frame. Outpatient cases do not involve surgical procedures and revenue is recognised on an individual component basis when performance obligations are satisfied.

Revenues are measured at the transaction price which is the amount of consideration that the Group expects to be entitled to in exchange for the services provided. Fees charged for medical services are calculated and billed based on various tariff agreements with funders. In determining the transaction price, variable consideration in terms of IFRS 15 exists in the form of discounts, tariff adjustments and claims disallowances. Refer to the sections related to the revenue of Southern Africa and Middle East for the treatment of discounts. Refer to the section related to the revenue of Switzerland for the treatment of tariff adjustments. Refer to the section related to the revenue of Middle East for the treatment of disallowances.

A performance obligation is a promise to transfer distinct goods and services to a customer. Hospital services provided to patients are regarded as a bundle of services which comprises accommodation, meals, theatre time, use of equipment, pharmacy stock and nursing services. This is considered to be a single performance obligation as the medical procedures cannot be performed without one of the above elements.

Revenue is recorded during the period in which the hospital service is provided and is based on the amounts due from patients and/or medical funding entities. Unbilled revenue is accrued at period ends based on the number of days that the patient has been admitted for and received services.

Other revenue comprises non-medical services rendered to patients and third parties, including the rendering of restaurant services at the hospitals, provisioning of agency staff, corporate and site-based emergency service contracts and other third-party revenues, including retail pharmacy sales. Other revenue is recognised when performance obligations are satisfied and the control of goods or services is transferred. Rental income is recognised on a straight-line basis over the term of the lease.

The Group does not expect to have any contracts where the period between the transfer of the promised service to the patient and the payment by the patient exceeds one year. Consequently, the Group does not adjust any of the transaction prices for time value of money.

Disaggregation of revenue

	2022 £'m	2021 £'m
Major service lines		
Inpatient	**2 037**	1 926
Day cases	**250**	220
Outpatient	**804**	732
Other	**108**	86
Revenue from contracts with customers	**3 199**	2 964
Rental income	**34**	31
Total revenue	**3 233**	2 995

4. **REVENUE** CONTINUED

Switzerland healthcare services revenue

In Switzerland, the cost of treating inpatients with basic health insurance is fixed by the government. The pricing model is based on Swiss diagnostic-related groups ('DRGs') for inpatients and can be seen as a fixed-fee arrangement. Invoicing occurs when the patient is discharged. Revenue is recognised over the length of stay of the patient. In some cases, the pricing model for DRGs is based on provisional tariffs as delays occur in the agreement of the tariffs between the healthcare providers and the funders. Revenue is then billed to the funders based on provisional tariffs and recognised to the extent that it is highly probable that the revenue will not be reversed. If the provisional tariffs are disputed by the funders, tariff provisions are recognised for the difference between the provisional tariffs and the estimated final tariffs. Once the tariffs are finalised, the difference between the agreed tariffs and the provisional tariffs is settled between the healthcare providers and the funders. Tariff provisions represent refund liabilities in terms of IFRS 15 and result in a reduction in revenue with a corresponding entry to provisions in the statement of financial position. These tariff provisions are not recorded within trade and other receivables but presented as provisions as the original invoices are settled before the finalisation of the tariffs and balances due to funders are not settled on a net basis. The tariff provisions are calculated based on historical experience of outcomes to negotiations between healthcare providers and funders. This is regularly reassessed based on the actual outcome of tariff negotiations. Tariff provisions are also recognised for other in- and outpatient treatments.

Swiss private and semi-private patients enter into supplementary insurance contracts for costs not covered by basic health insurance. The pricing model is based on fee-for-service principles and the contract with the Swiss division includes technical medical services (such as the nursing and infrastructure). The medical practitioner fees are agreed directly between the insurer and the relevant medical practitioner. The revenue is recognised as the services are rendered over the period of stay of the patient.

For inpatient cases open over year end, revenue is accrued by taking into account the average case mix index ('CMI') of the respective medical field, the base rate according to the respective category (accident, illness, inner-cantonal, external, self-payer, etc.) as well as the *pro rata* length of stay. The complexity of procedures during the open period plays a role in determining the average CMI.

For outpatient cases, the pricing model is based on TARMED rates. The applicable TARMED rate varies depending on the canton, procedure and patient and is calculated based on tax points for the different outpatient treatments which are multiplied with an individual tax point value. Specific medicaments and other material are added to determine the hospital fee. Invoicing occurs directly after treatment when the patient is discharged and revenue is recognised at the same time.

The Group's hospitals have affiliated doctors who are partners cooperating with the Swiss division on a contractual agreement. The contracts with these affiliated doctors allow them to use the division's infrastructure, nurses, theatre etc. The doctors are responsible for the treatment of the patient and the division is responsible for the technical services such as the medical equipment, nursing care etc. Swiss regulatory requirements compel the division to provide statistics to the government based on all the costs incurred for patient procedures, including doctors' fees. It therefore invoices its own technical services together with the doctors' fees to the insurer and subsequently refunds the amount of the doctors' services to the affiliated doctors.

The division acts as an agent for those affiliated doctors based on the following considerations:

- The affiliated doctors are responsible for fulfilling the contract of treating the patient. Every affiliated doctor needs their own liability insurance for any claim against any human error of the doctor. The hospital is responsible for any process failures at the hospital.
- The Group does not have discretion in establishing prices, this is determined by contracts in place between the doctor and the insurer or the relevant percentage of the total revenue for DRG procedures.
- An administrative cost contribution (a form of commission) is deducted from the doctors' fees before the transfer of these fees to the doctors.
- Credit risk is considered to be insignificant, but if the insurer does not accept an invoice after the amount has been refunded to the doctor, the doctor is contractually obliged to repay the amount to the hospital.

As a result, the refund paid to the doctor is deducted from revenue and thus revenue is shown on a net basis. For DRG procedures, the refund is calculated using a contractually agreed-upon percentage for doctors' services and deducted from revenue.

Revenue from other sources is based on a fixed-fee arrangement and recognised when the control of goods and services is transferred.

Southern Africa healthcare services revenue

In Southern Africa, a fee-for-service model is predominantly used with funders. Mediclinic invoices funders for technical medical services (such as nursing, infrastructure, pharmaceutical goods, etc.). The revenue is recognised as the services are rendered over the length of the stay of the patient.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

4. REVENUE CONTINUED

Southern Africa healthcare services revenue continued

For certain procedures, a fixed-fee contract model is used. In these scenarios, the transaction price is fixed and no adjustments can be made to the amount invoiced to the funder. Invoicing occurs when the patient is discharged. Revenue is recognised over the length of stay of the patient. Excess costs or savings are not charged to the funder and are absorbed by the division.

Services rendered by affiliated doctors are excluded from revenue.

Discounts comprise retrospective volume discounts granted to certain funders on attainment of certain admission levels. These volume discounts are negotiated with funders on an annual basis. The retrospective volume discounts give rise to variable consideration. Variable consideration is recognised as revenue to the extent that it is highly probable it will not reverse. Discounts are accrued over the course of the year based on the estimates of the level of business expected. This is adjusted at the end of the year to reflect actual volumes. Volume discounts are determined according to the most likely amount method in terms of IFRS 15 and are recorded as a reduction in revenue with a corresponding entry against refund liabilities (included in trade and other payables). Volume discounts are not settled on a net basis with funders.

Middle East healthcare services revenue

In Dubai, a fee-for-service model is used with funders. Mediclinic invoices the funders for technical medical services (such as nursing, infrastructure, pharmaceutical goods, etc.). The revenue is recognised as the services are rendered over the period of stay of the patient. From September 2020, the fixed-fee contract model is used with funders for inpatient procedures and will be extended to day case procedures in the next financial year.

For certain procedures in Abu Dhabi, the fixed-fee contract model is used with funders. In these scenarios, the transaction price is fixed and no adjustments can be made to the amount invoiced to the funder. Invoicing occurs when the patient is discharged. Revenue is recognised over the length of stay of the patient. Excess costs or savings are not charged to the funder and are absorbed by the division.

Middle East acts as a principal in respect of tariff negotiations and takes the risk for disallowances and bad debts related to doctors' services. As a result, services rendered by employed doctors and independent doctors are included in revenue.

Discounts comprise retrospective volume discounts granted to certain funders on attainment of certain admission levels. These volume discounts are negotiated with funders on an annual basis. The retrospective volume discounts give rise to variable consideration. Variable consideration is recognised as revenue to the extent that it is highly probable it will not reverse. Discounts are accrued over the course of the year based on the estimates of the level of business expected. This is adjusted at the end of the year to reflect actual volumes. Volume discounts are determined according to the most likely amount method in terms of IFRS 15 and are recorded as a reduction in revenue with a corresponding entry against refund liabilities (included in trade and other payables). Volume discounts are not settled on a net basis with funders.

In the Middle East, the business practice with insurers includes claims rejected for various technical or medical reasons. Accordingly, Middle East expects an amount of consideration that is less than what was originally invoiced. These write-offs constitute variable consideration under IFRS 15. Variable consideration is recognised as revenue to the extent that it is highly probable that a reversal of revenue will not occur. The disallowed claims are calculated based on historical experience of outcomes to negotiations with insurers. This is regularly reassessed based on the actual outcome of negotiations. In terms of IFRS 15, these rejected claims are recognised as a reduction of revenue with a corresponding entry against trade receivables.

For the year ended 31 March 2022, disallowed claims recognised as a reduction of revenue relating to performance obligations that were satisfied in previous periods amounted to £11m (2021: £3m). The increase in the disallowed claims for the year ended 31 March 2022 compared with the prior year mainly relates to a settlement with an insurer for claims covering three years, partly impacted by disruptions caused by COVID-19, as typically this is an annual settlement process. Based on experience from recent negotiations with insurers, the increased amount recognised in the current year as a reduction in revenue relating to prior periods is not expected to reoccur to the same extent in the next financial period.

Rental income

The rental income received from external parties during the year from the letting of consulting rooms, parking, etc. was £34m (2021: £31m). Rental income is based on a high number of individual lease agreements with outstanding committed terms of between one and three years and standard pricing linked to inflation.

5. OTHER INCOME

Other income is recognised on the following basis:

- Government grants are recognised in profit or loss when they become receivable;
- Insurance proceeds are recognised at fair value when it is virtually certain that the proceeds will be received from the insurer; and
- Other other income is recognised in profit or loss when it becomes receivable.

5. OTHER INCOME CONTINUED

	2022 £'m	2021 £'m
Government grants	**16**	10
Insurance proceeds	**9**	2
Other	**–**	1
	25	13

Government grants

Hirslanden engaged extensively with Swiss cantonal authorities in planning for and navigating the pandemic and, as part of this, provided hospital bed and staff capacity. In recognition and reimbursement of the support and capacity provided, several Swiss cantonal authorities introduced appropriate financial contributions for hospitals to offset certain costs and disruptions to operations. As a result, total government grants of £16m (2021: £10m) were recognised as other income.

Insurance proceeds

During the year ended 31 March 2022, insurance proceeds of £7m were received for the damage of buildings and equipment and £1m for business interruption due to a fire at Klinik Hirslanden. In addition, Southern Africa and Middle East received insurance proceeds of £1m for business interruption as a result of the COVID-19 pandemic. During the prior year ended 31 March 2021, insurance proceeds of £2m were received for the damage of equipment due to a fire at one of the facilities in South Africa.

6. EMPLOYEE BENEFIT AND CONTRACTOR COSTS

Retirement benefit costs

The Group provides defined benefit and defined contribution plans for the benefit of employees, the assets of which are held in separate trustee-administered funds. These plans are funded by payments from the employees and the Group, taking into account recommendations of independent qualified actuaries.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Each member's fund value is directly linked to the contributions and the related investment returns. The Group has no legal or constructive obligations to make further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior period/(s). The contributions are recognised as employee benefit expenses when they are due.

Defined benefit plans and post-retirement medical benefits

Note 27 provides further information on how the Group accounts for defined benefit plans and post-retirement medical benefits.

Profit sharing and bonus plans

Note 30 provides further information on how the Group accounts for profit sharing and bonus plans.

Share-based payment compensation

Note 24 provides further information on how the Group accounts for share-based payment compensation.

	2022 £'m	2021 £'m
Wages and salaries[1]	**1 293**	1 242
Swiss social security costs	**71**	71
Retirement benefit costs – defined contribution plans	**15**	14
Retirement benefit costs – defined benefit obligations (see note 27)	**65**	54
Share-based payment expense (see note 24)	**4**	–
Affiliated and independent doctor costs	**56**	53
Other staff-related costs	**18**	14
	1 522	1 448
Average number of employees[2]	**34 278**	32 865

Notes

[1] In the prior year, the Swiss government introduced a wage subsidy programme in response to the COVID-19 pandemic. The Group was entitled to a wage subsidy of £6m from the Swiss Unemployment Insurance because it had to stop elective procedures until 27 April 2020. The wage subsidy was recognised as a credit against employee benefit and contractor costs. No wage subsidies were received during the year ended 31 March 2022.

[2] The comparative has been re-presented to reflect the average number of employees.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

7. INFRASTRUCTURE-RELATED COSTS

	2022 £'m	2021 £'m
Maintenance costs	**66**	61
Short-term leases and leases of low-value assets	**9**	8
Other[1]	**46**	41
	121	110

Note

[1] Other infrastructure-related costs include costs incurred for utilities, including water, electricity and waste removal, and property rates and taxes.

8. AUDITORS' REMUNERATION

Auditors' remuneration, which is presented as part of Service cost in the income statement, included the following fees paid to the Group's auditors:

	2022 £'m	2021 £'m
Fees paid to the Group's auditors for the following services:		
Audit of the Company and consolidated financial statements	**0.8**	0.7
Audit of Company subsidiaries	**1.8**	2.4
Audit services	**2.6**	3.1
Audit-related services[1]	**0.3**	0.4
Other assurance services[1]	**0.3**	0.2
	3.2	3.7

Note

[1] A description of the non-audit services is included in the **Audit and Risk Committee Report**.

9. OTHER GAINS AND LOSSES

	2022 £'m	2021 £'m
Foreign exchange differences	**(1)**	–
Other losses	**(1)**	–
Fair value adjustment on remeasurement of investment in associate (see note 16)	**(1)**	–
Remission of debt	**–**	1
COVID-19-related rent concessions	**–**	1
	(3)	2

10. FINANCE COST

	2022 £'m	2021 £'m
Interest expense on financial liabilities not at FVPL	**41**	42
Interest on lease liabilities	**21**	20
Interest rate swaps	**6**	7
Amortisation of capitalised financing costs	**3**	3
Remeasurement of redemption liability (written put option)	**1**	23
Unwinding of discount on redemption liability	**1**	1
Preference share dividend	**2**	4
Less: amounts included in cost of qualifying assets	**(1)**	(1)
	74	99

Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case between 5.7% and 6.4% (2021: between 4.8% and 8.0%).

11. INCOME TAX EXPENSE

The Group is subject to taxes in the countries where the Group and its subsidiaries operate and generate taxable income. Taxes and fiscal risks recognised reflect the Group's best estimate of the outcome based on the facts known at the balance sheet date in each individual country. These facts may include but are not limited to change in tax laws and interpretation thereof in the jurisdictions where the Group operates. They may have an impact on the income tax as well as the resulting assets and liabilities. Any differences between tax estimates and final tax assessments are charged to the income statement in the period in which they are incurred, unless anticipated.

Taxes include current and deferred taxes on profit and tax adjustments relating to prior years. Income tax is recognised in the income statement, except to the extent that it relates to items directly taken to equity or other comprehensive income, in which case it is recognised against equity or other comprehensive income.

For more information on the calculation of the deferred tax charge/(credit), see note 18.

	2022 £'m	2021 £'m
Current tax		
Current year	**46**	31
Deferred tax credit (see note 18)	**(5)**	(6)
Taxation per income statement	**41**	25
Composition		
UK tax	**–**	–
Foreign tax	**41**	25
	41	25

Reconciliation of taxation per income statement:

	2022 £'m	(Re-presented)[1] 2021 £'m
Expected tax expense at weighted average applicable tax rate[2]	**37**	13
Adjusted for:		
Non-taxable income	**(1)**	(1)
Share of net profit of equity-accounted investments[3]	**–**	1
Non-deductible expenses[4]	**4**	9
Non-controlling interests' share of profit before tax[3]	**–**	(1)
Effect of different tax rates[5]	**(4)**	(2)
Income tax rate changes	**1**	(1)
Non-recognition of tax losses in current year	**6**	7
Recognition of tax losses relating to prior years	**(1)**	(1)
Previous year adjustment	**(1)**	1
Income tax expense	**41**	25
Effective tax rate[6]	**19.5%**	24.4%

Notes

[1] The basis for calculating the applicable tax rate has been changed from using the UK statutory rate of taxation to the weighted average tax rate (see note 2 below) as this provides the most meaningful information. As a result, the comparatives have been re-presented.

[2] The weighted average applicable tax rate is the result from applying the domestic statutory tax rates to profits before taxes of each entity in the country where it operates. For the Group, the weighted average applicable tax rate varies from one year to the next depending on the relative weight of the profit of each individual entity in the Group's profit as well as the changes in the statutory tax rates. The weighted average applicable tax rate for the year ended 31 March 2022 was 17.3% (2021: 12.9%).

[3] Less than £0.5m for the year ended 31 March 2022.

[4] Non-deductible expenses reflect the tax effect of items which, in management's judgement, are potentially disallowable for the purposes of determining local taxable profits. This includes the tax effect of non-tax deductible remeasurement of the redemption liability of £1m (2021: £4m).

[5] The effect of different tax rates arises because of the effect of profits of the Group being subject to tax at rates different from the weighted average applicable rate.

[6] If adjusting items and their related tax effect, as explained in the **Group Chief Financial Officer's Report**, are excluded from the effective tax rate calculation, the adjusted effective tax rate would be 19.5% (2021: 19.3%).

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

11. INCOME TAX EXPENSE CONTINUED

Expected amendments to tax legislation

During 2021, agreement was reached between a number of countries for a two-pillar approach to international tax reform. This includes a proposal to apply a global minimum effective tax rate of 15% and is likely to result in changes in corporate tax rates in a number of countries in the next few years. Once amendments to the laws in any jurisdiction in which the Group operates are enacted or substantively enacted, the Group may be subject to additional tax charges. The impact of changes in corporate tax rates on the measurement of tax assets and liabilities will depend on the nature and timing of the legislative amendments in each country but is expected to result in additional tax charges on profits generated in Jersey and the UAE. For the year ended 31 March 2022, the tax impact cannot be measured reliably. An assessment of the potential impact will be performed once the legislative amendments have been substantively enacted.

Tax rate changes

In South Africa, the corporate income tax rate has been reduced from 28% to 27% for years of assessments starting on or after 1 April 2022. For the year ended 31 March 2022, the rate change has been substantively enacted and, as a result, deferred tax has been provided at 27%. The rate change resulted in an increase in the Group's net deferred tax liability of £1m. The rate change had no impact on current tax.

The increase in the UK tax rate from 19% to 25%, which is effective from April 2023, had no impact on the Group's current or deferred tax.

Uncertain tax positions

The Group is subject to income taxes in numerous jurisdictions. Due to this, there is an inherent risk that tax authorities may interpret legislation differently and therefore judgement is required in determining the estimates in relation to the worldwide provision for income taxes. At 31 March 2022, no significant uncertain tax positions had been identified and, as a result, no provision was raised.

12. EARNINGS PER ORDINARY SHARE

	2022	2021
Earnings per share (in pence) for year ended 31 March 2022 were as follows:		
Basic earnings per share	**20.5**	9.2
Diluted earnings per share	**20.5**	9.2
Headline earnings per share	**19.0**	9.6
Diluted headline earnings per share	**19.0**	9.6

Earnings reconciliation	2022 £'m	2021 £'m
Profit attributable to equity holders of the Company	**151**	68
Earnings for basic and diluted EPS	**151**	68
Adjusted for:		
Insurance proceeds, net of tax	**(6)**	(1)
Impairment of property, equipment and vehicles, net of tax	**6**	3
Impairment of intangible assets, net of tax	**–**	1
Fair value adjustment on remeasurement of investment in associate	**1**	–
Associate's impairment of goodwill	**–**	60
Reversal of impairment of equity-accounted investment	**–**	(60)
Associate's gain on sale and leaseback transaction	**(7)**	–
Associate's tax impact of gain on sale and leaseback transaction	**(5)**	–
Headline earnings used for headline EPS[1]	**140**	71

Note

[1] Headline earnings and the related adjustments are presented net of related tax and NCI.

12. EARNINGS PER ORDINARY SHARE CONTINUED

Headline earnings per ordinary share

The Group is required to calculate headline earnings per share ('HEPS') in accordance with the JSE Listings Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 01/2021 (Revised) *Headline Earnings*. The table above sets out a reconciliation of basic EPS and HEPS in accordance with that circular. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa.

Number of ordinary shares

At 31 March 2022, the weighted average number of ordinary shares in issue was 737 243 810 (2021: 737 243 810).

Equity-settled LTI awards

Equity-settled LTI awards granted to employees are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share where the required performance conditions have been met at the reporting date, and to the extent to which they are dilutive. The awards have not been included in the determination of basic earnings per share. Details relating to the LTI awards are set out in note 24.

The 546 750 awards granted in June 2021 have been included in the calculation of diluted earnings per share for the year ended 31 March 2022. The 607 072 awards granted in December 2020 are not included in the calculation of diluted earnings per share because the required performance conditions were not met for the year ended 31 March 2022. These options could potentially dilute basic earnings per share in the future.

Weighted average number of ordinary shares in issue for diluted earnings per share	2022 Number of shares	2021 Number of shares
Weighted average number of ordinary shares in issue used for the purpose of basic earnings per share	**737 243 810**	737 243 810
Effect of dilutive potential ordinary shares		
Equity-settled LTI awards	**44 075**	–
	737 287 885	737 243 810

13. DIVIDENDS

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are approved by the directors and paid.

As part of the Group's response to maintain its liquidity position through the COVID-19 pandemic, the Board took the decision to suspend dividend payments and, as a result, no dividends were declared during the years ended 31 March 2021 and 2022.

On 24 May 2022, after the balance sheet date, a final dividend of 3.00 pence per share was proposed by the directors in respect of the year ended 31 March 2022. This results in a total final proposed dividend of £22m. Subject to shareholders' approval at the annual general meeting, the dividend will be paid on 26 August 2022 to the shareholders on the register at 2 August 2022. The proposed final dividend has not been included as a liability at 31 March 2022.

14. PROPERTY, EQUIPMENT AND VEHICLES

Land and buildings comprise mainly hospitals and offices. All property, equipment and vehicles are shown at cost less accumulated depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs to enhance an asset are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. See note 26 for the accounting treatment of right-of-use assets.

Land and capital expenditure in progress are not depreciated. Depreciation on the other assets is calculated using the straight-line method to allocate the cost less its residual value over its estimated useful life as follows:

- Buildings 10–100 years
- Equipment 3–10 years
- Furniture and vehicles 3–8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

When commissioned, capital expenditure in progress is transferred to the relevant category of property and equipment and depreciated in accordance with the Group's policies.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

14. PROPERTY, EQUIPMENT AND VEHICLES CONTINUED

Property, equipment and vehicles are tested for impairment whenever events or changes in circumstances indicate a potential impairment. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair-value-less-cost-of-disposal ('FVLCOD') and value-in-use. The recoverable amount is calculated by estimating future cash benefits that will result from each asset and discounting those cash benefits at an appropriate discount rate. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable and independent cash flows – cash-generating units ('CGUs'). Assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

An asset is derecognised on disposal or when no future economic benefits are expected from its use. Profit or loss on disposals is determined by comparing fair value of proceeds with carrying amounts. These are included in the income statement.

	Land and buildings £'m	Capital expenditure in progress £'m	Right-of-use assets £'m	Equipment £'m	Furniture and vehicles £'m	Total £'m
Net book value at 1 April 2021	3 067	85	625	237	38	4 052
Additions	22	63	119	61	11	276
Disposals	(1)	–	(5)	–	(1)	(7)
Depreciation	(69)	–	(49)	(71)	(14)	(203)
Business combinations	1	–	–	1	–	2
Prior-year capital expenditure completed	45	(68)	–	20	3	–
Impairment	(7)	–	–	–	–	(7)
Borrowing cost capitalised	1	–	–	–	–	1
Lease remeasurements	–	–	(9)	–	–	(9)
Exchange differences	214	5	43	15	3	280
Net book value at 31 March 2022	3 273	85	724	263	40	4 385
Cost	4 066	85	885	1 059	236	6 331
Accumulated depreciation and impairment	(793)	–	(161)	(796)	(196)	(1 946)

(Continued)	Land and buildings £'m	Capital expenditure in progress £'m	Right-of-use assets £'m	Equipment £'m	Furniture and vehicles £'m	Total £'m
Net book value at 1 April 2020	3 295	81	675	264	43	4 358
Additions	13	49	59	35	8	164
Disposals	–	–	(1)	–	–	(1)
Depreciation	(60)	–	(49)	(72)	(15)	(196)
Transfer between asset classes	4	–	(12)	7	1	–
Prior-year capital expenditure completed	34	(44)	–	9	1	–
Impairment	(3)	–	–	–	–	(3)
Borrowing cost capitalised	1	–	–	–	–	1
Lease remeasurements	–	–	8	–	–	8
Exchange differences	(217)	(1)	(55)	(6)	–	(279)
Net book value at 31 March 2021	3 067	85	625	237	38	4 052
Cost	3 731	85	739	931	213	5 699
Accumulated depreciation and impairment	(664)	–	(114)	(694)	(175)	(1 647)

14. PROPERTY, EQUIPMENT AND VEHICLES CONTINUED

	2022 £'m	2021 £'m
Total additions (excluding additions on right-of-use assets)	**157**	105
To maintain operations	**84**	46
To expand operations	**73**	59

Property, equipment and vehicles with a book value of £2 886m (2021: £2 696m) are encumbered as security for borrowings (see note 25).

On 10 May 2021, a fire broke out at Klinik Hirslanden, Zurich, and caused significant damage to one of the building wings. The property damage covered by the insurance was impaired accordingly (£7m). For income from insurance proceeds, see note 5.

Determination of CGUs for impairment testing

Property, equipment and vehicles are considered for impairment if impairment indicators are identified at an individual CGU level. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Group defines CGUs as combined inter-dependent hospitals and/or clinics or as individual hospitals depending on the geographical location or the degree of integration. In Switzerland, inter-dependent hospitals are considered to have centralised organisational structures and operations and are divided into different geographical care regions, each of which forms a network of central hospitals, basic care hospitals, specialist hospitals and outpatient centres. In Southern Africa, CGUs are defined as individual hospitals, except where a group of hospitals are located within close proximity of each other, they have the same management teams and similar shareholders. In the Middle East, each city in which the division operates hospitals, day care centres and clinics across the emirates of Dubai and Abu Dhabi has been identified as a CGU.

The impairment assessment is performed at CGU level and any impairment charge that arises would be allocated to the CGU's goodwill first, followed by other assets (such as property, equipment and vehicles, and other intangible assets).

Key accounting estimates

Impairment assessment

The Group performed an analysis to determine if impairment indicators exist at individual CGU level.

Impairment indicators were identified at two CGUs in Switzerland. The recoverable amounts of these CGUs were based on FVLCOD calculations. In determining the FVLCOD, the cash flows were discounted at rates between 4.9% and 5.2% (2021: 4.9% and 5.2%). Beyond five years a growth rate of 1.6% (2021: 1.6%) was used. The carrying value of CGUs where indicators were identified was determined to be lower than its recoverable amount of £1 767m and, as a result, no impairment charge was recognised in the income statement relating to property, equipment and vehicles.

Two CGUs have limited headroom and remain sensitive to reasonably possible changes in the discount rate and the terminal growth rate in the FVLCOD calculations, which could give rise to material impairment charges in future periods. For the first CGU, an increase in the discount rate by 0.2% would reduce the headroom to £nil. A decrease in the terminal growth rate by 0.4% would reduce the headroom to £nil. A decrease in forecast cash flows by 2.1% would also reduce headroom to £nil. For the other CGU, an increase in the discount rate by 0.7% would reduce the headroom to £nil. A decrease in the terminal growth rate by 2.1% would reduce the headroom to £nil. A decrease in forecast cash flows by 7.2% would also reduce headroom to £nil.

Impairment indicators were identified at two CGUs in Southern Africa. The recoverable amounts of these CGUs were based on FVLCOD calculations. In determining the FVLCOD, the cash flows were discounted at a rate of 12.8% (2021: 12.7%). Beyond five years a growth rate of 4.5% (2021: 4.5%) was used. The carrying value of CGUs where indicators were identified was determined to be lower than its recoverable amount of £9m and, as a result, no impairment charge was recognised in the income statement relating to property, equipment and vehicles.

In the prior year, the recoverable amounts of three CGUs in the Southern Africa segment were determined to be lower than their individual carrying values and, as a result, an impairment charge of £3m was recognised in the income statement relating to property, equipment and vehicles.

No impairment indicators were identified for the Middle East CGUs on 31 March 2022.

Climate change

Climate-related regulations, technological advances, changes in the market and potential reputational damage were considered when assessing the validity of the useful lives and residual values of assets. There is currently no known objective evidence that suggests that the assets will be utilised in a shorter period or become obsolete and therefore no adjustments were made to the useful lives or the residual value of assets.

14. PROPERTY, EQUIPMENT AND VEHICLES CONTINUED

Change in accounting estimate

During the prior year, an expansion project, which includes the construction of new hospital wings at a hospital in Switzerland, was approved. The existing hospital wings will be dismantled at the end of the financial year ending 31 March 2023 and will be replaced by a new construction as part of the expansion project. As a result, the estimated useful life of the existing hospital wings has been reduced and the depreciation of these assets' carrying value accelerated. For the year ended 31 March 2022, the accelerated depreciation included in the depreciation charge amounts to £19m. The accelerated depreciation for the financial year ending 31 March 2023 will amount to £19m.

15. INTANGIBLE ASSETS

Goodwill

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus NCI, less the fair value of the identifiable assets and liabilities of the acquiree. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill is carried at cost less accumulated impairment. Impairments on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from business combinations in which goodwill arose. Management monitors goodwill for impairment at a CGU level, except for the Middle East goodwill, which is monitored at an operating segment level. Any impairment losses that are recognised are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of other assets in the CGU where the carrying amount is greater than the recoverable amount.

Trade names

Trade names have been recognised by the Group as part of business combinations. No value is placed on internally developed trade names. Trade names are capitalised at the cost to the Group and amortised on a straight-line basis over their estimated useful lives of 2–25 years. Trade names are carried at cost less accumulated amortisation and accumulated impairment. Expenditure to maintain trade names is accounted for against income as incurred.

Computer software

Acquired computer software licences, configuration and implementation costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2–10 years using the straight-line method. Configuration costs for cloud-based business applications are capitalised where it is probable that economic benefits that are attributable to the asset will flow to the Group and it has the power to control access to those benefits. Any cloud-solution costs incurred as part of a service agreement are expensed when incurred.

Costs associated with maintaining computer software are expensed as incurred.

	Goodwill £'m	Trade names £'m	Computer software £'m	Total £'m
Net book value at 1 April 2021	**946**	**45**	**70**	**1 061**
Additions	**–**	**–**	**21**	**21**
Amortisation	**–**	**(4)**	**(21)**	**(25)**
Business combinations	**10**	**1**	**–**	**11**
Exchange differences	**51**	**3**	**4**	**58**
Net book value at 31 March 2022	**1 007**	**45**	**74**	**1 126**
Cost	**1 794**	**453**	**193**	**2 440**
Accumulated amortisation and impairment	**(787)**	**(408)**	**(119)**	**(1 314)**

	Goodwill £'m	Trade names £'m	Computer software £'m	Total £'m
Net book value at 1 April 2020	1 047	54	70	1 171
Additions	–	–	21	21
Amortisation	–	(4)	(17)	(21)
Business combinations	3	–	–	3
Impairment	(1)	–	–	(1)
Exchange differences	(103)	(5)	(4)	(112)
Net book value at 31 March 2021	**946**	**45**	**70**	**1 061**
Cost	1 689	424	162	2 275
Accumulated amortisation and impairment	(743)	(379)	(92)	(1 214)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

15. INTANGIBLE ASSETS CONTINUED

Computer software continued

	2022 £'m	2021 £'m
Total additions	**21**	21
To maintain operations	**10**	8
To expand operations	**11**	13

Critical accounting judgement

Level at which management monitors goodwill for impairment testing
The Group tests annually whether goodwill, resulting from acquisitions, has suffered any impairment. The recoverable amounts of CGUs have been determined based on FVLCOD calculations. These calculations require the use of estimates in respect of cash flow projections and long-term growth and discount rates, and assume a stable regulatory environment. Regulatory environments are subject to uncertainties that can have an impact on goodwill and the intangible assets' carrying value.

IFRS requires the impairment assessment to be performed at the level at which goodwill and trade names are monitored for impairment by management, provided that this level cannot be bigger than an operating segment. Management assesses goodwill at a CGU level, except for the Middle East goodwill, which is monitored at an operating segment level. This means that for the Middle East division, recoverability of goodwill is assessed by reference to the aggregated cash flows of the legacy Middle East and Al Noor businesses. The Middle East goodwill originated mainly from the Al Noor business combination with a portion originating from other UAE business combinations. The initial commercial rationale for the acquisition of Al Noor included expected synergies from integrating the legacy Al Noor business with the legacy Middle East business that would be realised across the combined Middle East division. In accordance with IFRS, goodwill shall be allocated to all CGUs, or groups of CGUs, that are expected to benefit from the expected synergies.

Impairment testing of significant goodwill balances
The Group tests goodwill for impairment on an annual basis or more frequently if there are indications that these assets may be impaired. The annual impairment assessment is performed at year end when the annual financial planning process is finalised. The Group's impairment assessment compares the carrying value of the group of CGUs with its recoverable amount.

The recoverable amount of a group of CGUs is determined by its FVLCOD, regarded as the more appropriate reflection of the value of the business, which is derived from discounted cash flow calculations.

The key inputs to its calculations are described below:

Forecasts — As part of the annual financial planning process, the Group's divisions are required to submit budgets for the next financial year and forecasts for the following four years, which are approved by the Board. Future earnings in the FVLCOD calculation are based on these budgets and forecasts that are calculated on a per hospital basis and consider both internal and external market information. These budgets and forecasts represent management's best view of future revenues and cash flows and encompass a best estimate of the short- and long-term impact of the COVID-19 pandemic. The cash flow forecast includes the purchase of environmentally friendly equipment.

Growth rates — Growth rates are determined from budgeted and forecast revenue. Terminal year growth rates are country specific and determined based on the forecast market growth rates and considering long-term medical inflation. The regulatory environment and impact on tariffs are considered. Growth rates have been benchmarked against external data for the relevant markets.

Discount rates — The weighted average cost of capital ('WACC') was determined by considering the respective debt and equity costs and ratios. The discount rate is based on the risk-free rate for government bonds adjusted for a risk premium to reflect the increased risk of investing in equities. Discount rates are lower for the divisions which operate in more mature markets with low inflation and higher for those operating in markets with a higher inflation. Discount rates reflect the time value and the risks associated with the segmental or divisional cash flows. The long-term data inputs used in the calculation of the discount rate are benchmarked to externally available data.

Impairment testing of Middle East goodwill
The Middle East goodwill with a carrying amount of £887m (2021: £834m) originated mainly from the Al Noor business combination, with a portion originating from other UAE business combinations. Key assumptions used for the FVLCOD calculations for the annual impairment testing were as follows:

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

15. INTANGIBLE ASSETS CONTINUED

Impairment testing of Middle East goodwill continued

Discount rates	The discount rate applied to cash flow projections is 8.5% for the first year and thereafter 8.1% (2021: 8.7%).
Growth rates	The terminal growth rate beyond five years is 3.0% (2021: 3.0%).
Forecasts	Represents management's best view of future revenues and cash flows over a five-year period and is comparable with the forecast used in the prior year. Due to international tax reform and expected amendments to tax legislation (note 11), income tax has been included from April 2023 at a rate of 15%. Cash flows after the discrete period (five years) were adjusted to reflect increased direct cost (utility costs) caused by climate change which may not be compensated by funders.

The recoverable amount was determined to be higher than the carrying value and, consequently, no impairment was recognised against goodwill during the year under review.

Sensitivity analysis
An increase in the discount rate by 1% combined with a decrease in the terminal growth rate by 0.9% would reduce the headroom to £nil. A decrease in forecast cash flows by 16% would also reduce headroom to £nil.

These changes are not considered reasonably possible to occur within the next 12 months. However, these key assumptions have the potential to vary over time.

Impairment testing of goodwill and trade names in Switzerland

Switzerland goodwill with a carrying amount of £107m (2021: £100m) that originated from the business combinations of OPERA Zumikon AG and Clinique des Grangettes in previous years has been tested for impairment.

The recoverable amount has been determined based on FVLCOD discounted cash flow calculations.

Discount rates	The discount rate applied to cash flow projections is 5.1% (2021: 5.1%).
Growth rates	The terminal growth rate beyond five years is 1.6% (2021: 1.6%).
Forecasts	Represents management's best view of future revenues and cash flows over a five-year period and is comparable with the forecast used in the prior year.

The recoverable amount was determined to be higher than the carrying value and, as a result, no impairment charge was recognised. The recoverable amount is not sensitive to reasonably possible changes in the discount rate and the terminal growth rate.

Impairment testing of Southern Africa goodwill

Southern Africa goodwill with a carrying amount of £13m (2021: £12m) has been tested for impairment. The recoverable amount has been determined based on FVLCOD discounted cash flow calculations by applying a discount rate of 12.8% (2021: 12.7%) and a terminal year growth rate beyond five years of 4.5% (2021: 4.5%).

The recoverable amount was determined to be higher than the carrying value and, as a result, no impairment charge was recognised. The recoverable amount is not sensitive to reasonably possible changes in the discount rate and the terminal growth rate.

In the prior year, the carrying amount of the goodwill of five CGUs was determined to be higher than its recoverable amount, resulting in the recognition of an impairment charge of £1m against goodwill.

16. EQUITY-ACCOUNTED INVESTMENTS

Investments accounted for using the equity method consist of associates (entities in which the Group has significant influence, but not control; normally accompanying a shareholding of between 20% and 50% of voting rights in the investment) and joint ventures (entities or arrangements over which the Group has joint control stemming from contractual rights).

Under the equity method, the equity-accounted investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. Dividends received or receivable from equity-accounted investments are recognised as a reduction in the carrying amount of the investment. The Group's investments in associates and joint ventures include goodwill identified on acquisition. When the Group's share of losses in an associate or joint venture equals or exceeds its interests in the investment (which includes any long-term interests that, in substance, form part of the Group's net investment), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entity.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

16. EQUITY-ACCOUNTED INVESTMENTS CONTINUED

Unrealised gains on transactions between the Group and its equity-accounted investments are eliminated to the extent of the Group's interest in these investments. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the equity-accounted investments have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the ownership interest in an equity-accounted investment is reduced but significant influence or joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate. The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the equity-accounted investment is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises the amount adjacent to share of profit or loss of the investment in the income statement. The recoverable amount is the higher of an asset's FVLCOD and value-in-use. The value-in-use is calculated by estimating future cash benefits that will result from the investment and discounting those cash benefits at an appropriate discount rate.

	2022 £'m	2021 £'m
Investment in associates	**161**	167
Investment in joint venture	**4**	4
	165	171

16.1. Investment in associates

	2022 £'m	2021 £'m
Listed investment	**156**	157
Unlisted investments	**5**	10
	161	167

(Continued)	2022 £'m	2021 £'m
Reconciliation of carrying value at the beginning and end of the year		
Opening balance	**167**	177
Additional investment in unlisted associate	**–**	1
Share of net loss of associated companies	**(1)**	(70)
Reversal of impairment of listed associate	**–**	60
Share of other comprehensive income of associated companies	**1**	–
Dividends received from associated companies	**(2)**	–
Remeasurement of investment at fair value[1]	**(1)**	–
Derecognition on undertaking of business combination[1]	**(3)**	–
Exchange differences	**–**	(1)
	161	167

Note

[1] During the year, the Group acquired a controlling interest in Bourn Hall International MENA Limited ('Bourn Hall'), which was previously accounted for as an investment in an associate. The investment in Bourn Hall was accounted for using the equity-accounting basis until the acquisition date of the transaction, being 11 November 2021. From that date onwards, it is treated as an investment in subsidiary and is subject to consolidation. The acquisition of the controlling interest resulted in the recognition of a loss on the remeasurement of the existing interest in the associate of £1m, which has been included in 'Other gains and losses' (see note 9), and the recognition of an investment in subsidiary of £3m, being the fair value of the investment at that date. The details of the acquisition are disclosed in note 34.

Set out below are details of the associate material to the Group:

	Country of incorporation and place of business	% ownership
Spire Healthcare Group plc (Spire)	**United Kingdom**	**29.9**

Spire is listed on the LSE. It does not issue publicly available quarterly financial information at a detailed level and has a December year end. The investment in associate was equity accounted for the 12 months to 31 December 2021 (2021: 31 December 2020). No significant events occurred between 1 January 2022 and the reporting date.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

16. EQUITY-ACCOUNTED INVESTMENTS CONTINUED

16.1. Investment in associates continued

Summarised financial information in respect of the Group's material associate is set out below:

	At 31 Dec 2021 £'m	At 31 Dec 2020 £'m
Summarised statement of financial position		
Non-current assets	**2 033**	1 992
Current assets	**347**	250
Total assets	**2 380**	2 242
Non-current liabilities	**(1 372)**	(1 295)
Current liabilities	**(302)**	(254)
Net assets	**706**	693
Mediclinic's effective interest	**29.9%**	29.9%
Mediclinic's effective interest in net assets	**211**	207
Difference in accounting treatment on adoption of IFRS 16	**(1)**	4
Accumulated impairment of listed associate	**(54)**	(54)
Total carrying value of equity investment	**156**	157
Market value of listed investment at 31 March	**293**	201
Summarised statement of comprehensive income		
Revenue	**1 106**	920
Profit from continuing operations	**(16)**	(237)
Other comprehensive income	**3**	(1)
Total comprehensive income	**(13)**	(238)
Dividends received from associate	**–**	–

See note 39 for further details of investments in associates.

Key accounting estimates and critical accounting judgement

Impairment/(reversal of impairment) of equity-accounted investments
The Group assesses whether any indicators of impairment reversals are identified. At 31 March 2022, an indicator of impairment reversal was identified as the market value of the investment in Spire was £293m, which exceeded the carrying value of £156m.

Management updated the internal value-in-use projections, which resulted in a recoverable amount that is broadly in line with the value determined at 31 March 2020 when the last impairment charge against the investment was recognised. The internal value-in-use projections are supported by the fact that Spire's actual results were in line with the estimates used in the 31 March 2020 value-in-use calculation and that Spire was still making a loss during 2021. Consequently, no impairment reversal has been recognised.

A key driver of the valuation would be the realisation of significant and sustained revenue growth and cost savings after the COVID-19 pandemic.

If Spire's share price at 31 March 2022 was used as the equity investment's fair value, then the impairment reversal would amount to £137m. If the average closing share price for the period between 16 to 20 May 2022 was used, the impairment reversal would amount to £96m.

In the prior year, Spire's loss included a goodwill impairment charge of £200m. The equity-accounted portion of this impairment amounts to £60m. Accumulated impairment charges recognised by the Group in prior periods amount to £283m. Following Spire's goodwill impairment charge, the Group's interest in the net asset value of Spire was higher than the carrying value of the equity investment at 30 September 2020. As a result, an impairment reversal equal to the Group's share of the goodwill impairment of £60m was recognised.

16.2. Investment in joint venture

	2022 £'m	2021 £'m
Reconciliation of carrying value at the beginning and end of the year		
Opening balance	**4**	4
	4	4

16. EQUITY-ACCOUNTED INVESTMENTS CONTINUED

16.2. Investment in joint venture continued

The Group has a 49.9% interest in Wits University Donald Gordon Medical Centre (Pty) Ltd. The unlisted joint venture is accounted for by using its financial information for the 12 months ended 31 December 2021 (2021: 31 December 2020) since it has a different year end.

Details of the joint venture appear in note 39.

17. OTHER INVESTMENTS AND LOANS

	2022 £'m	2021 £'m
Debt instruments at amortised cost	**9**	9
Equity instruments at FVOCI (listed shares)	**1**	1
Equity instruments at FVOCI (unlisted shares)	**14**	2
Investments in money market funds at FVPL	**6**	2
	30	14
Non-current	**24**	12
Current	**6**	2
Total other investments and loans	**30**	14
Other investments and loans are held in the following currencies:		
Swiss franc	**14**	5
South African rand	**10**	5
UAE dirham	**–**	2
US dollar	**6**	2
	30	14

Debt instruments at amortised cost

Debt instruments at amortised cost include loans receivable from doctors and other parties. For details on loans to related parties, see note 37. Credit losses of less than £0.5m were recognised on the loans receivable (2021: nil).

Loans receivable inherently expose the Company to credit risk, being the risk that the Company will incur financial loss if counterparties fail to make payments as they fall due. For the accounting policy of other investments and loans, see note 31 'Financial Instruments'.

Unlisted equity instruments

Unlisted equity instruments at FVOCI comprise securities which are not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant. On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

The fair value of unlisted equity instruments at FVOCI is not based on observable market data and, as a result, these financial assets are grouped as level 3. The following table presents the changes in these level 3 instruments for the period ended 31 March 2022:

Unlisted equity instruments at FVOCI	2022 £'m	2021 £'m
Opening balance	**2**	2
Acquisitions	**8**	–
Gains recognised in other comprehensive income	**4**	–
	14	2

Information about the methods and assumptions used to determine the fair value of unlisted equity instruments, and the sensitivity of the assets to price, is provided in note 31.

18. DEFERRED TAX

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and legislation) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

18. DEFERRED TAX CONTINUED

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The movement on the deferred tax account is as follows:

	2022 £'m	2021 £'m
Opening balance	**391**	405
Income statement credit for the year	**(6)**	(6)
Effect of change in tax rate on income statement	**1**	–
(Credited)/charged to other comprehensive income	**(14)**	26
Exchange differences	**28**	(34)
Balance at year end	**400**	391
Deferred income tax assets	**(32)**	(34)
Deferred income tax liabilities	**432**	425
	400	391

The deferred tax relating to current assets and current liabilities contains temporary differences that are likely to be realised in the next 12 months. The deferred tax balance comprises temporary differences arising in separate legal entities. Offsetting has been applied on a legal entity basis. The table below shows the deferred tax balances and movements in the various categories before offsetting was applied:

	Tangible assets £'m	Intangible assets £'m	Current assets £'m	Provisions and other £'m	Financial assets and retirement benefit asset £'m	Total £'m
Deferred tax liabilities						
At 1 April 2020	407	13	7	19	–	446
Charged to the income statement	3	–	1	–	1	5
Charged to other comprehensive income	–	–	–	–	20	20
Exchange differences	(29)	(1)	–	(2)	(1)	(33)
At 31 March 2021	381	12	8	17	20	438
Set-off of deferred tax liabilities pursuant to set-off provisions						(13)
Net deferred tax liabilities at year end						425
At 1 April 2021	**381**	**12**	**8**	**17**	**20**	**438**
Credited to the income statement	**(3)**	**–**	**(1)**	**–**	**(1)**	**(5)**
Credited to other comprehensive income	**–**	**–**	**–**	**–**	**(20)**	**(20)**
Effect of change in tax rate on income statement	**(1)**	**–**	**–**	**–**	**–**	**(1)**
Exchange differences	**28**	**1**	**1**	**2**	**1**	**33**
At 31 March 2022	**405**	**13**	**8**	**19**	**–**	**445**
Set-off of deferred tax liabilities pursuant to set-off provisions						**(13)**
Net deferred tax liabilities at year end						**432**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

18. DEFERRED TAX CONTINUED

	Current liabilities £'m	Provisions and other £'m	Retirement benefit obligations £'m	Derivatives £'m	Leases £'m	Tangible assets £'m	Tax losses carried forward £'m	Total £'m
Deferred tax assets								
At 1 April 2020	(2)	(7)	(20)	(3)	(2)	–	(7)	(41)
Credited to the income statement	–	(2)	(1)	–	–	(3)	(5)	(11)
Charged to other comprehensive income	–	–	6	–	–	–	–	6
Exchange differences	–	(1)	–	1	(1)	–	–	(1)
At 31 March 2021	(2)	(10)	(15)	(2)	(3)	(3)	(12)	(47)
Set-off of deferred tax assets pursuant to set-off provisions								13
Net deferred tax assets at year end								(34)
At 1 April 2021	**(2)**	**(10)**	**(15)**	**(2)**	**(3)**	**(3)**	**(12)**	**(47)**
(Credited)/charged to the income statement	**–**	**(1)**	**(2)**	**–**	**–**	**1**	**1**	**(1)**
Charged to other comprehensive income	**–**	**–**	**4**	**2**	**–**	**–**	**–**	**6**
Effect of change in tax rate on income statement	**–**	**1**	**1**	**–**	**–**	**–**	**–**	**2**
Exchange differences	**–**	**(1)**	**(2)**	**–**	**–**	**(1)**	**(1)**	**(5)**
At 31 March 2022	**(2)**	**(11)**	**(14)**	**–**	**(3)**	**(3)**	**(12)**	**(45)**
Set-off of deferred tax assets pursuant to set-off provisions								13
Net deferred tax assets at year end								**(32)**

At 31 March 2022, the Group had unutilised tax losses of approximately £204m (2021: £172m) potentially available for offset against future profits. A deferred tax asset of £12m (2021: £12m) has been recognised in respect of tax losses in some of the underlying subsidiaries. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets of the underlying subsidiaries. Tax losses that resulted in the recognition of deferred tax assets of £7m can be carried forward indefinitely and have no expiry date. Tax losses that resulted in the recognition of deferred tax assets of £5m expire between one and seven years. No deferred tax asset has been recognised in respect of the remaining losses due to the unpredictability and availability of future profit streams in the relevant jurisdictions. The majority of the unrecognised losses, which relate to Mediclinic International plc in the United Kingdom, have no expiry, and the remainder, which relate to Switzerland, expire after seven years. Their utilisation is dependent on the profitability of the related entities. The financial projections used in assessing the future profitability are consistent with those used in assessing the carrying value of goodwill as set out in note 15. The rate of utilisation of these losses will depend on the incidence and timing of profits within each entity, which consequently affect their recognition as deferred tax assets.

18. DEFERRED TAX CONTINUED

Unused tax losses not recognised as deferred tax assets for the Group are as follows:

	2022 £'m	2021 £'m
Unused tax losses not recognised as deferred tax assets		
Expiry in 1 year	**2**	4
Expiry in 2 years	**2**	–
Expiry in 3–7 years	**72**	52
No expiry	**71**	54
	147	110

Deferred tax on unremitted earnings

The Group recognised a deferred tax liability of £1m (2021: £1m) in respect of temporary differences relating to unremitted earnings. This liability relates to non-resident shareholder tax of the Group's Namibian subsidiaries and the amount is included in the 'Provisions and other' category of deferred tax liabilities. No deferred tax liability has been recognised for the other foreign subsidiaries and equity-accounted investments of the Group where the Group is able to control the timing of any distributions and it is not probable that any distributions will be made in the foreseeable future. Similarly, tax is not provided where it is expected at the reporting date that such distributions will not give rise to a tax liability. The gross temporary difference in this regard amounts to £1 552m (2021: £1 293m). There are no significant expected income tax consequences of earnings being distributed from Switzerland and the UAE, as there is no dividend withholding tax applicable to earnings being distributed from these operations, neither should there be any tax liability on the receipt of these dividends. Although South African distributions to the UK are typically subject to dividend withholding taxes, distributions from South Africa are not expected to have income tax consequences in the foreseeable future as the operations in South Africa have a significant contributed tax capital balance from which may be paid dividends free from withholding tax. In line with the South African Reserve Bank requirement, it is intended that dividends to the South African resident shareholders on the South African share register will be paid from the Dividend Access Scheme ('DAS'). See note 21 for details on the DAS.

19. INVENTORIES

Inventories are measured at the lower of cost, determined on the weighted average method, or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Consumables and supplies consist of the cost of inventories, including obsolete stock, which have been expensed during the year. Rebates received from suppliers are recognised when all the conditions agreed with the suppliers are met, the amount of cost of supplies can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity.

	2022 £'m	2021 £'m
Inventories consist of:		
Pharmaceutical products	**86**	97
Consumables	**10**	11
Finished goods and work in progress	**1**	1
	97	109

The cost of inventories recognised as an expense and included in consumables and supplies amounted to £770m (2021: £719m). Write-downs of inventories to net realisable value amounted to £5m (2021: £6m). These were recognised as an expense during the year and included in consumables and supplies in the income statement.

20. TRADE AND OTHER RECEIVABLES

For the accounting policies of trade and other receivables, see note 31 'Financial Instruments'.

	2022 £'m	2021 £'m
Financial instruments		
Trade receivables	**749**	740
Loss allowance	**(27)**	(22)
	722	718
Other receivables	**46**	56
	768	774
Non-financial instruments		
Prepayments and deposits	**59**	47
Other receivables	**7**	5
	66	52
Total trade and other receivables	**834**	826

Trade and other receivables are categorised as debt instruments at amortised cost. The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2022 £'m	2021 £'m
Swiss franc	**516**	489
South African rand	**80**	81
UAE dirham	**238**	255
US dollar	**–**	1
	834	826

The Group applies the simplified approach for providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The loss allowance is determined as follows:

2022	Current £'m	1-30 days past due £'m	31-60 days past due[1] £'m	61-90 days past due £'m	More than 90 days past due £'m	Total £'m
Gross carrying amount	**441**	**66**	**32**	**28**	**182**	**749**
Loss allowance	**(2)**	**(1)**	**–**	**(1)**	**(23)**	**(27)**
Net carrying amount	**439**	**65**	**32**	**27**	**159**	**722**
Expected loss rate	**0.39%**	**0.79%**	**1.05%**	**4.87%**	**12.68%**	

Note
[1] Loss allowance is less than £0.5m.

2021	Current £'m	1-30 days past due[1] £'m	31-60 days past due £'m	61-90 days past due £'m	More than 90 days past due £'m	Total £'m
Gross carrying amount	436	55	41	27	181	740
Loss allowance	(2)	–	(1)	(1)	(18)	(22)
Net carrying amount	434	55	40	26	163	718
Expected loss rate	0.36%	0.95%	1.82%	4.34%	9.93%	

Note
[1] Loss allowance is less than £0.5m.

	2022 £'m	2021 £'m
Movement in the loss allowance		
Opening balance	**22**	19
Loss allowance	**13**	12
Amounts written off as uncollectable	**(9)**	(8)
Unused amounts reversed	**(1)**	(1)
Exchange differences	**2**	–
Balance at year end	**27**	22

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

20. TRADE AND OTHER RECEIVABLES CONTINUED

A loss allowance is recognised for all receivables, in accordance with IFRS 9 *Financial Instruments*, and is monitored at the end of each reporting period. In addition to the loss allowance, receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Receivables that have been written off are not subject to enforcement activities.

Other receivables include Swiss unbilled doctors' fees and advance payments to affiliated doctors, and other amounts owed by third parties. Other receivables are considered to have low credit risk, and the loss allowance provision recognised during the period was therefore limited to 12 months' expected credit losses. Other receivables are considered to have low credit risk where they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The expected credit losses for other receivables are insignificant.

Management considers the credit quality of the trade receivables that have not been credit impaired to be high in light of the nature of these trade receivables as described in note 32.

Trade receivables to the value of £288m (2021: £295m) have been ceded as security for banking facilities.

Movement in provision for expected credit losses recognised in profit or loss

During the year, the following losses/(gains) were recognised in profit or loss in relation to impaired receivables:

	2022 £'m	2021 £'m
Movement in loss allowance for trade receivables	**13**	12
Reversal of previously recognised loss allowance	**(1)**	(1)
Movement in provision for expected credit losses	**12**	11

21. SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

	2022 £'m	2021 £'m
Issued share capital		
Share capital	**74**	74
Share premium	**690**	690
	764	764

Ordinary shares	2022	2021
Number of shares in issue and fully paid	**737 243 810**	737 243 810
Nominal value	**10p**	10p

Dividend Access Scheme

A wholly owned subsidiary of the Company, Mediclinic International (RF) (Pty) Ltd, formed a Dividend Access Trust to comply with a South African Reserve Bank requirement that dividends from a South African source due to South African shareholders on the South African share register must be paid locally to avoid an outflow of funds from South Africa.

The beneficiaries of the trust are the South African shareholders of the Company who hold their shares via the South African share register on the relevant record date in respect of each distribution paid through the DAS. The Dividend Access Trust does not participate in any profits.

When a dividend is declared by the Company, the Dividend Access Trust would receive a dividend from Mediclinic International (RF) (Pty) Ltd, which in turn is paid over to the Company's transfer secretaries in South Africa, who arrange for the payment of the relevant amount to the South African shareholders (the beneficiaries of the trust) through the usual dividend payment procedures, as if this was a dividend received from Mediclinic International plc. To the extent that dividends due to South African shareholders are not ultimately funded from Mediclinic International (RF) (Pty) Ltd, they receive those dividends as normal dividends from Mediclinic International plc. The South African shareholders' entitlement to receive dividends declared by Mediclinic International plc is reduced by any amounts they receive via the trust.

22. OTHER RESERVES

	Capital redemption reserve £'m	Reverse acquisition reserve £'m	Financial assets at FVOCI reserve £'m	Foreign currency translation reserve £'m	Hedging reserve £'m	Total other reserves £'m
At 1 April 2020	6	(3 014)	–	815	(8)	(2 201)
Cash flow hedges reclassified to profit or loss – gross[1]	–	–	–	–	2	2
Revaluation – gross[1]	–	–	–	–	(2)	(2)
Currency translation differences	–	–	–	(235)	–	(235)
Currency translation differences attributable to NCI	–	–	–	(2)	–	(2)
At 31 March 2021	**6**	**(3 014)**	**–**	**578**	**(8)**	**(2 438)**
Cash flow hedges reclassified to profit or loss – gross	**–**	**–**	**–**	**–**	**6**	**6**
Deferred tax	**–**	**–**	**–**	**–**	**(2)**	**(2)**
Revaluation – gross[1]	**–**	**–**	**4**	**–**	**1**	**5**
Share of other comprehensive income of equity-accounted investments	**–**	**–**	**–**	**–**	**1**	**1**
Currency translation differences	**–**	**–**	**–**	**182**	**–**	**182**
Currency translation differences attributable to NCI	**–**	**–**	**–**	**(8)**	**–**	**(8)**
At 31 March 2022	**6**	**(3 014)**	**4**	**752**	**(2)**	**(2 254)**

Note
[1] Tax impact is less than £0.5m.

Foreign currency translation reserve
The foreign currency translation reserve consists of exchange rate differences that occur when translating the foreign subsidiaries' financial statements from their functional currency into the Group's presentation currency. On disposal of the net investment, the reserve for currency translation of that foreign subsidiary is recognised in the income statement. Reduction of a net investment in a foreign operation which does not result in loss of control is not treated as a disposal.

Hedging reserve
The hedging reserve consists of the effective portion of gains and losses on hedging instruments designated as cash flow hedges.

Financial assets at FVOCI reserve
The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income, as explained in note 17. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

Reverse acquisition reserve
During February 2016, Mediclinic completed the combination between Al Noor and Mediclinic International Ltd. The combination was classified as a reverse acquisition. The reverse acquisition reserve represents the net of the following adjustments resulting from the Al Noor reverse acquisition:
- adjustment of the capital structure (share capital and share premium) of the Group to that of the legal parent;
- adjustment to account for the premium on shares issued to the Mediclinic International Ltd shareholders; and
- the share value component of the total consideration.

Capital redemption reserve
The UK Companies Act 2006 provides that where shares of a company are repurchased and funded by a new issue of shares, the amount by which the company's issued share capital is diminished on cancellation of the shares is transferred to a capital redemption reserve to maintain capital. The reduction of the company's share capital shall be treated as if the capital redemption reserve was paid-up capital of the company.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

23. NON-CONTROLLING INTERESTS

	2022 £'m	2021 £'m
Opening balance	**118**	113
Transactions with non-controlling shareholders	**3**	(3)
Dividends to non-controlling shareholders	**(12)**	(8)
Share of total comprehensive income	**30**	16
Share of profit	**19**	11
Currency translation differences	**8**	2
Share of other comprehensive income	**3**	3
	139	118

Details of the ownership interest held by material NCI are as follows:

	Country of business	2022	2021
Curamed Holdings (Pty) Ltd (group)	South Africa	**26.6%**	26.6%
Grangettes Group	Switzerland	**40.0%**	40.0%
Mediclinic Limpopo Trust	South Africa	**49.1%**	50.0%

See note 39 for a list of investments in subsidiaries.

Summarised financial information in respect of the Group's subsidiaries that have material NCI is set out below. The summarised financial information below represents amounts before inter-group eliminations.

31 March 2022	Mediclinic Limpopo Trust £'m	Curamed Holdings (Pty) Ltd (group) £'m	Grangettes Group £'m
Summarised balance sheet			
Non-current assets	**11**	**49**	**348**
Current assets	**33**	**47**	**94**
Non-current liabilities	**–**	**(4)**	**(165)**
Current liabilities	**(2)**	**(7)**	**(66)**
Net assets	**42**	**85**	**211**
Accumulated NCI in statement of financial position	**20**	**21**	**47**
Summarised statement of comprehensive income			
Revenue	**25**	**67**	**165**
Profit for the year	**7**	**12**	**19**
Other comprehensive income	**–**	**–**	**7**
Total comprehensive income	**7**	**12**	**26**
Profit allocated to NCI	**4**	**3**	**8**
Dividends paid to NCI	**2**	**2**	**5**
Summarised cash flows			
Cash flows from operating activities	**6**	**20**	**44**
Cash flows from investing activities	**(1)**	**(4)**	**(3)**
Cash flows from financing activities	**(4)**	**(7)**	**(31)**
Net increase/(decrease) in cash and cash equivalents	**1**	**9**	**10**

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

23. NON-CONTROLLING INTERESTS CONTINUED

31 March 2021	Mediclinic Limpopo Trust £'m	Curamed Holdings (Pty) Ltd (group) £'m	Grangettes Group £'m
Summarised balance sheet			
Non-current assets	11	51	337
Current assets	29	38	78
Non-current liabilities	–	(4)	(185)
Current liabilities	(4)	(10)	(51)
Net assets	36	75	179
Accumulated NCI in statement of financial position	18	19	36
Summarised statement of comprehensive income			
Revenue	21	57	160
Profit for the year	6	9	15
Other comprehensive income	–	–	8
Total comprehensive income	6	9	23
Profit allocated to NCI	3	1	6
Dividends paid to NCI	2	1	5
Summarised cash flows			
Cash flows from operating activities	7	5	23
Cash flows from investing activities	(1)	(3)	(5)
Cash flows from financing activities	(4)	(2)	(34)
Net increase/(decrease) in cash and cash equivalents	2	–	(16)

Transactions with NCI

During the period under review, the Group entered into various transactions where it acquired additional interests in NCI and disposed of NCI without losing control. The effect on the equity attributable to the owners during the year is summarised as follows:

	2022 £'m	2021 £'m
Carrying amount of NCI acquired/(disposed of)	**(3)**	3
Consideration received from/(paid to) NCI	**2**	1
Increase in equity attributable to owners of the Company	**(1)**	4

24. SHARE-BASED PAYMENTS

Long-term incentive ('LTI') awards

Under the LTI, conditional phantom shares are awarded to selected senior management (including executive directors). The LTI awards share-based payment arrangement that will be settled in cash is accounted for as a cash-settled share-based payment transaction in terms of IFRS 2 and the LTI awards that will be settled in shares will be accounted for as an equity-settled share-based payment transaction.

Cash-settled share-based payment arrangements

For cash-settled share-based compensation plans, the Group recognises the value of the services received (expense), and the liabilities to pay for those services, as the employees render service. The liabilities are measured, initially, and at each reporting date until settled, at the fair value appropriate to the scheme, taking into account the terms and conditions on which the rights were granted, and the extent to which the employees have rendered service to date, excluding the impact of any non-market-related vesting conditions. Non-market-related vesting conditions are included in the assumptions regarding the number of units expected to vest. These assumptions are revised at the end of each reporting period. All changes to the fair value of the liability are recognised in the income statement.

24. SHARE-BASED PAYMENTS CONTINUED

Equity-settled share-based payment arrangements

Under equity-settled share-based compensation plans, the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, including any market performance conditions and the impact of any non-vesting conditions, but excluding the impact of any service and non-market performance vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

	2022 £'m	2021 £'m
Cash-settled share-based payment liability	**4**	1
Equity-settled share-based payment reserve (included in retained earnings)[1]	**1**	–
Total share-based payment reserves and liabilities	**5**	1
Expenses arising from equity-settled share-based payment transactions[1]	**1**	–
Expenses arising from cash-settled share-based payment transactions[1]	**3**	–
Total expense (see note 6)	**4**	–

Note

[1] Less than £0.5m in the prior year.

Cash-settled share-based payment arrangements

The vesting of these shares is subject to continued employment, and is conditional upon achievement of performance targets, measured over a three-year period. The performance conditions for the year under review constitute a combination of absolute total shareholder return ('TSR') (40% weighting of the 2018 and 2019 LTI awards; 25% weighting of the 2020 LTI awards), earnings per share (60% weighting of the 2018 and 2019 LTI awards; 40% weighting of the 2020 LTI awards), return on invested capital ('ROIC') (25% weighting of the 2020 LTI awards) and patient experience index (10% weighting of the 2020 LTI awards).

	2022 £'m	2021 £'m
Opening balance	**1**	1
Share-based payment expense[1]	**3**	–
Closing balance	**4**	1

Note

[1] Less than £0.5m in the prior year.

A reconciliation of the movement in the cash-settled LTI award units is detailed below:

	2022 Number of units	2021 Number of units
Opening balance	**5 108 093**	3 877 820
Granted	**1 591 269**	1 852 340
Lapsed	**(1 191 777)**	(622 067)
Closing balance	**5 507 585**	5 108 093

Valuation assumptions relating to the outstanding units:

	2021 LTI allocation	2020 LTI allocation	2019 LTI allocation
Grant date	4 June 2021	13 December 2020	19 June 2019
Vesting date	4 June 2024	13 December 2023	1 June 2022/2024
Outstanding units	1 579 645	1 839 127	2 088 813
Closing share price	356	356	356
Risk-free interest rate	1.23%	1.18%	n/a[1]
Expected dividend yield	0.00%	0.00%	n/a[1]
Volatility	34.40%	30.00%	n/a[1]

Note

[1] The 2019 allocation is at the end of the performance period and, as a result, was valued against the performance conditions and not in terms of the Black-Scholes option pricing model.

24. SHARE-BASED PAYMENTS CONTINUED

Equity-settled share-based payment arrangements
The vesting of these shares is subject to continued employment and is conditional upon achievement of four performance targets, measured over a three-year period, with an additional two-year holding period. The performance conditions for the year under review constitute a combination of TSR (25% weighting), adjusted EPS (40% weighting), ROIC (25% weighting) and the Group's consolidated patient experience index score (10% weighting).

The share-based payment expense relating to equity-settled share-based payment arrangements was £1m during the year (2021: less than £0.5m).

A reconciliation of the movement in the equity-settled LTI award units is detailed below:

	2022 Number of units	2021 Number of units
Opening balance	**607 072**	–
Granted	**546 750**	607 072
Closing balance	**1 153 822**	607 072

Valuation assumptions relating to the outstanding units:

	2021 LTI allocation	2020 LTI allocation
Grant date	4 June 2021	13 December 2020
Vesting date[1]	4 June 2026	13 December 2025
Outstanding units	546 750	607 072
Share price of Mediclinic International plc share on grant date (denominated in sterling pence)	341	270
Risk-free interest rate	0.23%	(0.13)%
Expected dividend yield	0%	0%
Volatility	41.10%	43.80%

Note
[1] The vesting date is the fifth anniversary of the grant date, allowing for a three-year performance period plus a two-year holding period.

25. BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs are expensed when incurred, except for borrowing costs directly attributable to the construction or acquisition of qualifying assets. Borrowing cost directly attributable to the construction or acquisition of qualifying assets is added to the cost of those assets, until such time as the assets are substantially ready for their intended use. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use.

	2022 £'m	2021 £'m
Bank loans	**1 609**	1 507
Preference shares	**–**	89
Listed bonds	**194**	181
	1 803	1 777
Non-current borrowings	**1 688**	1 686
Current borrowings	**115**	91
Total borrowings	**1 803**	1 777

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

25. BORROWINGS CONTINUED

		2022 £'m Non-current	2022 £'m Current	2021 £'m Non-current	2021 £'m Current
	Swiss operations (denominated in Swiss franc)				
Secured bank loan one[1]	This loan bears interest at variable rates linked to the SARON plus 1.25%. CHF50m is redeemable annually on 30 September with the final outstanding balance redeemable on 30 September 2027. The repayment in September 2021 was suspended, to be resumed in September 2022, but management decided to make a voluntary repayment in November 2021. The non-current portion includes capitalised financing costs of £14m (2021: £13m).	**1 018**	**41**	986	38
Secured bank loan two[2]	These loans bear interest at a fixed rate of 1.12%. CHF0.5m is repayable on 30 June and 31 December every year. The remaining balances are repayable during May 2023.	**13**	**1**	13	1
Secured bank loan three[2]	This fixed interest mortgage loan bears interest at 0.90% compounded quarterly. The loan is repayable by December 2023.	**8**	**–**	8	–
Listed bonds	The listed bonds consist of CHF90m at 2.00% and CHF145m at 1.25% Swiss franc bonds. The bonds are repayable on 25 February 2025 and 25 February 2026, respectively.	**194**	**–**	181	–
	Southern African operations (denominated in South African rand)				
Secured bank loan one	The loan bore interest at the 3M JIBAR variable rate plus a margin of 1.49% (2021: 1.71%) compounded quarterly. The loan was extinguished on 17 September 2021 as part of the refinancing arrangement.	**–**	**–**	126	1
Secured bank loan two	The loan bore interest at the 3M JIBAR variable rate plus a margin of 1.59% (2021: 1.81%) compounded quarterly. The loan was extinguished on 17 September 2021 as part of the refinancing arrangement.	**–**	**–**	176	1
Secured bank loan three[3]	The loans bear interest at the 3M JIBAR variable rate plus a variable margin that is linked to predefined sustainability measures. The sustainability measures are assessed in calendar years, starting in January 2022. At 31 March 2022, a margin of 1.54% was applied. The loans are repayable on 17 September 2026. £207m of the loan has been hedged.	**414**	**2**	–	–
Other secured bank loans[4]	These loans bear interest at variable rates linked to the prime overdraft rate and are repayable in periods ranging between one and 12 years.	**2**	**1**	3	1
Preference shares	Dividends were payable quarterly at a rate of 72% of 3M JIBAR plus a margin of 1.65% (2021: 1.77%). The outstanding balance was redeemed on 1 September 2021.	**–**	**–**	89	–
	Middle East operations (denominated in US dollar)				
Secured bank loan one[5]	The loan bears interest at variable rates linked to the 3M LIBOR and a margin of 1.85% with five-year amortising terms, expiring in August 2023. £36m (2021: £51m) of the loan has been hedged.	**39**	**70**	104	49
		1 688	**115**	1 686	91

Notes

[1] The loan is secured by mortgage notes on Swiss properties and buildings to the value of £2 547m (2021: £2 382m) and Swiss bank accounts with a book value of £72m (2021: £60m).

[2] These loans are secured by mortgage notes on the properties and buildings of the Linde Group.

[3] Property and equipment with a book value of £325m (2021: £296m) are encumbered as security for these loans. Cash and cash equivalents of £58m (2021: £5m) and trade receivables of £60m (2021: £53m) have also been ceded as security for these borrowings.

[4] Property, equipment and vehicles with a book value of £14m (2021: £18m) are encumbered as security for these loans. Net trade receivables of less than £0.5m (2021: £1m) have also been ceded as security for these loans.

[5] Shares of investments in Emirates Healthcare Holdings Ltd and Emirates Healthcare Ltd are encumbered as security for these loans as well as an account pledge on receivable collection accounts.

25. BORROWINGS CONTINUED

Interest Rate Benchmark Reform

For the period ended 31 March 2022, the Group has adopted the amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 *Interest Rate Benchmark Reform – Phase 2.* Phase 2 of the amendments requires that, for financial instruments measured using amortised cost measurement, changes to the basis for determining the contractual cash flows required by interest rate benchmark reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised. This expedient is applicable only to changes that are a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

The Swiss bank loan one bears interest at variable rates that were previously linked to the three-month Swiss franc London Interbank Offered Rate ('CHF LIBOR'). At 31 December 2021, the CHF LIBOR rate was replaced by Swiss Average Rate Overnight ('SARON') as the new reference rate. As a result of the discontinuance of the CHF LIBOR reference rate, the loan facility agreement was amended to reflect the change in reference rate to SARON. As the Swiss bank loans are unhedged, the change in reference rates did not have any impact on hedge relationships (including hedge designation, amounts accumulated in the cash flow hedge reserve or risk components).

Following the replacement of the CHF LIBOR with the SARON, the Group has applied the practical expedient provided under *Interest Rate Benchmark Reform – Phase 2* to £1 073m of its borrowings.

The Middle East bank loan bears interest at variable rates linked to the three-month US dollar ('USD') LIBOR. It is expected that the USD LIBOR will be replaced with the Secured Overnight Financing Rate ('SOFR') on its discontinuance. The USD LIBOR is expected to be discontinued on 30 June 2023. The replacement of the USD LIBOR with SOFR has no impact on the borrowings of the Middle East operations for the period ended 31 March 2022.

The Southern African bank loan bears interest at variable rates linked to the three-month Johannesburg Interbank Average Rate ('JIBAR'). The interest rate benchmark reform has not had any impact on the JIBAR and, as a result, has no impact on the borrowings of the Southern African operations.

26. LEASES

The Group leases various buildings, equipment, vehicles and other assets. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and
- lease payments to be made under reasonably certain extension options.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

26. LEASES CONTINUED

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of medical and other equipment. Low-value assets contribute an insignificant portion of the Group's rental payments expensed in terms of IFRS 16.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the lessee as a starting point and adjusts the rate to reflect changes in financing conditions since the third-party financing was received. The Group also makes adjustments to the rate relating to the specific lease based on the term, country, currency and security.

Some property leases contain variable payment terms that are linked to revenue generated from a hospital. Variable lease payments that depend on revenue are recognised in profit or loss in the period in which the condition that triggers those payments occur.

Extension and termination options are included in a number of leases across the Group. The majority of the extension and termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option, are considered.

COVID-19-related rent concessions

The Group has applied *COVID-19-Related Rent Concessions* – Amendment to IFRS 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification. Rent concessions are included in other gains and losses.

During the year ended 31 March 2021, the Group negotiated rent concessions with its landlords at a number of buildings in the Middle East as a result of the severe impact of the COVID-19 pandemic. The Group applied the practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions. The amount of £1m recognised in profit or loss in the prior period reflects changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions. The COVID-19-related rent concessions for the year ended 31 March 2022 were less than £0.5m.

Critical accounting judgement

Determination of lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are included in the lease term only if the lease is reasonably certain to be extended.

For leases of hospitals, the Group considers their past practice in exercising renewal options and the cost of business disruption required to replace the leased asset. Most extension options in respect of hospitals have not been included in the lease liability due to the long duration of existing lease contracts and the low probability of exercising renewal options based on the contractual renewal terms.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and which is within the control of the lessee.

Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2022 £'m	2021 £'m
Right-of-use assets		
Buildings	721	621
Equipment	3	4
	724	625
Right-of-use assets per geographical market		
Switzerland	397	390
Southern Africa	26	27
Middle East	301	208
	724	625

26. LEASES CONTINUED

Amounts recognised in the statement of financial position continued

	2022 £'m	2021 £'m
Lease liabilities		
Switzerland	**417**	408
Southern Africa	**37**	38
Middle East	**332**	230
	786	676
Of which are:		
- Non-current lease liabilities	**730**	621
- Current lease liabilities	**56**	55
	786	676

Amounts recognised in the income statement

The income statement includes the following amounts relating to leases:

	2022 £'m	2021 £'m
Depreciation charge of right-of-use assets		
Buildings	**48**	48
Equipment	**1**	1
	49	49
Interest expense (included in finance cost)	**21**	20
Expense relating to short-term leases and leases of low-value assets (included in infrastructure-related costs)	**9**	8
COVID-19-related rent concessions (included in other gains and losses)	**-**	(1)

The total cash outflow for leases, excluding short-term leases and leases of low-value assets, was £62m (2021: £56m).

27. RETIREMENT BENEFIT OBLIGATIONS

Retirement benefit costs

The Group provides defined benefit and defined contribution plans for the benefit of employees, the assets of which are held in separate trustee-administered funds. These plans are funded by payments from the employees and the Group, taking into account recommendations of independent qualified actuaries.

Defined benefit plans

This plan defines an amount of pension benefit an employee will receive on retirement, dependent on one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in the income statement. The annual pension costs of the Group's benefit plans are charged to the income statement.

A net pension asset is recorded only to the extent that it does not exceed the present value of any economic benefit available in the form of reductions in future contributions to the plan. If there is a minimum funding requirement for contributions relating to future service, the economic benefit available is calculated as the amount that reduces future minimum funding requirement contributions for future service because the entity made a prepayment, and the estimated future service cost in each period, less the estimated minimum funding requirement contributions that would be required for future service in those periods if there were no prepayment.

Incurred interest costs/income on the defined benefit obligations are recognised as wages and salaries.

See note 6 for the accounting policy in respect of defined contribution plans.

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Post-retirement medical benefits

Some Group companies provide for post-retirement medical contributions in relation to current and retired employees. The expected costs of these benefits are accounted for by using the projected unit credit method. Under this method, the expected costs of these benefits are accumulated over the service lives of the employees. Valuation of these obligations is carried out by independent qualified actuaries. All actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

Key accounting estimates

Measurement of retirement benefit (assets)/obligations

The cost of defined benefit pension plans, post-retirement medical benefit liability obligations and the Middle East end-of-service obligations is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty and can have a material impact on the valuations. Details of the key assumptions for each relevant obligation, together with the sensitivities of the carrying value of the obligations, are disclosed.

The sensitivity analyses presented in each section below are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation recognised within the statement of financial position.

	2022 £'m	2021 £'m
Statement of financial position for:		
Swiss pension benefit asset	**(1)**	(110)
Total retirement benefit assets	**(1)**	(110)
Short-term portion of retirement benefit assets	**–**	–
Non-current retirement benefit assets	**(1)**	(110)
Swiss pension benefit obligation	**7**	27
Southern Africa post-retirement medical benefit obligation	**44**	37
Middle East end-of-service benefit obligation	**88**	77
	139	141
Total retirement benefit obligations	**139**	141
Short-term portion of retirement benefit obligations	**(20)**	(14)
Non-current retirement benefit obligations	**119**	127
Total amount charged to the income statement:		
Swiss pension benefit (asset)/obligation	**45**	38
Southern Africa post-retirement medical benefit obligation	**7**	5
Middle East end-of-service benefit obligation	**13**	11
	65	54
Total amount charged/(credited) to other comprehensive income:		
Swiss pension benefit obligation	**92**	(152)
Southern Africa post-retirement medical benefit obligation	**(2)**	2
Middle East end-of-service benefit obligation	**–**	(3)
	90	(153)

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(a) Swiss pension benefit (asset)/obligation

The Group's Swiss defined benefit pension plans are as follows:

- Pensionskasse Hirslanden
- Vorsorgestiftung VSAO (Association for Swiss Assistant and Senior Doctors)
- Hirslanden Clinique La Colline SA
- Hirslanden Klinik Linde AG
- Clinique des Grangettes SA
- Hirslanden OPERA Zumikon AG

At 31 March 2022, the Clinique des Grangettes SA pension plan was in surplus by £1m due to the increase in the discount rate in the current year. At 31 March 2021, Pensionskasse Hirslanden was in surplus by £110m due to the positive asset return. As the Swiss pension plans operate independently from each other, the net pension asset attributable to Pensionskasse Hirslanden was presented separately from the net pension liabilities attributable to the other pension plans. The net pension asset of Clinique des Grangettes SA at 31 March 2022 has been included with the other Swiss pension plans.

The economic benefit available ('EBA') in the form of a reduction in future contributions was calculated by deducting the present value of the employer's future minimum funding requirements according to the rules of the pension plans from the future service cost. The increase of the discount rate used under IAS 19 from 0.20% at 31 March 2021 to 1.10% at 31 March 2022 resulted in a reduced carrying value of the gross pension fund obligation and consequently a reduction in expected future service cost. Since the expected future service cost is lower than the expected employer contributions, the EBA of the Pensionskasse Hirslanden pension plan was reduced to zero. As a result, an asset restriction was applied and £194m has been recognised in other comprehensive income for the asset restriction. The EBA of the Clinique des Grangettes SA pension plan has been limited to the employer contribution reserve. However, as the EBA was in excess of the surplus at 31 March 2022, no asset restriction was applied.

Statement of financial position

Amounts recognised in the statement of financial position are as follows:

	Pensions-kasse Hirslanden 2022 £'m	Other Swiss pension plans 2022 £'m	Total 2022 £'m	Pensions-kasse Hirslanden 2021 £'m	Other Swiss pension plans 2021 £'m²	Total 2021 £'m
Present value of funded obligations	**1 061**	**273**	**1 334**	1 010	251	1 261
Fair value of plan assets	**(1 061)**	**(267)**	**(1 328)**	(1 120)	(224)	(1 344)
Net pension liability	**–**	**6**	**6**	(110)	27	(83)
Presented as:						
Net pension asset	**–**	**(1)**	**(1)**	(110)	–	(110)
Net pension liability	**–**	**7**	**7**	–	27	27
	–	**6**	**6**	(110)	27	(83)
Opening balance	**1 010**	**251**	**1 261**	1 051	270	1 321
Current service cost	**29**	**7**	**36**	30	7	37
Interest cost	**2**	**–**	**2**	4	2	6
Employee contributions	**31**	**8**	**39**	31	8	39
Actuarial (gain)/loss	**(64)**	**(9)**	**(73)**	11	(1)	10
Benefits paid	**(32)**	**(4)**	**(36)**	(33)	(13)	(46)
Business combinations	**–**	**–**	**–**	2	–	2
Past service cost	**9**	**–**	**9**	–	–	–
Exchange differences	**76**	**20**	**96**	(86)	(22)	(108)
Balance at year end	**1 061**	**273**	**1 334**	1 010	251	1 261

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(a) Swiss pension benefit (asset)/obligation continued

Statement of financial position continued

The movement of the fair value of plan assets over the year is as follows:

	Pensions-kasse Hirslanden 2022 £'m	Other Swiss pension plans 2022 £'m	Total 2022 £'m	Pensions-kasse Hirslanden 2021 £'m	Other Swiss pension plans 2021 £'m	Total 2021 £'m
Opening balance	1 120	224	1 344	1 036	214	1 250
Interest income on plan assets	2	1	3	4	2	6
Employer contributions	35	8	43	35	8	43
Plan participants' contributions	31	8	39	31	8	39
Return on plan assets greater than discount rate	16	13	29	141	21	162
Business combinations	–	–	–	1	–	1
Benefits paid from fund	(32)	(4)	(36)	(33)	(13)	(46)
Administration costs	(1)	–	(1)	(1)	–	(1)
Exchange differences	82	17	99	–	–	–
Balance at year end before effect of asset ceiling	1 253	267	1 520	1 214	240	1 454
Effect of asset ceiling	(194)	–	(194)	–	–	–
Exchange differences	2	–	2	(94)	(16)	(110)
Balance at year end	1 061	267	1 328	1 120	224	1 344

Net pension (asset)/liability reconciliation

	Pensions-kasse Hirslanden 2022 £'m	Other Swiss pension plans 2022 £'m	Total 2022 £'m	Pensions-kasse Hirslanden 2021 £'m	Other Swiss pension plans 2021 £'m	Total 2021 £'m
Opening net (asset)/liability	(110)	27	(83)	15	56	71
Expenses recognised in the income statement	39	6	45	31	7	38
Contributions paid by employer	(35)	(8)	(43)	(35)	(8)	(43)
Actuarial (gain)/loss	114	(22)	92	(130)	(22)	(152)
Business combinations	–	–	–	1	–	1
Exchange differences	(8)	3	(5)	8	(6)	2
Closing net (asset)/liability	–	6	6	(110)	27	(83)

Statement of other comprehensive income

Amounts recognised in other comprehensive income are as follows:

	Pensions-kasse Hirslanden 2022 £'m	Other Swiss pension plans 2022 £'m	Total 2022 £'m	Pensions-kasse Hirslanden 2021 £'m	Other Swiss pension plans 2021 £'m	Total 2021 £'m
Return on plan assets greater than discount rate	16	13	29	141	21	162
Effect of asset ceiling	(194)	–	(194)	–	–	–
Actuarial loss – experience	(40)	(19)	(59)	(19)	(6)	(25)
Actuarial gain/(loss) due to demographic assumption changes	–	–	–	49	18	67
Actuarial gain/(loss) due to financial assumption changes	104	28	132	(41)	(11)	(52)
Total other comprehensive (loss)/income	(114)	22	(92)	130	22	152

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(a) Swiss pension benefit (asset)/obligation continued

Income statement

Amounts recognised in the income statement are as follows:

	Pensions-kasse Hirslanden 2022 £'m	Other Swiss pension plans 2022 £'m	Total 2022 £'m	Pensions-kasse Hirslanden 2021 £'m	Other Swiss pension plans 2021 £'m	Total 2021 £'m
Current service cost	29	7	36	30	7	37
Past service cost	9	–	9	–	–	–
Interest on liability	2	–	2	4	2	6
Interest on plan assets	(2)	(1)	(3)	(4)	(2)	(6)
Administration cost	1	–	1	1	–	1
	39	6	45	31	7	38
Actual return on plan assets, net of asset ceiling restriction	(176)	14	(162)	145	23	168

The number of plan members are as follows:

	Pensions-kasse Hirslanden 2022	Other Swiss pension plans 2022	Total 2022	Pensions-kasse Hirslanden 2021	Other Swiss pension plans 2021	Total 2021
Active members	8 364	1 857	10 221	8 296	1 779	10 075
Pensioners	1 150	136	1 286	1 047	124	1 171
	9 514	1 993	11 507	9 343	1 903	11 246

Principal actuarial assumptions on statement of financial position (all Swiss pension plans)	2022	2021
Discount rate	1.10%	0.20%
Future salary increases	1.50%	1.50%
Future pension increases	0.00%	0.00%
Inflation rate	1.00%	1.00%
Interest crediting rate	1.10%	1.00%

Asset allocation	2022 £'m	2022 %	2021 £'m	2021 %
Quoted investments				
Fixed income investments	478	31.4%	437	32.5%
Equity investments	455	29.9%	418	31.1%
Real estate	19	1.3%	20	1.5%
Other	111	7.3%	109	8.1%
	1 063	69.9%	984	73.2%
Non-quoted investments				
Fixed income investments	35	2.3%	28	2.1%
Equity investments	1	0.1%	1	0.1%
Real estate	305	20.1%	237	17.6%
Other	116	7.6%	94	7.0%
	457	30.1%	360	26.8%
	1 520	100.0%	1 344	100.0%

Risk exposure

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility — The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(a) Swiss pension benefit (asset)/obligation continued

Risk exposure continued

Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation risks	The pension obligations are linked to salary and pension inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.
Life expectancy	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

Assumptions and sensitivity analysis

Impact on defined benefit obligation	Base assumption	Change in assumption	% Increase/ (decrease) in obligation on increase in assumption	% Increase/ (decrease) in obligation on decrease in assumption
Pensionskasse Hirslanden				
Discount rate	1.10%	0.25%	(1.9)%	2.3%
Salary growth rate	1.50%	0.50%	0.6%	(0.6)%
Pension growth rate	0.00%	0.25%	1.5%	0.0%
Other Swiss pension plans				
Discount rate	1.10%	0.25%	(1.8)%	2.4%
Salary growth rate	1.50%	0.50%	0.4%	(0.3)%
Pension growth rate	0.00%	0.25%	1.6%	0.0%

	Base assumption (BVG[1] 2020 with CMI improvements)	Change in assumption	% Increase/ (decrease) in obligation on increase in assumption	% Increase/ (decrease) in obligation on decrease in assumption
Life expectancy for a 65-year-old male (mortality)	21.77 years	1 year in expected lifetime of plan participants	1.5%	(1.9)%
Life expectancy for a 65-year-old female (mortality)	23.54 years			

Note

[1] The Federal Law on Occupational Old-age, Survivors' and Disability Insurance (German: BVG).

The Group accounts for actuarially determined future pension benefits and provides for the expected liability in the statement of financial position. The assumptions used to calculate the expected liability are based on actuarial advice. The discount rate is based on market yields obtained on high-quality corporate bonds that have durations consistent with the term of the obligation.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the previous year.

Expected employer contributions to be paid to the pension plans for the year ending 31 March 2023 amount to £36m and it is anticipated that these contributions will remain at a similar level in the foreseeable future, subject to change in financial conditions.

The weighted average duration of the defined benefit obligation is 9.9 years (2021: 11.5 years). The maturity profile of the defined benefit obligation is as follows:

	</= 1 year £'m	1–5 years £'m	> 5 years £'m	Total £'m
At 31 March 2022				
Defined benefit obligation	**138**	**388**	**988**	**1 514**
At 31 March 2021				
Defined benefit obligation	119	325	848	1 292

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(a) Swiss pension benefit (asset)/obligation continued

Additional information on Swiss defined benefit pension plans

Pension plan results
The following assumptions have changed since the previous valuation:
- The discount rate used to value plan obligations has changed from 0.20% to 1.10%.
- The interest credit rate on total account balance has changed from 1.00% to 1.10%.
- The interest credit rate on the BVG shadow account balance has changed from 1.00% to 1.10%.

Pensionskasse Hirslanden
For our employees in Switzerland, the Pensionskasse Hirslanden ('PH') Fund provides post-employment, death-in-service and disability benefits in accordance with the Federal Law on Occupational Old-age, Survivors' and Disability Insurance. The PH Fund is a foundation and an entity legally separate from the Swiss operations. The PH Fund's governing body is composed of an equal number of employer and employee representatives. This governing body determines the level of benefits and the investment strategy for the plan assets based on asset-liability analyses performed periodically. The basis for these asset-liability analyses are the statutory pension obligations as these largely determine the cash flows of the PH Fund. In addition, the investment of the plan assets is based on regulations developed by the governing body in accordance with the legal investment guidelines (BVV2). The Investment Committee of the governing body is responsible for their implementation. The governing body has mandated the investment activity to Complementa Investment Controlling AG, as the global custodian.

The investment strategy complies with the legal guidelines and is relatively conservative. Alternative investments and unhedged foreign currency positions are rare.

The benefits of the pension plan are substantially higher than the legal minimum. They are determined by the employer's and employees' contributions and interest granted on the plan members' accumulated savings; the interest rate is determined annually by the governing body in accordance with the legal framework (defined contribution, as defined by the occupational pension law). The employees' and the employer's contributions are determined based on the insured salary and range from 1.25–15% of the insured salary depending on the age of the beneficiary.

The pension law requires adjusting pension annuities for inflation depending on the financial condition of the pension fund. Although the pension plan is fully funded at present in accordance with the pension law, the financial situation of the PH Fund will not allow for inflation adjustments.

VSAO
For our employed physicians in Switzerland, the VSAO Pension Fund provides post-employment, death-in-service and disability benefits in accordance with the Federal Law on Occupational Old-age, Survivors' and Disability Insurance. The VSAO Fund is a foundation and an entity legally separate from the Swiss division. The fund's governing body is composed of an equal number of employer and employee representatives. The investment of the plan assets is in accordance with the legal investment guidelines (BVV2).

The benefits of the pension plan are substantially higher than the legal minimum. They are determined by the employer's and employees' contributions and interest granted on the plan members' accumulated savings; the interest rate is determined by the governing body in accordance with the legal framework (defined contribution, as defined by the occupational pension law).

The employees' and the employer's contributions are 14% of the insured salary.

Other pension plans
Other pension plans exist for the latest acquired subsidiaries (Hirslanden Clinique La Colline SA, Hirslanden Klinik Linde AG, Clinique des Grangettes and Hirslanden OPERA Zumikon AG) which are not yet integrated into PH, the main pension plan of the Swiss division. These pension funds are legally separate from the division. The investment of the plan assets is in accordance with the legal investment guidelines (BVV2).

The employees' and the employer's contributions are determined based on the insured salary and range from 1.78–15% of the insured salary depending on the age of the beneficiary.

General information on all pension plans
If an employee leaves the division or the pension plan, respectively, before reaching retirement age, the law provides for the transfer of the vested benefits to the new pension plan. These vested benefits comprise the employee's and the employer's contributions plus interest and, the money originally brought in to the pension plan by the beneficiary. Upon reaching retirement age, the plan participant may decide whether to withdraw the benefits in the form of an annuity or (partly) as a lump-sum payment. The pension law requires adjusting pension annuities for inflation depending on the financial condition of the pension fund.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(a) Swiss pension benefit (asset)/obligation continued

Additional information on Swiss defined benefit pension plans continued

General information on all pension plans (continued)

The pension law in Switzerland envisages that benefits provided by a pension fund are fully financed through the annual contributions defined by the regulations. If insufficient investment returns or actuarial losses lead to a plan deficit as defined by the pension law, the governing body is legally obliged to take actions to close the funding gap within a period of 5–7 years. Besides adjustments to the level of benefits, such actions could also include additional contributions from respective Group companies and the beneficiaries. The current financial situation of the PH Fund does not require such restructuring actions. None of the Group companies benefit from any plan surpluses.

(b) Southern Africa post-retirement medical benefit obligation

The Group's Southern African operations have a post-retirement medical benefit obligation for employees who joined before 1 July 2012. The Southern African operations subsidise the contributions payable to the Group medical aid in respect of certain eligible retired employees. The subsidy obligations are unfunded and the benefit payment obligations are met as they fall due.

The Group accounts for actuarially determined future medical benefits and provides for the expected liability in the statement of financial position. The assumptions used to calculate the expected liability are based on actuarial advice. The discount rate is based on market yields obtained on high-quality corporate bonds which have durations consistent with the term of the obligation. It has been assumed that medical inflation will take place at a rate of 2.9% in excess of consumer price inflation.

In the last valuation on 31 March 2022, a 9.60% (2021: 11.40%) medical inflation rate and an 11.80% (2021: 13.70%) discount rate were assumed. The average retirement age was set at 63 years (2021: 63 years).

The assumed rates of mortality are as follows:
- During employment: SA 85/90 tables of mortality
- Post-employment: PA(90) tables

Amounts recognised in the statement of financial position are as follows:

	2022 £'m	2021 £'m
Opening balance	**37**	28
Amounts recognised in the income statement	**7**	5
Current service cost	**2**	1
Interest cost	**5**	4
Benefits paid	**(1)**	(1)
Actuarial loss/(gain) recognised in other comprehensive income	**(2)**	2
Exchange differences	**3**	3
Present value of unfunded obligations	**44**	37

Risk exposure

Through its defined benefit post-retirement medical benefit obligation, the Group is exposed to a number of risks, the most significant of which are detailed below:

Changes in bond yields	A decrease in corporate bond yields will increase medical benefit obligations.
Inflation risks	The medical benefit obligations are linked to medical inflation, and higher inflation will lead to higher liabilities.

Assumptions and sensitivity analysis

Impact on defined benefit obligation	Base assumption	Change in assumption	% Increase/ (decrease) in obligation on increase in assumption	% Increase/ (decrease) in obligation on decrease in assumption
Discount rate	11.80%	0.50%	(6.4)%	7.1%
Medical inflation rate	9.60%	1.00%	14.9%	(12.3)%

The expected post-employment medical benefits payable for the year ending 31 March 2023 amount to £2m.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(b) Southern Africa post-retirement medical benefit obligation continued

Assumptions and sensitivity analysis continued

The weighted average duration of the defined benefit obligation is 15 years (2021: 15 years). The maturity profile of the defined benefit obligation is as follows:

	</= 1 year £'m	1–5 years £'m	> 5–10 years £'m	Total £'m
At 31 March 2022				
Defined benefit obligation	**2**	**10**	**25**	**37**
At 31 March 2021				
Defined benefit obligation	1	9	24	34

(c) Middle East end-of-service benefit obligation

In terms of UAE labour law, employees are entitled to severance pay at the end of employment. Severance pay is calculated as follows: for the first five years of service, between seven and 30 days' wage per year of service and thereafter 30 days per additional year. The employee benefit was actuarially determined. The severance pay obligations are unfunded and the benefit payment obligations are met as they fall due.

The Group accounts for actuarially determined future end-of-service benefits and provides for the expected liability in the statement of financial position. The assumptions used to calculate the expected liability are based on actuarial advice. The discount rate is based on market yields obtained on high-quality corporate bonds which have durations consistent with the term of the obligation.

The following are the principal actuarial assumptions:

	2022	2021
Discount rate	**2.40%**	1.98%
Future salary increases	**2.00%**	2.10%
Average retirement age	**60 years**	60 years
Annual turnover rate	**14.14%**	8.53%

Amounts recognised in the statement of financial position are as follows:

	2022 £'m	2021 £'m
Opening balance	**77**	83
Amounts recognised in the income statement	**13**	11
Current service cost	**11**	10
Interest cost	**2**	1
Benefits paid	**(6)**	(5)
Actuarial (gain)/loss recognised in other comprehensive income	**–**	(3)
Exchange differences	**4**	(9)
Present value of unfunded obligations	**88**	77
Current portion of retirement benefit obligations	**20**	14
Non-current retirement benefit obligations	**68**	63
	88	77

Assumptions and sensitivity analysis

Impact on defined benefit obligation	Base assumption	Change in assumption	% Increase/ (decrease) in obligation on increase in assumption	% Increase/ (decrease) in obligation on decrease in assumption
Discount rate	2.40%	1.00%	(4.9)%	5.2%
Future salary increases	2.00%	1.00%	5.1%	(4.9)%

The expected employer contributions to be paid to the Middle East end-of-service benefit obligation for the year ending 31 March 2023 amount to £20m.

27. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(c) Middle East end-of-service benefit obligation continued

Assumptions and sensitivity analysis continued

The weighted average duration of the defined benefit obligation is 7 years (2021: 7 years). The maturity profile of the defined benefit obligation is as follows:

	</= 1 year £'m	1–5 years £'m	> 5–10 years £'m	Total £'m
At 31 March 2022				
Defined benefit obligation	**20**	**49**	**50**	**119**
At 31 March 2021				
Defined benefit obligation	14	32	47	93

Post-employment benefits for key management personnel

One non-executive director participates in the Southern Africa post-retirement medical benefit obligation. Of the key management personnel, which comprise the Group Executive Committee, two participate in the Swiss pension benefits, four in the Southern Africa post-retirement medical benefit obligation and one in the Middle East end-of-service benefit.

28. PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provision for malpractice claims is made at the year end for the estimated cost of claims incurred but not settled at the end of each reporting period, including the cost of claims incurred but not yet reported to the Group. The estimated cost of claims includes expenses to be incurred in settling claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analysis for the claims incurred but not reported.

	2022 £'m	2021 £'m
Non-current	**37**	37
Employee benefits	**13**	13
Legal cases and other	**5**	2
Tariff risks	**19**	22
Current	**38**	19
Employee benefits	**3**	3
Legal cases and other	**9**	8
Tariff risks	**26**	8
	75	56

Employee benefits

This provision is for benefits granted to employees for long service. The provision is calculated based on the employee's cost to the Group as well as the estimated expected utilisation of the employee benefits.

Legal cases and other

This provision relates to payments for malpractice claims and other costs for legal claims. The recognised provision reflects the best estimate of the most likely outcome.

Tariff risks

In Switzerland, the cost of treating inpatients with basic health insurance is fixed by the government. The pricing model is based on Swiss DRGs for inpatients and can be seen as a fixed-fee arrangement. In some cases, the pricing model for DRGs is based on provisional tariffs as delays occur in the agreement of the tariffs between the healthcare providers and the funders. Tariff provisions are recognised when the pricing model for DRGs is based on provisional tariffs and the tariffs are disputed by the funders. Due to the high level of uncertainty in respect of the expected time it will take to settle the dispute, tariff adjustments are classified as provisions. The tariff provision is calculated based on historical experience of outcomes to negotiations between healthcare providers and funders. This is regularly reassessed based on the actual outcome of tariff negotiations. See note 4 for additional information in respect of provisional tariffs and the impact on recognition of the tariff risk provision.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

28. PROVISIONS CONTINUED

	Employee benefits £'m	Legal cases and other £'m	Tariff risks £'m	Total £'m
Opening balance at 1 April 2020	19	6	28	53
Charged to the income statement	2	7	10	19
Utilised during the year	(3)	(1)	(2)	(6)
Unused amounts reversed	(1)	(1)	(4)	(6)
Exchange differences	(1)	(1)	(2)	(4)
Closing balance at 31 March 2021	**16**	**10**	**30**	**56**
Charged to the income statement	**3**	**9**	**16**	**28**
Utilised during the year	**(3)**	**(3)**	**–**	**(6)**
Unused amounts reversed	**–**	**(3)**	**(4)**	**(7)**
Exchange differences	**–**	**1**	**3**	**4**
Closing balance at 31 March 2022	**16**	**14**	**45**	**75**

Provisions are expected to be payable during the following financial years:

	2022 £'m	2021 £'m
Within one year	**38**	19
After one year but not more than five years	**32**	32
More than five years	**5**	5
	75	56

29. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments comprise interest rate swaps, put/call agreements and forward contracts.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. Hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction are designated as cash flow hedges. The Group uses interest rate swaps as cash flow hedges.

At inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it applies hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes the identification of the hedging instrument; the hedged item; the nature of the risk being hedged; and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements. A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below under 'Cash flow hedges'.

The hedging reserve in shareholders' equity is shown in note 22. On the statement of financial position, hedging derivatives are not classified based on whether the amount is expected to be recovered or settled within, or after, 12 months. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge relationship is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedge relationship is less than 12 months.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that is designated and qualifies as a cash flow hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in other comprehensive income are reclassified to the income statement in the periods when the hedged item affects profit or loss (for example, when the interest expense on hedged variable rate borrowings is recognised in profit or loss).

29. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

Cash flow hedges continued

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Non-hedging derivatives

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised at fair value through profit or loss.

	2022 £'m Assets	2022 £'m Liabilities	2021 £'m Assets	2021 £'m Liabilities
Non-current				
Interest rate swaps – cash flow hedges	–	2	–	9
Written put option (redemption liability)	–	126	–	115
	–	128	–	124
Current				
Interest rate swaps – cash flow hedges	–	1	–	1
Forward contracts	–	–	–	1
	–	1	–	2
	–	129	–	126

Effective interest rate swaps

In order to hedge specific exposures in the interest rate repricing profile of existing borrowings, the Group uses interest rate derivatives to generate the desired interest profile. At 31 March 2022, the Group had 16 (2021: 16) effective interest rate swap contracts for borrowings specifically in Southern Africa and one in Middle East.

The value of borrowings hedged by the interest rate derivatives and the rates applicable to these contracts are as follows:

	Borrowings hedged £'m	Fixed interest payable	Interest receivable	Fair value gain/(loss) for the year[1] £'m
As at 31 March 2022				
1–3 years[2]	207	5.93%–7.00%	3 month JIBAR	5
1–2 years[3]	36	3.14%	3 month LIBOR	2
As at 31 March 2021				
1–3 years[2]	195	6.20–7.20%	3 month JIBAR/69% of prime interest rate	(2)
1–3 years[3]	51	3.14%	3 month LIBOR	–

Notes

1 The fair value gain/(loss) includes the portion that has been reclassified to profit or loss.

2 The Southern Africa interest rate swap agreement resets every three months on 1 June, 1 September, 1 December and 1 March with a final reset on 1 September 2023 for £50m, 1 December 2023 for £54m, 1 June 2024 for £25m and 3 June 2024 for £78m. There is no ineffective portion recognised in the profit or loss that arises from the cash flow hedges.

3 The Middle East interest rate swap agreement resets in August 2023. There is no ineffective portion recognised in the profit or loss that arises from the cash flow hedges.

Key accounting estimate

Remeasurement of redemption liability (written put option)

Through the acquisition of the Grangettes Group, the Group entered into a put/call agreement over the remaining 40% interest in the combined company of Clinique des Grangettes and Clinique La Colline. The option is exercisable after four years and potentially effective no earlier than 30 June 2023, and the consideration on exercise will be determined based on the profitability of Clinique des Grangettes and Clinique La Colline at that time. The exercise price is formula based.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

29. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

Key accounting estimate continued

Remeasurement of redemption liability (written put option) (continued)
The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount with a corresponding charge directly to equity and included in retained earnings. The charge to equity is recognised separately as written put options over NCI.

The liability is subsequently adjusted for changes in the estimated performance and increased through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

The key inputs to its calculations are described below:

Forecasts	As part of the annual financial planning process, Clinique des Grangettes and Clinique La Colline are required to submit budgets for the next financial year and forecasts for the following four years. Future earnings and profitability are based on these budgets and forecasts.
Discount rates	The discount rate of 0.78% was determined when the put/call agreement was entered into and was based on swap curve analytics. The discount rate reflects the time value of future expected cash flows.

A reasonably possible change of 10% in the projected earnings will change the liability and profit before tax by £13m (2021: £12m).

	2022 £'m	2021 £'m
Movement in the redemption liability		
Opening balance at 1 April	**115**	101
Charged to the income statement		
Remeasurement of redemption liability	**1**	23
Unwinding of discount	**1**	1
Exchange differences	**9**	(10)
Closing balance at 31 March	**126**	115

30. TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

In respect of profit sharing and bonus plans, the Group recognises a liability and a corresponding expense where a contractual obligation exists for short-term incentives. The amounts payable to employees in respect of the STI schemes are determined based on annual business performance targets and are presented as part of 'Other payables and accrued expenses'.

	2022 £'m	(Re-presented)[1] 2021 £'m
Financial instruments		
Trade payables	**263**	235
Other payables and accrued expenses	**200**	158
Refund liabilities[2]	**59**	48
	522	441
Non-financial instruments		
Other payables and accrued expenses	**5**	–
Social insurance and accrued leave pay	**45**	46
Value added tax	**14**	11
	64	57
	586	498

Notes

1. The comparatives have been re-presented by presenting refund liabilities separately from other payables and accrued expenses.
2. No significant amounts of revenue were recognised during the year ended 31 March 2022 that were included in the refund liability balance at the beginning of the period or from performance obligations satisfied in previous periods.

31. FINANCIAL INSTRUMENTS

Financial assets

The Group classifies its financial assets in the following measurement categories:

- Financial assets measured subsequently at fair value (either through FVOCI or FVPL)
- Financial assets measured at amortised cost

The classification depends on the business model for managing the financial assets and the contractual term of the cash flows. Management determines the classification of its investment at initial recognition.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Equity instruments and instruments managed on a portfolio basis

The Group subsequently measures all equity investments and instruments managed on a portfolio basis at fair value. Changes in the fair value of financial assets at FVPL are recognised in other gains and losses in the income statement.

Where management has elected to present fair value gains and losses on these investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit and loss. Upon derecognition of these investments, any balance within the FVOCI reserve is reclassified to retained earnings. Dividends from such investments are recognised in profit or loss as other gains and losses when the Group's right to receive payments is established.

Impairment losses on these investments measured at FVOCI or FVPL are not reported separately from other changes in fair value.

Instruments managed on a portfolio basis (other than equity instruments) consist of highly liquid investments in money market funds that do not meet the maturity criteria of IAS 7 *Statement of Cash Flows* and therefore cannot be classified as cash and cash equivalents.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows representing solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Trade receivables and loans receivable are classified as debt instruments measured at amortised cost.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss is recognised in profit or loss and presented in the income statement as part of other gains and losses in the period in which it arises. Interest income from these financial assets is included in finance income.

Interest income for credit-impaired financial assets is measured by applying the effective interest rate method to amortised cost. For all other financial assets, the interest income is measured by applying the effective interest rate method to the gross carrying amount.

Debt instruments are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets.

Impairment

The Group recognises an allowance for expected credit losses for all debt instruments not held at FVPL. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

Expected credit losses are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

31. FINANCIAL INSTRUMENTS CONTINUED

Impairment continued

For trade receivables only, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Trade receivables have been grouped based on shared credit risk characteristics, such as the counterparty (insurer or individual, etc.) or geographical region, and the days past due. The expected loss rates are based on the payment profiles of debtors and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

For debt instruments at FVOCI and debt instruments at amortised cost, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts; the legally enforceable right is not contingent on a future event and is enforceable in the normal course of business even in the event of default, bankruptcy or insolvency; and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Financial liabilities

The accounting policies for financial liabilities are provided in notes 25, 26, 29 and 30.

The Group holds the following financial instruments:

	Notes	2022 £'m	2021 £'m
Financial assets			
Financial assets at amortised cost[1]			
Other investments and loans	17	**9**	9
Trade and other receivables[2]	20	**768**	774
Cash and cash equivalents	33	**534**	294
Financial assets at FVPL	17	**6**	2
Financial assets at FVOCI	17	**15**	3
		1 332	1 082
Financial liabilities			
Liabilities at amortised cost[3]			
Borrowings	25	**1 803**	1 777
Lease liabilities	26	**786**	676
Tariff risk provisions	28	**45**	30
Trade and other payables[2]	30	**522**	441
Derivative financial instruments – written put option (redemption liability)	29	**126**	115
Derivative financial instruments	29	**3**	11
		3 285	3 050

Notes

[1] Due to the short-term nature of the majority of these financial assets, their carrying amounts are considered to be the same as their fair value. For the non-current financial assets, the fair values are also not significantly different from their carrying amounts. The fair values were calculated based on cash flows discounted using a current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs.

[2] Excluding non-financial instruments.

[3] For financial liabilities, the fair values are not significantly different from their carrying amounts, since the interest payable on these liabilities is either close to current market rates or the liabilities are of a short-term nature. The value of the redemption liability (written put option) is determined based on the profitability of Clinique des Grangettes and Clinique La Colline. The exercise price is formula based and the financial liability is recognised at amortised cost at the present value of the estimated future contractual cash flows of the redemption amount.

The Group's exposure to various risks associated with the financial instruments is discussed in note 32. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

31. FINANCIAL INSTRUMENTS CONTINUED

Fair value measurements

Financial instruments measured at fair value in the statement of financial position are classified using a fair-value hierarchy that reflects the significance of the inputs used in the valuation. The fair-value hierarchy has the following levels:

- **Level 1** – The fair value of financial instruments traded in active markets (such as publicly traded equity securities and investments in money market funds) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- **Level 2** – The fair value of financial instruments that are not traded in an active market (e.g. interest rate swaps) is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- **Level 3** – If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities, put/call agreements and forward contracts.

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels as follows:

At 31 March 2022	Notes	Level 1 £'m	Level 2 £'m	Level 3 £'m	Total £'m
Financial assets					
Financial assets at FVPL					
Investments in money market funds	17	**6**	**–**	**–**	**6**
Financial assets at FVOCI					
Listed equity securities	17	**1**	**–**	**–**	**1**
Unlisted equity securities	17	**–**	**–**	**14**	**14**
Total financial assets		**7**	**–**	**14**	**21**
Financial liabilities					
Hedging derivatives – interest rate swaps	29	**–**	**3**	**–**	**3**
Total financial liabilities		**–**	**3**	**–**	**3**

At 31 March 2021	Notes	Level 1 £'m	Level 2 £'m	Level 3 £'m	Total £'m
Financial assets					
Financial assets at FVPL					
Investments in money market funds	17	2	–	–	2
Financial assets at FVOCI					
Listed equity securities	17	1	–	–	1
Unlisted equity securities	17	–	–	2	2
Total financial assets		3	–	2	5
Financial liabilities					
Hedging derivatives – interest rate swaps	29	–	10	–	10
Derivatives – forward contracts	29	–	–	1	1
Total financial liabilities		–	10	1	11

Changes in financial assets classified into level 3 for the periods ended 31 March 2022 and 31 March 2021 are presented in note 17.

Valuation techniques, inputs and processes

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- for interest rate swaps – the present value of the estimated future cash flows based on observable yield curves; and
- for other financial instruments – discounted cash flow analysis.

The fair market value of unlisted shares of £5m is based on valuations performed using the net asset value. A 10% increase/decrease in the market value of the underlying investments in collective investment schemes will increase/decrease the asset and other comprehensive income by £1m (2021: £1m), respectively. A 10% increase/decrease in the liability for outstanding claims will decrease/increase the asset and other comprehensive income by £1m (2021: £1m), respectively.

The fair market value of the unlisted shares acquired during the year ended 31 March 2022 of £8m approximates the acquisition price of the investment. As a result, the investment was not revalued at 31 March 2022.

31. FINANCIAL INSTRUMENTS CONTINUED

Valuation techniques, inputs and processes continued

The fair value of unlisted equity instruments is performed by the finance departments of the operating segments for financial reporting purposes. Valuation processes relevant to financial instruments with significant fair values are discussed every six months, in line with the Group's half-year reporting periods. Significant valuations are also discussed with the Audit and Risk Committee.

32. FINANCIAL RISK MANAGEMENT

32.1. Financial risk factors

Normal business activities expose the Group to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme seeks to minimise the effect of potential adverse events on the Group's financial performance.

Market risk

i) *Currency risk*

Investments in foreign operations

The Group has investments in foreign operations whose net assets are exposed to foreign currency translation risk. Changes in the sterling/Swiss franc, sterling/South African rand and sterling/UAE dirham exchange rates over a period of time result in increased/decreased earnings. Other than the Group's earnings and payment of dividends, which are presented and declared in sterling and thus exposed to currency risk, the Group is not significantly exposed to currency risk since the divisions predominantly operate and are funded in their local currency.

In the case of corporate offshore transactions and/or cross-border business combinations, generally forward cover contracts are considered or taken out to minimise foreign currency risk.

The impact of a change in the sterling/Swiss franc, sterling/South African rand and sterling/UAE dirham exchange rates for a sustained period of one year would result in an increase/decrease in post-tax profit for the period and foreign currency translation reserve as indicated in the table below:

	Impact on post-tax profit for the period		Impact on foreign currency translation reserve	
	2022 £'m	2021 £'m	2022 £'m	2021 £'m
10% change in the sterling/Swiss franc exchange rate	**4**	1	**152**	162
10% change in the sterling/South African rand exchange rate	**8**	3	**21**	13
10% change in the sterling/UAE dirham exchange rate	**5**	4	**113**	114

ii) *Interest rate risk*

The Group's interest rate risk arises from long-term borrowings as well as short-term deposits. Borrowings and short-term deposits issued at variable rates expose the Group to cash flow interest rate risk. Interest rate derivatives and assets issued at fixed interest rates expose the Group to fair value interest rate risk. Group policy is to maintain an appropriate mix between fixed and floating rate borrowings and placings.

The Group's interest rate risk arises from bank borrowings at variable interest rates. The Group manages its interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. The interest rate hedges entered into match key contractual terms of the borrowings to enable an economic relationship between hedged item and hedging instrument. At year end, a portion of the South African borrowings and Middle East borrowings were hedged and the Swiss borrowings were unhedged (see note 25). The unhedged borrowings are evaluated on a regular basis.

With the interest rate swap agreements the Group entered into to mitigate interest rate risk, the Group did not consider there to be a significant concentration of interest rate risk.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

32. FINANCIAL RISK MANAGEMENT CONTINUED

32.1. Financial risk factors continued

Market risk continued

ii) Interest rate risk (continued)

Financial instruments issued at fixed rates expose the Group to fair value interest rate risk. The Group's exposure to fair value interest rate risk is not considered to be significant due to the short-term nature of the investments.

Interest rate sensitivity

The sensitivity analyses below were determined based on the exposure to interest rates of net debt at the reporting date and the stipulated change taking place at the beginning of the financial year, and held constant throughout the reporting period in the case of instruments that have floating rates. The sensitivity of interest rates can be summarised as follows:

- Switzerland: At 31 March 2022, the SARON was -0.70% (2021: -0.75%). Interest rates would have to increase by 70 basis points to have an impact on post-tax profit for the period with all other variables held constant. An increase in the interest rate of 25 basis points would have no impact on post-tax profit for the period (2021: no impact).
- Southern Africa: Post-tax profit for the period would decrease/increase by £0.4m (2021: decrease/increase by £0.7m) if the interest rates had been 100 basis points higher/lower in Southern Africa with all other variables held constant; and
- Middle East: Post-tax profit for the period would decrease/increase by £0.1m (2021: decrease/increase by £0.4m) if the interest rates had been 50 basis points higher/lower in the Middle East with all other variables held constant.

Credit risk

Financial assets that potentially subject the Group to concentrations of credit risk consist principally of cash, short-term deposits, trade and other receivables and derivative financial contracts. The Group's cash equivalents and short-term deposits are placed with reputable financial institutions with a high credit rating (see note 33.7). Trade receivables are represented net of the allowance for expected credit losses. Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base, which consists mainly of medical schemes and insurance companies. The financial condition of these customers in relation to their credit standing is evaluated on an ongoing basis. Medical schemes and insurance companies are required to maintain minimum reserve levels. The policy for patients that do not have a medical scheme or an insurance company paying for the Group's service is to require a preliminary payment instead. The Group does not have any significant exposure to any individual customer or counterparty and expected credit losses were assessed at the end of the year.

The Group is exposed to credit-related losses in the event of non-performance by counterparties to hedging instruments. The counterparties to these contracts are major financial institutions. The Group monitors its positions and limits the extent to which it enters into contracts with any one party.

The gross carrying amounts of financial assets (before credit loss allowances) included in the statement of financial position represent the Group's maximum exposure to credit risk in relation to these assets. At 31 March 2022 and 31 March 2021, the Group did not consider there to be a significant concentration of credit risk.

Liquidity risk

The Group manages liquidity risk by monitoring cash flow forecasts to ensure that it has sufficient cash to meet operational needs, while maintaining sufficient headroom on its undrawn borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

	2022 £'m	2021 £'m
The Group's unused banking and overdraft facilities	**408**	385
Cash and cash equivalents	**534**	294
Cash and available facilities	**942**	679

32. FINANCIAL RISK MANAGEMENT CONTINUED

32.1. Financial risk factors continued

Liquidity risk continued

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been prepared based on the undiscounted cash flows of financial liabilities based on the required date of repayment. The table includes both interest and principal cash flows. The analysis of derivative financial instruments has been prepared based on undiscounted net cash inflows/(outflows) that settle on a net basis.

Financial liabilities	Carrying value £'m	Contractual cash flows £'m	1–12 months £'m	1–5 years £'m	Beyond 5 years £'m
31 March 2022					
Borrowings	**1 803**	**2 217**	**174**	**1 060**	**983**
Lease liabilities	**786**	**1 057**	**67**	**246**	**744**
Derivative financial instruments	**129**	**136**	**5**	**131**	**–**
Trade payables and other payables[1]	**522**	**522**	**522**	**–**	**–**
	3 240	**3 932**	**768**	**1 437**	**1 727**
31 March 2021					
Borrowings	1 777	2 550	147	1 549	854
Lease liabilities	676	886	59	217	610
Derivative financial instruments	126	130	8	122	–
Trade payables and other payables[1]	441	441	441	–	–
	3 020	4 007	655	1 888	1 464

Note
[1] Excluding non-financial liabilities.

Insurance risk
The risk that an insured event occurs and the amount of the resulting claim is uncertain. The risks covered by the Group's insurance policies include property damage and business interruption, malpractice claims, directors' and officers' liability, commercial crime and cyber risk. The Group manages insurance risk by outsourcing claims handling to service providers who review the claims on a regular basis and by pursuing early settlement of claims to reduce its exposure to unpredictable developments.

32.2. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 25; cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, retained earnings and other reserves, and NCI, as disclosed in notes 21, 22 and 23, respectively. The Group's Audit and Risk Committee reviews the going concern status and capital structure of the Group biannually. The Group balances its overall capital structure through the payment of dividends and new share issues, as well as the issue of new debt or the redemption of existing debt. Although a dividend suspension was in place during the reporting period, the Group's dividend policy is to target a payout ratio of 25–35% of adjusted earnings. The Board may revise the policy at its discretion. The debt-to-capital ratios as at 31 March 2022 and 31 March 2021 were as follows:

	2022 £'m	2021 £'m
Borrowings	**1 803**	1 777
Less: cash and cash equivalents	**(534)**	(294)
Net incurred debt	**1 269**	1 483
Lease liabilities	**786**	676
Net debt	**2 055**	2 159
Total equity	**3 246**	2 967
Debt-to-equity capital ratio	**63.3%**	72.8%

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

33. CASH FLOW INFORMATION

Cash and cash equivalents consist of balances with banks and cash-on-hand and are classified as debt instruments measured at amortised cost. Cash at banks comprises cash that can readily be converted into cash. Bank overdrafts are classified as financial liabilities at amortised cost and are disclosed as part of borrowings in current liabilities in the statement of financial position.

Cash flows in currencies other than the functional currency are translated at the average exchange rate for the period in question. The cash flow statement is prepared by the indirect method based on consolidated profit before income tax, and shows cash flows from operating, investing and financing activities as well as the Group's cash at banks at opening and closing.

Cash flow from operating activities is specified as the profit before income tax for the year adjusted for non-cash operating items, changes in the working capital, and corporation tax paid. Cash flow from investing activities includes the purchase and sale of property, equipment and vehicles and intangible assets, as well as the acquisition and disposal of investments in subsidiaries and associates. Cash flow from financing activities includes the raising and repaying of long-term liabilities, short-term bank loans and the payment of dividends.

	2022 £'m	2021 £'m
33.1. Reconciliation of profit before taxation to cash generated from operations		
Profit before taxation	**211**	104
Adjustments for:		
Finance cost – net	**68**	95
Share of net profit of equity-accounted investments	**1**	10
Share-based payments	**4**	–
Depreciation and amortisation	**228**	217
Loss allowance of trade receivables	**12**	11
Movement in provisions	**21**	12
Movement in retirement benefit obligations	**16**	6
Impairment of properties and intangible assets	**7**	3
Impairment of equity-accounted investment	**–**	1

(Continued)	2022 £'m	2021 £'m
Foreign exchange differences	**1**	–
Insurance proceeds	**(6)**	(2)
Other non-cash items	**1**	(2)
Operating income before changes in working capital	**564**	455
Working capital changes	**99**	(125)
Decrease/(increase) in inventories	**15**	(10)
Decrease/(increase) in trade and other receivables	**35**	(129)
Increase in trade and other payables	**49**	14
	663	330

	2022 £'m	2021 £'m
33.2. Interest paid		
Finance cost per income statement	**74**	99
Non-cash items		
Amortisation of capitalised financing fees	**(3)**	(3)
Borrowing costs capitalised	**1**	1
Remeasurement of redemption liability	**(1)**	(23)
Unwinding of discount of redemption liability	**(1)**	(1)
Accrued interest on lease liability	**(1)**	(3)
	69	70
33.3. Tax paid		
Liability at the beginning of the year	**4**	2
Provision for the year	**46**	31
	50	33
Liability at year end	**(4)**	(4)
	46	29

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

33. CASH FLOW INFORMATION CONTINUED

	2022 £'m	2021 £'m
33.4. Capital expenditure to maintain operations		
Property, equipment and vehicles purchased	84	46
Intangible assets purchased	10	8
Movement in capital expenditure payables	2	2
	96	56
33.5. Capital expenditure to expand operations		
Property, equipment and vehicles purchased	73	59
Intangible assets purchased	11	13
Movement in capital expenditure payables	(1)	8
	83	80

33.6. Changes in liabilities arising from financing activities	Total borrowings £'m	Net derivative financial instruments held to hedge borrowings £'m	Total lease liabilities £'m	Total £'m
Year ended 31 March 2022				
Opening balance	1 777	10	676	2 463
Cash flow movements				
Proceeds from borrowings	89	–	–	89
Repayment of borrowings	(183)	–	–	(183)
Repayment of lease liabilities	–	–	(42)	(42)
Refinancing transaction cost	(3)	–	–	(3)
Interest payments (presented as cash flows from operating activities)	(43)	(6)	(20)	(69)
Non-cash items				
Amortisation of capitalised financing fees	3	–	–	3
Cash flow hedges reclassified to profit and loss	–	(6)	–	(6)
Fair value adjustment on cash flow hedges	–	(1)	–	(1)
New lease commitments entered into during the year	–	–	109	109
Lease commitments terminated during the year	–	–	(5)	(5)
Accrued interest	43	6	21	70
Exchange rate differences	120	–	47	167
Closing balance	1 803	3	786	2 592

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

33. CASH FLOW INFORMATION CONTINUED

33.6. Changes in liabilities arising from financing activities continued

	Total borrowings £'m	Net derivative financial instruments held to hedge borrowings £'m	Total lease liabilities £'m	Total £'m
Year ended 31 March 2021 (Re-presented)[1]				
Opening balance	1 951	10	703	2 664
Cash flow movements				
Proceeds from borrowings	115	–	–	115
Repayment of borrowings	(196)	–	–	(196)
Repayment of lease liabilities	–	–	(39)	(39)
Refinancing transaction cost	(3)	–	–	(3)
Interest payments (presented as cash flows from operating activities)	(46)	(7)	(17)	(70)
Non-cash items				
Amortisation of capitalised financing fees	3	–	–	3
Cash flow hedges reclassified to profit and loss	–	(2)	–	(2)
Fair value adjustment on cash flow hedges	–	2	–	2
New lease commitments entered into during the year	–	–	59	59
Lease commitments terminated during the year	–	–	(1)	(1)
Remeasurement of lease liabilities	–	–	8	8
Accrued interest	46	7	20	73
Exchange rate differences	(93)	–	(57)	(150)
Closing balance	1 777	10	676	2 463

Note

[1] The comparatives have been re-presented to present interest payments (as cash flow movements) and accrued interest (as non-cash items) on a gross basis. Previously, interest payments were included as part of accrued interest as non-cash items.

33.7. Cash and cash equivalents

	2022 £'m	2021 £'m
For the purposes of the statement of cash flows, cash, cash equivalents and bank overdrafts include:		
Cash and cash equivalents	**534**	294
Cash, cash equivalents and bank overdrafts are denominated in the following currencies:		
Swiss franc[1]	**161**	88
South African rand[2]	**190**	112
UAE dirham[3]	**95**	31
Sterling[3]	**74**	56
US dollar[3]	**14**	7
	534	294

Notes

[1] The facility agreement of the Swiss subsidiary restricts the distribution of cash. Bank balances to the value of £65m (2021: £15m) are held with counterparties who have a minimum A1 credit rating by Moody's and £96m (2021: £73m) are held with counterparties who have a minimum Aa2 credit rating by Moody's.

[2] The counterparties have a minimum Ba2 credit rating by Moody's.

[3] The counterparties have a minimum A1 credit rating by Moody's.

Exchange controls in South Africa may restrict the use of certain cash balances at the Group's Southern African operations. These restrictions are not expected to have any material effect on the Group's ability to meet its ongoing obligations.

Cash and cash equivalents denominated in Swiss franc amounting to £72m (2021: £60m) and South African bank accounts denominated in South African rand amounting to £58m (2021: £5m) have been ceded as security for borrowings (see note 25).

34. BUSINESS COMBINATIONS

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets obtained and liabilities incurred or assumed. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt or incur borrowings, which are amortised as part of the effective interest, and costs to issue equity, which are included in equity.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the recognition conditions of IFRS 3 *Business Combinations* are recognised at their fair values at acquisition date, except for non-current assets (or disposal companies) that are classified as held-for-sale in accordance with IFRS 5 *Non-current Assets Held-for-sale and Discontinued Operations*, which are recognised at fair value less costs to sell.

Contingent liabilities are included in the identifiable assets and liabilities of the acquiree only where there is a present obligation at acquisition date.

On acquisition, the Group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for Group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

NCI arising from a business combination, which are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured either at the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination and disclosed in the note for business combinations. All other components of NCI are measured at their acquisition date fair values, unless another measurement basis is required by IFRS.

In cases where the Group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value at acquisition date. The measurement to fair value is included in profit or loss for the year. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus NCI, less the fair value of the identifiable assets and liabilities of the acquiree. If the total of consideration transferred, NCI recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Goodwill is not amortised but is tested on an annual basis for impairment or more frequently if events or changes in circumstances indicate a potential impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases, the goodwill is translated to the functional currency of the Company at the end of each reporting period with the adjustment recognised in equity through other comprehensive income.

The following business combinations occurred during the current and prior years:

	2022 £'m	2021 £'m
Cash flow on acquisition:		
OPERA Zumikon	**–**	(2)
Bourn Hall International MENA Limited	**(3)**	–
Ayadi Home Health Care LLC	**(4)**	–
	(7)	(2)

Bourn Hall International MENA Limited

Effective on 11 November 2021, Emirates Healthcare Limited, which forms part of the Middle East segment, acquired the remaining 70% shares in Bourn Hall for £4m. Bourn Hall specialises in IVF treatments. The goodwill of £7m arising from the acquisition is attributable to the acquired workforce and future cash flow from operations.

Revenue and profit contribution

The acquired business contributed revenues of £4m and net profit of less than £0.5m to the Group for the period from 11 November 2021 to 31 March 2022. If the acquisition had occurred on 1 April 2021, consolidated *pro-forma* revenue and net profit for the year ended 31 March 2022 would have been £7m and less than £0.5m, respectively.

34. BUSINESS COMBINATIONS CONTINUED

Ayadi Home Health Care LLC

Effective on 27 December 2021, Mediclinic Hospitals LLC, which forms part of the Middle East segment, acquired 100% of the shares in the accredited Al Ain-based home healthcare services business, Ayadi Home Health Care LLC ('Ayadi Home Healthcare'), for £4m. The goodwill of £3m arising from the acquisition is attributable to the acquired workforce and future cash flow from operations.

Revenue and profit contribution

The acquired business contributed revenues of £1m and net profit of less than £0.5m to the Group for the period from 27 December 2021 to 31 March 2022. If the acquisition had occurred on 1 April 2021, consolidated *pro-forma* revenue and net loss for the year ended 31 March 2022 would have been £3m and £1m, respectively.

The following table summarises the provisional fair value of assets acquired and liabilities assumed at the respective acquisition dates:

	2022 £'m	2022 £'m	2022 £'m
	Bourn Hall	Ayadi Home Healthcare	Total
Recognised amounts of identifiable assets acquired and liabilities assumed			
Total assets	5	1	6
Total liabilities	5	–	5
Total identifiable net assets at fair value	–	1	1
Goodwill	7	3	10
Consideration transferred for the business	7	4	11
Fair value of the Group's existing portion	(3)	–	(3)
Cash flow on acquisition	4	4	8
Cash flow on acquisition			
Net cash acquired with subsidiary	1	–	1
Cash paid	(4)	(4)	(8)
Net cash flow upon acquisition	(3)	(4)	(7)

35. DISPOSAL OF SUBSIDIARIES

During the prior year, the Group disposed of a number of outpatient clinics which were part of the Swiss division and Mediclinic Howick, which was part of the Southern African division. The total net assets disposed of had a carrying value of £4m and were disposed of for a total consideration of £4m. The transactions resulted in a net loss on disposal of subsidiary of less than £0.5m. After considering the cash and cash equivalents disposed of, the net cash flow on disposal was £4m.

36. COMMITMENTS

	2022 £'m	2021 £'m
Capital commitments		
Incomplete capital expenditure contracts	161	190
Switzerland	114	125
Southern Africa	31	55
Middle East	16	10
Capital expenses authorised by the Board of Directors but not yet contracted	109	77
Switzerland	13	12
Southern Africa	74	39
Middle East	22	26
	270	267

These commitments will be financed from Group cash flow and borrowed funds.

Income guarantees

As part of the expansion of network of specialist institutes in Switzerland and centres of expertise, the Group has agreed to guarantee a minimum net income to these specialists for a start-up period of 3–5 years. Payments under such guarantees become due if the net income from the collaboration does not meet the amounts guaranteed. There were no payments under the aforementioned income guarantees in the reporting period as the net income individually generated met or exceeded the amounts guaranteed.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

36. COMMITMENTS CONTINUED

Income guarantees continued

	2022 £'m	2021 £'m
Total of net income guaranteed:		
April 2021 – March 2022	–	3
April 2022 – March 2023[1]	2	–
April 2023 – March 2024[1]	1	–
	3	3

Note

[1] Amount is less than £0.5m in the prior year.

Contingent liabilities

The Group is routinely subject to legal proceedings, claims, complaints and investigations arising out of the ordinary course of business. The Group cannot always accurately predict the outcome of individual legal actions, claims, complaints or investigations but a best estimate of the likelihood of such actions and claims crystallising a financial exposure is made at each year end. Where an exposure is deemed probable and is reliably estimable, a provision is made.

Except for matters where provisions have been recorded, which are described in note 28, the Group considers that no material loss to the Group is expected to result from legal proceedings, claims, complaints and investigations.

37. RELATED PARTY TRANSACTIONS

Remgro Ltd owns, through various subsidiaries (Remgro Healthcare [Pty] Ltd, Remgro Health Ltd and Remgro Jersey GBP Ltd), 44.56% (2021: 44.56%) of the Company's issued share capital.

The following transactions were carried out with related parties:

		2022 £'m	2021 £'m
i)	Transactions with shareholders		
	Remgro Management Services Ltd (subsidiary of Remgro Ltd)		
	Managerial and administration fees	0.3	0.3
(Continued)			
ii)	Key management compensation[1]		
	Key management includes the directors (executive and non-executive) and members of the Group Executive Committee		
	Salaries and other short-term benefits		
	Short-term benefits	9	8
iii)	Transactions with associates and joint ventures		
	Zentrallabor Zürich		
	Purchases	10	11
	Wits University Donald Gordon Medical Centre (Pty) Ltd		
	Fees received	(2)	(2)
	Agency fees received	(2)	(1)
	Al Murjan Medical Center		
	Fees earned	(1)	–
	Spire Healthcare Group plc		
	Non-executive director fee[2]	–	–
iv)	Loans to related parties		
	Wits University Donald Gordon Medical Centre (Pty) Ltd	2	2
	Bourn Hall LLC	–	2
v)	Other receivables & payables due from/(to) related parties		
	Wits University Donald Gordon Medical Centre (Pty) Ltd	–	2
	Zentrallabor Zürich ZLZ	–	(1)

Notes

[1] Details of directors' remuneration are contained in the **Remuneration Committee Report** on pages 143–167.

[2] Amount is less than £0.1m.

37. RELATED PARTY TRANSACTIONS CONTINUED

Terms and conditions

Managerial and administration fees were bought on a cost-plus basis. All other transactions were made on normal commercial terms and conditions and at market rates.

During the year ended 31 March 2022, the Southern African division entered into an agreement with Energy Exchange of Southern Africa, an associate of Remgro Ltd, to procure renewable electricity. There were no transactions for the period under review or amounts outstanding at 31 March 2022.

The loan to Wits University Donald Gordon Medical Centre (Pty) Ltd is interest free and repayable on demand. The loan to Zentrallabor Zürich ZLZ is interest free and repayable in August 2022.

38. EVENTS AFTER THE REPORTING DATE

The directors are not aware of any matter or circumstance arising since the end of the financial year that would significantly affect the operations of the Group or the results of its operations.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

SUBSIDIARIES

Company	Registered office address	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2022 %	Interest in capital[1] 31 March 2021 %
Mediclinic CHF Finco Limited	IFC 5, St Helier, Jersey, JE1 1ST	Jersey	Treasury	**100.0**	100.0
Mediclinic Holdings Netherlands B.V.	Schiekade 830, 3032 AL Rotterdam	Netherlands	Intermediary holding company	**100.0**	100.0
Mediclinic International (RF) (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Intermediary holding company	**100.0**	100.0
Mediclinic Middle East Holdings Limited	IFC 5, St Helier, Jersey, JE1 1ST	Jersey	Intermediary holding company	**100.0**	100.0
Ouroboros Solutions AG	Sihlbruggstrasse 3, 6340 Baar	Switzerland	Intermediary holding company	**100.0**	-
INDIRECTLY HELD THROUGH MEDICLINIC CHF FINCO LIMITED					
Mediclinic Jersey Limited	IFC 5, St Helier, Jersey, JE1 1ST	Jersey	Intermediary holding company	**100.0**	100.0
INDIRECTLY HELD THROUGH MEDICLINIC HOLDINGS NETHERLANDS B.V.					
Mediclinic Luxembourg S.à.r.l.	14 Rue Edward Steichen, L-2540 Luxembourg	Luxembourg	Intermediary holding company	**100.0**	100.0
INDIRECTLY HELD THROUGH MEDICLINIC LUXEMBOURG S.À.R.L.					
Hirslanden AG	Boulevard Lilienthal 2, 8152 Glattpark (Opfikon)	Switzerland	Intermediary holding company and operating company of Hirslanden	**100.0**	100.0
INDIRECTLY HELD THROUGH HIRSLANDEN AG					
AndreasKlinik AG Cham	Rigistrasse 1, 6330 Cham	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden Bern AG	Schänzlihalde 11, 3013 Bern	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden Klinik Aarau AG	Schänisweg, 5000 Aarau	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden Klinik Linde AG	Blumenrain 105, 2503 Biel/Bienne	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden Klinik Am Rosenberg AG	Hasenbühlstrasse 11, 9410 Heiden	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden La Colline Grangettes SA	Chemin des Grangettes 7, c/o Clinique des Grangettes SA 1224 Chêne-Bougeries	Switzerland	Healthcare services	**60.0**	60.0

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

SUBSIDIARIES CONTINUED

Company	Registered office address	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2022 %	Interest in capital[1] 31 March 2021 %
INDIRECTLY HELD THROUGH HIRSLANDEN AG CONTINUED					
Hirslanden Lausanne SA	Avenue d'Ouchy 31, 1006 Lausanne	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden OPERA AG[2]	Boulevard Lilienthal 2, 8152 Glattpark (Opfikon)	Switzerland	Hirslanden OPERA AG	**100.0**	100.0
Hirslanden Praxiszentrum am Bahnhof, Schaffhausen AG[2]	Bleichestrasse 3, 8200 Schaffhausen	Switzerland	Healthcare services	**-**	-
Hirslanden Precise AG	Forchstrasse 452, 8702 Zollikon	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden Venture Capital AG	Boulevard Lilienthal 2, 8152 Glattpark (Opfikon)	Switzerland	Healthcare services	**100.0**	100.0
IMRAD SA	Avenue d'Ouchy 31, Clinique Bois-Cerf c/o Hirslanden Lausanne SA, 1006 Lausanne	Switzerland	Healthcare services	**75.0**	75.0
Klinik Birshof AG	Reinacherstrasse 28, 4142 Münchenstein	Switzerland	Healthcare services	**99.9**	99.9
Klinik St. Anna AG	St. Anna-Strasse 32, 6006 Luzern	Switzerland	Healthcare services	**100.0**	100.0
Klinik Stephanshorn AG	Brauerstrasse 95, 9016 St. Gallen	Switzerland	Healthcare services	**100.0**	100.0
Radiotherapie Hirslanden AG	Rain 34, 5000 Aarau	Switzerland	Healthcare services	**100.0**	100.0
INDIRECTLY HELD THROUGH HIRSLANDEN KLINIK AM ROSENBERG AG					
Klinik am Rosenberg Heiden AG	Hasenbühlstrasse 11, 9410 Heiden	Switzerland	Healthcare services	**99.2**	99.2
INDIRECTLY HELD THROUGH HIRSLANDEN LA COLLINE GRANGETTES SA					
Hirslanden Clinique La Colline SA	Avenue de Beau-Séjour 6, 1206 Genève	Switzerland	Healthcare services	**60.0**	60.0
Grangettes Healthcare SA	Chemin des Grangettes 7, c/o Clinique des Grangettes SA 1224 Chêne-Bougeries	Switzerland	Healthcare services	**60.0**	60.0
INDIRECTLY HELD THROUGH GRANGETTES HEALTHCARE SA					
Clinique des Grangettes SA	Chemin des Grangettes 7, 1224 Chêne-Bougeries	Switzerland	Healthcare services	**60.0**	60.0
Dianecho SA	Rue de Carouge 116, 1205 Genève	Switzerland	Healthcare services	**43.9**	43.9
INDIRECTLY HELD THROUGH HIRSLANDEN OPERA AG[2]					
Hirslanden OPERA Zumikon AG	Morgental 35, 8126 Zumikon	Switzerland	Healthcare services	**100.0**	100.0
Hirslanden OPERA St. Gallen AG	Schuppisstrasse 10, 9016 St. Gallen	Switzerland	Healthcare services	**100.0**	100.0

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

SUBSIDIARIES CONTINUED

Company	Registered office address	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2022 %	Interest in capital[1] 31 March 2021 %
INDIRECTLY HELD THROUGH HIRSLANDEN OPERA AG[2] CONTINUED					
Hirslanden OPERA Bern AG	Nordring 4, 3013 Bern	Switzerland	Healthcare services	**100.0**	-
INDIRECTLY HELD THROUGH IMRAD SA					
Hirslanden Freiburg AG, Düdingen	Bahnhofplatz 2a, 3186 Düdingen	Switzerland	Healthcare services	**75.0**	75.0
INDIRECTLY HELD THROUGH MEDICLINIC INTERNATIONAL (RF) (PTY) LTD					
Mediclinic Group Services (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Provision of group services within Mediclinic	**100.0**	100.0
Mediclinic Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Intermediary holding company	**100.0**	100.0
INDIRECTLY HELD THROUGH MEDICLINIC GROUP SERVICES (PTY) LTD					
Medical Innovations (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital equipment and procurement	**100.0**	100.00
INDIRECTLY HELD THROUGH MEDICLINIC INVESTMENTS (PTY) LTD					
Mediclinic Southern Africa (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Intermediary holding company	**100.0**	100.0
INDIRECTLY HELD THROUGH MEDICLINIC SOUTHERN AFRICA (PTY) LTD					
Curamed Holdings (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Intermediary holding company	**73.4**	73.4
Mediclinic Denmar Mental Health Services (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Mental healthcare services	**100.0**	100.0
ER24 Holdings (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Intermediary holding company	**100.0**	100.0
Intelimed (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Managed care organisation (dormant)	**100.0**	100.0
Intercare Group Hospital Holdings (Pty) Ltd (Hospitals)	Glenfair Office Block, Lynnwood & Daventry Roads, Lynnwood 0081	South Africa	Healthcare services	**59.2**	50.1
Medical Human Resources (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Management of healthcare staff	**100.0**	100.0

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

SUBSIDIARIES CONTINUED

Company	Registered office address	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2022 %	Interest in capital[1] 31 March 2021 %
INDIRECTLY HELD THROUGH MEDICLINIC SOUTHERN AFRICA (PTY) LTD CONTINUED					
Mediclinic (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Intermediary holding company and operating company of Mediclinic Southern Africa	**100.0**	100.0
Mediclinic Brits (Pty) Ltd[2]	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**66.5**	66.8
Mediclinic Finance Corporation (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Treasury	**100.0**	100.0
Mediclinic Holdings (Namibia) (Pty) Ltd	Grant Thornton Neuhaus, 12th floor, Sanlam Centre, 157 Independence Avenue, Windhoek	Namibia	Intermediary holding company	**100.0**	100.0
Mediclinic Lephalale (Pty) Ltd[2]	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**93.0**	93.0
Mediclinic Midstream (Pty) Ltd[2]	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**81.8**	81.8
Mediclinic Paarl (Pty) Ltd[2]	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**77.7**	75.5
Mediclinic Properties (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Property ownership and management	**100.0**	100.0
Mediclinic Renal Services (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**70.0**	100.0
Mediclinic Renal Services Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**70.0**	100.0
Mediclinic Stellenbosch (Pty) Ltd[2]	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**87.3**	87.3
Mediclinic Tzaneen (Pty) Ltd[2] (50% plus one share)	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**52.9**	50.0
Newcastle Private Hospital (Pty) Ltd[2] (50% plus one share, including B class shares)	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**21.4**	21.4
Practice Relief (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Provision of debt collection and related services	**100.0**	100.0
Victoria Hospital (Pty) Ltd[2] (50% plus five shares, including B class shares)	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**33.7**	33.7

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

SUBSIDIARIES CONTINUED

Company	Registered office address	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2022 %	Interest in capital[1] 31 March 2021 %
INDIRECTLY HELD THROUGH MEDICLINIC SOUTHERN AFRICA (PTY) LTD CONTINUED					
Sandton Day Hospital (Pty) Ltd[4]	Glenfair Office Block, Lynnwood & Daventry Roads, Lynnwood 0081	South Africa	Healthcare services	**70.0**	70.0
Sandton Sub-Acute Hospital (Pty) Ltd[4]	Glenfair Office Block, Lynnwood & Daventry Roads, Lynnwood 0081	South Africa	Healthcare services	**70.0**	70.0
INDIRECTLY HELD THROUGH CURAMED HOLDINGS (PTY) LTD					
Curamed Hospitals (Pty) Ltd[2]	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**100.0**	100.0
Curamed Properties (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Property ownership and management	**100.0**	100.0
INDIRECTLY HELD THROUGH CURAMED HOSPITALS (PTY) LTD[2]					
Mediclinic Thabazimbi (Pty) Ltd[2]	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**76.0**	76.0
INDIRECTLY HELD THROUGH ER24 HOLDINGS (PTY) LTD					
ER24 EMS (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Emergency medical services	**100.0**	100.0
ER24 Trademarks (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Intellectual property holding company	**100.0**	100.0
INDIRECTLY HELD THROUGH MEDICLINIC (PTY) LTD					
Mediclinic Ermelo (Pty) Ltd[2]	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**61.8**	59.8
Mediclinic Hermanus (Pty) Ltd[2]	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**39.1**	39.1
Mediclinic Kimberley (Pty) Ltd[2]	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**89.1**	89.6
Mediclinic Limpopo (Pty) Ltd[2&3] (50% plus 1 share)	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**50.0**	50.0
Mediclinic Potchefstroom (Pty) Ltd[2]	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**87.4**	87.7
Mediclinic Upington (Pty) Ltd[2]	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**50.0**	50.0
INDIRECTLY HELD THROUGH MEDICLINIC LIMPOPO (PTY) LTD[2&3]					
Mediclinic Limpopo Day Clinic (Pty) Ltd[2]	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**56.4**	56.4
Mediclinic Limpopo Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Investment holding company	**100.0**	100.0

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

SUBSIDIARIES CONTINUED

Company	Registered office address	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2022 %	Interest in capital[1] 31 March 2021 %
HOSPITAL INVESTMENT COMPANIES					
Mediclinic Bloemfontein Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**98.2**	98.2
Mediclinic Cape Gate Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**93.5**	91.4
Mediclinic Cape Town Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**98.0**	99.0
Mediclinic Constantiaberg Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**75.0**	75.0
Mediclinic Durbanville Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**99.4**	99.4
Mediclinic Emfuleni Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**81.0**	81.0
Mediclinic George Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**99.5**	99.5
Mediclinic Highveld Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**97.1**	97.1
Mediclinic Hoogland Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**98.5**	98.8
Mediclinic Kathu Investments (Pty) Ltd[5]	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Deregistered	**0.0**	100.0
Mediclinic Klein Karoo Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**100.0**	100.0
Mediclinic Legae Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**87.5**	87.5
Mediclinic Louis Leipoldt Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**99.9**	99.9
Mediclinic Milnerton Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**97.4**	99.4
Mediclinic Morningside Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**81.3**	82.3

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

SUBSIDIARIES CONTINUED

Company	Registered office address	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2022 %	Interest in capital[1] 31 March 2021 %
HOSPITAL INVESTMENT COMPANIES CONTINUED					
Mediclinic Nelspruit Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**98.0**	98.2
Mediclinic Panorama Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**99.2**	99.2
Mediclinic Pietermaritzburg Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**77.5**	77.6
Mediclinic Plettenberg Bay Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**93.0**	93.0
Mediclinic Sandton Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**91.0**	93.8
Mediclinic Secunda Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**100.0**	82.2
Mediclinic Vereeniging Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**99.4**	99.4
Mediclinic Vergelegen Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**94.9**	94.9
Mediclinic Welkom Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**93.2**	91.6
Mediclinic Worcester Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Hospital investment company	**97.3**	97.3
INDIRECTLY HELD THROUGH MEDICLINIC BLOEMFONTEIN INVESTMENTS (PTY) LTD					
Mediclinic Bloemfontein Day Clinic Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Day case clinic investment company	**100.0**	100.0
INDIRECTLY HELD THROUGH MEDICLINIC CAPE GATE INVESTMENTS (PTY) LTD					
Mediclinic Cape Gate Day Clinic Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Day case clinic investment company	**83.2**	100.0

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

SUBSIDIARIES CONTINUED

Company	Registered office address	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2022 %	Interest in capital[1] 31 March 2021 %
INDIRECTLY HELD THROUGH MEDICLINIC DURBANVILLE INVESTMENTS (PTY) LTD					
Mediclinic Durbanville Day Clinic Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Day case clinic investment company	**85.2**	85.2
INDIRECTLY HELD THROUGH MEDICLINIC NELSPRUIT INVESTMENTS (PTY) LTD					
Mediclinic Nelspruit Day Clinic Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Day case clinic investment company	**86.6**	100.0
INDIRECTLY HELD THROUGH MEDICLINIC VERGELEGEN INVESTMENTS (PTY) LTD					
Mediclinic Vergelegen Day Clinic Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Day case clinic investment company	**89.3**	100.0
INDIRECTLY HELD THROUGH MEDICLINIC WELKOM INVESTMENTS (PTY) LTD					
Welkom Medical Centre (Free State) (Pty) Ltd[2]	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**84.7**	83.5
INDIRECTLY HELD THROUGH MEDICLINIC HOLDINGS (NAMIBIA) (PTY) LTD					
Mediclinic Capital (Namibia) (Pty) Ltd	Grant Thornton Neuhaus, 12th floor, Sanlam Centre, 157 Independence Avenue, Windhoek	Namibia	Investment holding company	**100.0**	100.0
Mediclinic Otjiwarongo (Pty) Ltd[2]	Grant Thornton Neuhaus, 12th floor, Sanlam Centre, 157 Independence Avenue, Windhoek	Namibia	Healthcare services	**100.0**	100.0
Mediclinic Properties (Swakopmund) (Pty) Ltd	Grant Thornton Neuhaus, 12th floor, Sanlam Centre, 157 Independence Avenue, Windhoek	Namibia	Property ownership and management	**100.0**	100.0
Mediclinic Properties (Windhoek) (Pty) Ltd	Grant Thornton Neuhaus, 12th floor, Sanlam Centre, 157 Independence Avenue, Windhoek	Namibia	Property ownership and management	**100.0**	100.0
Mediclinic Swakopmund (Pty) Ltd[2]	Grant Thornton Neuhaus, 12th floor, Sanlam Centre, 157 Independence Avenue, Windhoek	Namibia	Healthcare services	**98.9**	98.9
Mediclinic Windhoek (Pty) Ltd[2]	Grant Thornton Neuhaus, 12th floor, Sanlam Centre, 157 Independence Avenue, Windhoek	Namibia	Healthcare services	**97.5**	97.4

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

SUBSIDIARIES CONTINUED

Company	Registered office address	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2022 %	31 March 2021 %
INDIRECTLY HELD THROUGH MEDICLINIC STELLENBOSCH (PTY) LTD[2]					
Mediclinic Stellenbosch Day Clinic (Pty) Ltd[2]	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Dormant	**76.1**	76.1
Mediclinic Winelands (Pty) Ltd[2]	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Healthcare services	**50.1**	50.1
INDIRECTLY HELD THROUGH MEDICLINIC TZANEEN (PTY) LTD[2]					
Mediclinic Tzaneen Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Investment holding company	**100.0**	100.0
INDIRECTLY HELD THROUGH MEDICLINIC VICTORIA HOSPITAL (PTY) LTD					
Victoria Hospital Investments (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600	South Africa	Investment holding company	**100.0**	100.0
INDIRECTLY HELD THROUGH MEDICLINIC MIDDLE EAST HOLDINGS LIMITED					
Emirates Healthcare Holdings Limited	IFC 5, St Helier, Jersey, JE1 1ST	Jersey	Intermediary holding company	**100.0**	100.0
Mediclinic International Co Limited	6th floor, 65 Gresham Street, London, EC2V 7NQ	United Kingdom	Dormant	**100.0**	100.0
Mediclinic KSA Holdings Limited	IFC 5, St Helier, Jersey, JE1 1ST	Jersey	Intermediary holding company	**100.0**	100.0
INDIRECTLY HELD THROUGH EMIRATES HEALTHCARE HOLDINGS LIMITED					
Emirates Healthcare Limited[6]	IFC 5, St Helier, Jersey, JE1 1ST	Jersey	Healthcare services	**100.0**	100.0
INDIRECTLY HELD THROUGH EMIRATES HEALTHCARE LIMITED[5]					
Delah Cafe FZ LLC	Ground floor, Mediclinic City Hospital, Building no 35 and 37, Dubai Healthcare City, Al Razi Street, Dubai	The UAE	Food and catering	**100.0**	100.0
Mediclinic Al Qusais Clinic LLC	Plot no 284/243, Shop 3–5, Legend Middle East Building, Al Qusais	The UAE	Healthcare services	**49.0**	49.0
Mediclinic Beach Road LLC	First floor, Dubai International Properties, Dubai	The UAE	Healthcare services (in process of liquidation)	**49.0**	49.0
Mediclinic City Hospital FZ LLC	Building no 35 and 37, Dubai Healthcare City, Al Razi Street, Dubai	The UAE	Healthcare services	**100.0**	100.0
Mediclinic Clinics Investment LLC	Third floor, Dubai Mall, Parcel ID 345897, Dubai	The UAE	Healthcare services	**49.0**	49.0

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

SUBSIDIARIES CONTINUED

Company	Registered office address	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2022 %	Interest in capital[1] 31 March 2021 %
INDIRECTLY HELD THROUGH EMIRATES HEALTHCARE LIMITED[5] CONTINUED					
Mediclinic Hospitals LLC (Al Noor Hospital)[7&8]	Sheikh Mohamed Bin Butti Building, Sheikh Khalifa Street, Abu Dhabi	The UAE	Healthcare services	**49.0**	49.0
Mediclinic Ibn Battuta Clinic LLC	Shop 142, China Cluster, Retail Corp, Ibn Battuta Mall, Dubai	The UAE	Healthcare services	**49.0**	49.0
Mediclinic Mirdif Clinic LLC	Ground floor, Office 13, Uptown Mirdif Building, Parcel no 321-224 Mirdif, Dubai	The UAE	Healthcare services	**49.0**	49.0
Mediclinic Parkview Hospital LLC	Mediclinic Middle East management services, FZ.LLC Building, Al Barsha South 3, Dubai	The UAE	Healthcare services	**49.0**	49.0
Pharma Light Medical Store LLC	Shop 27, Plot no 49, Musaffah, M38, Abu Dhabi	The UAE	Medical store/procurement	**49.0**	49.0
Welcare Hospitals Limited	IFC 5, St Helier, Jersey, JE1 1ST	Jersey	Healthcare services	**100.0**	100.0
Welcare World Health Systems Limited	IFC 5, St Helier, Jersey, JE1 1ST	Jersey	Healthcare services	**100.0**	100.0
Bourn Hall International MENA Limited[9]	C/o Al Tamimi & Company, Dubai International Financial Centre, Registered with the DFSA, Level 7, Central Park Towers, Dubai, UAE	The UAE	General Commercial Business	**100.0**	30.0
INDIRECTLY HELD THROUGH BOURN HALL INTERNATIONAL MENA LIMITED					
Bourn Hall LLC[10]	Al Hudaiba Awards Building, Block C, 7th floor, Dubai Martime City, UAE	The UAE	Fertility Centre	**49.0**	-
INDIRECTLY HELD THROUGH MEDICLINIC HOSPITALS LLC (AL NOOR HOSPITAL)[6&7]					
Al Noor Hospital Clinics – Al Ain[11]	Al Ain Town Center, Sheikh Mohammed Bin Butti Al Hamed Building, Al Ain	The UAE	Healthcare Services	**49.0**	49.0
Al Madar Medical Center Pharmacy LLC[12]	Al Jimi, Al Jimi Ali Jumaa Ali Darmaki Building, Al Mouror Street, Abu Dhabi Island, Jabr Mohamed Ghanem Sultan Al Suwaidi, Al Ain	The UAE	Healthcare services	**49.0**	49.0
Mediclinic – Al Mamora LLC[13]	Jabr Mohamed Ghanem Sultan Al Suwaidi, Al Mouror Street, Abu Dhabi Island	The UAE	Healthcare services	**99.0**	99.0
Mediclinic Khalifa City LLC[14]	Mabkhoot Saleh Al Mansouri Building, plot no 14, Eastern South 42, Khalifa City, Abu Dhabi	The UAE	Healthcare services	**49.0**	49.0
Mediclinic Hospitals – Al Musafah Specialty Clinics LLC	Musafah Sh 10 Parcel ID 401, Floor no. M, 1&2 Huashel Saeed, Khaseeb Al Yakooubi Building, Abu Dhabi	The UAE	Healthcare services	**49.0**	49.0

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

SUBSIDIARIES CONTINUED

Company	Registered office address	Country of incorporation and place of business	Principal activities	Interest in capital[1] 31 March 2022 %	Interest in capital[1] 31 March 2021 %
INDIRECTLY HELD THROUGH MEDICLINIC HOSPITALS LLC (AL NOOR HOSPITAL)[6&7] CONTINUED					
Mediclinic Pharmacy – Al Musaffah 2 LLC	Madinat Mohamed Bin Zayed, Sh 10 Parcel ID 401, Huashel Saeed, Khaseeb Al Yakooubi Building, Abu Dhabi	The UAE	Healthcare services	**49.0**	49.0
Aman Home for Health Medical Home Care LLC[15]	Shaabiyat Makam, No 20 Al Makam, Ground Floor, Office no 2, Mohamed Thaloob Salem Hamad Al Derei Building, Al Ain, Abu Dhabi	The UAE	Home Healthcare services	**49.0**	0.0
Ayadi Home Health Care LLC[16]	Shaabiyat Makam, No 4 Al Makam, Ground Floor, Office no 2, Mohamed Thaloob Salem Hamad Al Derei Building, Al Ain, Abu Dhabi	The UAE	Healthcare services	**49.0**	0.0
INDIRECTLY HELD THROUGH WELCARE HOSPITALS LIMITED (JERSEY)					
Mediclinic Welcare Hospital LLC	Deira Nasser Abdullah Hussein Lootah Building, Al Garhood, Dubai	The UAE	Healthcare services	**49.0**	49.0
INDIRECTLY HELD THROUGH WELCARE WORLD HEALTH SYSTEMS LIMITED					
Mediclinic Middle East Management Services FZ LLC	Floor 5–7, Publishing Pavilion, Dubai Production City, Dubai	The UAE	Healthcare management services	**100.0**	100.0

Notes

1 The equity interest in the UAE entities is disclosed herein, with the beneficial interest further explained in the notes.
2 Controlled through long-term management agreements.
3 Operating through trusts or partnerships.
4 Managed by Intercare.
5 Mediclinic Kathu Investments (Pty) Ltd deregistered on 3 January 2022.
6 In terms of constitutional and contractual arrangements, the Group has full management control and economic interest in the listed entities.
7 Al Nahda International Holding LLC holds 100% share capital of Al Noor Commercial Investments Sole Proprietorship LLC ('ANCI'). In terms of the shareholders agreement dated 17 May 2017, executed between Emirates Healthcare Limited, Al Nahda International Limited, Al Noor Commercial Investment Sole Proprietorship LLC and Mediclinic Hospitals LLC (Al Noor Hospital LLC), the parties agreed that Al Nahda International Holding LLC will become the sole shareholder of ANCI and the local sponsor for all the group entities registered in Abu Dhabi (i.e. of Mediclinic Hospitals LLC [Al Noor Hospital] and its subsidiaries and the respective registered branches and operational units from time to time). In terms of this agreement, ANCI holds 51% of the share capital of Mediclinic Hospitals LLC (Al Noor Hospital) and Emirates Healthcare Limited holds the remaining 49%. By virtue of this shareholders agreement, the parties have agreed that ANCI and Mediclinic Hospitals LLC (Al Noor Hospital) will be managed and controlled by Emirates Healthcare Limited ('EHL'). Given that management, voting rights and the dividend rights have been assigned to EHL, all dividends declared by Mediclinic Hospitals LLC (Al Noor Hospital) are paid directly to EHL.

As per the termination agreement dated 21 August 2017, between Al Noor Golden Commercial Investment LLC ('ANGCI'), Sheikh Mohamed Bin Butti Al Hamid, Al Noor Commercial Investment LLC, ANMC Management Limited ('ANMC'), Al Noor Holdings Cayman and EHL, the parties agreed to terminate the following:

a) The relationship management agreement entered into between ANGCI, Sheikh Bin Butti and Mediclinic Hospitals LLC (Al Noor Hospital) on 20 May 2013;
b) The relationship agreement entered into between ANGCI, ANCI and Mediclinic Hospitals LLC (Al Noor Hospital) on 20 May 2013;
c) The management agreement entered into between ANCI and ANMC on 20 May 2013; and
d) A shareholder's agreement entered into between Sheikh Bin Butti, The First Arabian Corporation LLC, Al Noor Cayman, ANMC and ANCI on 20 May 2013.

8 EHL holds 49% of the issued share capital of Mediclinic Hospitals LLC (Al Noor Hospital), with the remaining 51% held by ANCI. ANCI assigned 100% of the voting rights, management control and dividend to EHL. EHL has the right to be appointed as the proxy of ANCI, to attend and to vote at all shareholder meetings of Mediclinic Hospitals LLC (Al Noor Hospital).
9 EHL holds 100% of the issued share capital of Bourn Hall International MENA Limited. Bourn Hall International MENA Ltd is registered in Jebel Al Free Zone, Dubai, and EHL, Jersey, holds 100% issued paid-up and subscribed share capital of this company.
10 Bourn Hall LLC is registered in Dubai. The shareholders of Bourn Hall LLC are:

- Bourn Hall International MENA Ltd - 49%;
- Al Noor Commercial Investment - Sole Proprietorship LLC - 51%.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

SUBSIDIARIES CONTINUED

[11] 100% beneficial interest of Bourn Hall LLC is ultimately held by EHL. Bourn Hall LLC has two branches, one in Abu Dhabi and one in Al Ain. Bourn Hall LLC and its branch in Al Ain are operating as clinics and the statutory licensing of the Abu Dhabi branch to operate as a clinic is under process.
Al Noor Commercial Investment Sole Proprietorship LLC holds 51% of the issued share capital of Al Noor Hospital Clinics – Al Ain, with the remaining 49% held by Mediclinic Hospitals LLC (Al Noor Hospital).

[12] Mediclinic Hospitals LLC (Al Noor Hospital) holds 49% of the issued share capital of Al Madar Medical Centre Pharmacy LLC, with the remaining 51% held by ANCI. The memorandum of association of the company provides that Mediclinic Hospitals LLC (Al Noor Hospital) is entitled to receive 99% of distributions by the company and ANCI is entitled to receive 1%. Mediclinic Hospitals LLC (Al Noor Hospital)'s effective beneficial interest in the entity is therefore 99%.

[13] Mediclinic Hospitals LLC (Al Noor Hospital) holds 99% and ANCI holds 1% of the issued share capital of Mediclinic Al Mamora LLC.

[14] Mediclinic Hospitals LLC (Al Noor Hospital) holds 49% of the issued share capital of Mediclinic Khalifa City Clinic LLC, with the remaining 51% held by ANCI. The memorandum of association of the company provides that Mediclinic Hospitals LLC (Al Noor Hospital) is entitled to receive 99% of distributions by the company and ANCI is entitled to receive 1%. Mediclinic Hospitals LLC (Al Noor Hospital)'s effective beneficial interest in the entity is therefore 99%.

[15] Mediclinic Hospitals LLC (Al Noor Hospital) holds 49% of the issued share capital of Aman Home for Health Medical Home Care LLC, with the remaining 51% held by ANCI. The memorandum of association of the company provides that Mediclinic Hospitals LLC (Al Noor Hospital) is entitled to receive 99% of distributions by the company and ANCI is entitled to receive 1%. Mediclinic Hospitals LLC (Al Noor Hospital)'s effective beneficial interest in the entity is therefore 99%.

[16] Mediclinic Hospitals LLC (Al Noor Hospital) holds 49% of the issued share capital of Ayadi Home Health Care LLC, with the remaining 51% held by ANCI. The memorandum of association of the company provides that Mediclinic Hospitals LLC (Al Noor Hospital) is entitled to receive 99% of distributions by the company and ANCI is entitled to receive 1%. Mediclinic Hospitals LLC (Al Noor Hospital)'s effective beneficial interest in the entity is therefore 99%.

JOINT VENTURES

COMPANY	COUNTRY OF INCORPORATION AND PLACE OF BUSINESS	PRINCIPAL ACTIVITIES	INTEREST IN CAPITAL 31 March 2022 %	INTEREST IN CAPITAL 31 March 2021 %
Wits University Donald Gordon Medical Centre (Pty) Ltd	Mediclinic Corporate Office, 25 Du Toit Street, Stellenbosch 7600, South Africa	Healthcare services	**49.9**	49.9
GRGB Santé SA, Genève[1]	Chemin de Beau-Soleil 20, 1206 Genève, Switzerland	Healthcare services	**30.0**	30.0
Centre de Chirurgie Ambulatoire (CCA) - HUG Hirslanden SA, Genève 3	Rue Gabrielle-Perret-Gentil 4, c/o Les hôpitaux universitaires de Genève, 1205 Genève, Switzerland	Healthcare services	**50.0**	50.0

Note
[1] Shareholding indirectly held through Clinique des Grangettes SA.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS CONTINUED

39. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES CONTINUED

ASSOCIATES[1]

COMPANY	REGISTERED OFFICE ADDRESS	INTEREST IN CAPITAL 31 March 2022 %	INTEREST IN CAPITAL 31 March 2021 %	BOOK VALUE OF INVESTMENT 31 March 2022 £'m	BOOK VALUE OF INVESTMENT 31 March 2021 £'m
Listed					
Spire Healthcare Group plc (held through Mediclinic Jersey Limited)	3 Dorset Rise, London, EC4Y 8EN	**29.9**	29.9	**156**	157
Unlisted					
Intercare Holdings Proprietary Limited	Glenfair Office Block, Lynnwood & Daventry Roads, Lynnwood 0081	**34.0**	34.0	**3**	2
Icon Joint Venture Proprietary Limited[2]	1st Floor Madison Square Park, 4 Howick Close, Tygerfalls, 7530, South Africa	**25.0**	–	**–**	–
Bourn Hall International MENA Limited	C/o Al Tamimi & Company Dubai International Financial Centre, Registered with the DFSA Level 7, Central Park Towers, Dubai, UAE	**100.0**	30.0	**–**	5
Zentrallabor Zürich, Zürich[3]	Forchstrasse 452, 8702 Zollikon	**49.0**	49.47	**–**	1
Baukonsortium, Cham	Rigistrasse 1, 6330 Cham	**24.0**	24.0	**1**	1
EFG Parkierung Rigistrasse, Cham[2]	Rigistrasse 1, 6330 Cham	**25.0**	25.0	**–**	–
La Colline, Centre de Réeducation et de Physiothérapie SA[2], Genève	Avenue de la Roseraie 76A, 1205 Genève	**20.0**	20.0	**–**	–
La Colline, Centre de Physiothérapie du Sport S.à.r.l.[2], Genève	Chemin Thury 7A, 1206 Genève	**23.0**	23.0	**–**	–
CORTS AG, Maur[2]	c/o ETU Treuhand und Unternehmensberatung, Ch. Lutz, Zürichstrasse 268, 8122 Binz	**37.8**	37.8	**–**	–
Hystrix Medical AG	Bahnhofstrasse 47, 4900 Langenthal	**8.7**	8.7	**1**	1
Al Murjan Medical Center Company Limited[2]	Al Rawdah District, Prince Saud Al Faisal Street, Jeddah, 21573, Saudi Arabia	**1.0**	–	**–**	–
				161	167

Notes
[1] The nature of the activities of the associates is similar to the major activities of the Group.
[2] Book value is less than £0.5m.
[3] The Swiss division does not control Zentrallabor Zürich.

COMPANY STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2022

	Notes	2022 £'m	2021 £'m
Non-current assets			
Investment in subsidiaries	3	**3 311**	3 311
Current assets			
Cash and cash equivalents		**74**	54
Total assets		**3 385**	3 365
EQUITY			
Share capital	5	**74**	74
Capital redemption reserve		**6**	6
Share premium	5	**690**	690
Retained earnings		**2 585**	2 568
Total equity		**3 355**	3 338
Current liabilities			
Other payables		**2**	1
Amount due to related parties	4	**28**	26
Total liabilities		**30**	27
		3 385	3 365

The profit after tax for the year ended 31 March 2022 amounted to £17m (2021: £21m).

These financial statements as set out on pages 258–262 were approved and authorised for issue by the Board of Directors and signed on their behalf by:

Dr Ronnie van der Merwe
Chief Executive Officer
24 May 2022

Jurgens Myburgh
Group Chief Financial Officer
24 May 2022

Mediclinic International plc (Company no 08338604)

The notes on pages 259–262 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Share capital £'m	Capital redemption reserve £'m	Share premium reserve £'m	Retained earnings £'m	Total
At 1 April 2020	74	6	690	2 547	3 317
Profit for the year	–	–	–	21	21
At 30 March 2021	**74**	**6**	**690**	**2 568**	**3 338**
Profit for the year	–	–	–	17	17
At 31 March 2022	**74**	**6**	**690**	**2 585**	**3 355**

The notes on pages 259–262 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £'m	2021 £'m
Operating activities			
Profit before tax		**17**	21
Adjustments for:			
Foreign exchange differences		**2**	(3)
Dividend income		**(25)**	(23)
Change in other payables		**1**	(1)
Net cash used in operating activities		**(5)**	(6)
Investing activities			
Proceeds from derivative		**–**	2
Dividend received	4	**25**	23
Net cash generated from investing activities		**25**	25
Financing activities			
Dividend paid	6	**–**	–
Net cash used in financing activities		**–**	–
Net movement in cash and cash equivalents		**20**	19
Cash and cash equivalents at the beginning of the year		**54**	35
Cash and cash equivalents at the end of the year		**74**	54

The notes on pages 259–262 form an integral part of these financial statements.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

1. STATUS AND ACTIVITY

Mediclinic was incorporated in England and Wales on 20 December 2012. The address of the registered office of the Company is c/o Link Company Matters Limited, 6th Floor, 65 Gresham Street, London, EC2V 7NQ. The registration number of the Company is 08338604. There is no ultimate controlling party. The domicile of the Company is the UK. The Company is a public limited company with divisions in Switzerland, Southern Africa (South Africa and Namibia) and the Middle East (the UAE).

The Company is a holding company. The activities of the subsidiaries are the operation of hospitals and clinics, and the sale of pharmaceuticals, medical supplies and related equipment.

These financial statements are the financial statements of the Company only. The financial statements are available at the registered office of the Company.

2. BASIS OF PREPARATION

The Company's principal accounting policies applied in the preparation of these financial statements are the same as those set out in the **Group annual financial statements**, except as noted below. These policies have been consistently applied to all the years presented.

- Investments in subsidiaries are carried at cost less any accumulated impairment.
- Dividend income is recognised when the right to receive payment is established.

The Company is taking advantage of the exemption in Section 408 of the UK Companies Act 2006 not to present its individual income statement as part of these financial statements.

2.1. Basis of measurement

The financial statements of the Company have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. There are no differences for the Company in applying IFRS as issued by the IASB and UK-adopted IFRS. The financial statements are prepared on the historical-cost convention, as modified by the revaluation of certain financial instruments to fair value through profit or loss.

2.2. Functional and presentation currency

The financial statements and financial information are presented in sterling, rounded to the nearest million.

2.3. Going concern

The Company annual financial statements were prepared on a going concern basis. The directors believe that the Company will continue to be in operation for at least 12 months from the date of this report and in the foreseeable future. See note 2.7 in the **Group annual financial statements** for more detail relating to the going concern basis of accounting used in preparing the financial statements.

2.4. Accounting estimates

The Company makes estimates and assumptions concerning the future. Although these estimates and assumptions are based on management's best information regarding current circumstances and future events, actual results may differ.

3. INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries is stated at cost less impairment.

	2022 £'m	2021 £'m
Shares at cost	**5 916**	5 916
Less: accumulated impairment charge	**(2 605)**	(2 605)
Closing balance	**3 311**	3 311

The investments held by the Company are Mediclinic CHF Finco Ltd, Mediclinic Holdings Netherlands B.V., Mediclinic Middle East Holdings Ltd and Mediclinic International (RF) (Pty) Ltd, each being wholly owned subsidiaries. The activities of the subsidiaries are the operation of hospitals and clinics, and the sale of pharmaceuticals, medical supplies and related equipment.

Impairment assessment

At 31 March 2022, the Company's market capitalisation of £2 626m (2021: £2 109m) was less than the net assets of the Company. The recoverable amounts of the investment of subsidiaries were calculated based on FVLCOD calculations and exceeded the carrying value. As a result no impairment was recognised.

The following assumptions were used in the FVLCOD calculations:
- Mediclinic CHF Finco Ltd: the cash flows were discounted at a rate of 6.8% and beyond five years a growth rate of 1.9% was used;
- Mediclinic Holdings Netherlands B.V.: the cash flows were discounted at a rate of 5.0% and beyond five years a growth rate of 1.6% was used;
- Mediclinic Middle East Holdings Ltd: the cash flows were discounted at a rate of 8.1% and beyond five years a growth rate of 3.0% was used; and
- Mediclinic International (RF) (Pty) Ltd: the cash flows were discounted at a rate of 12.8% and beyond five years a growth rate of 5.5% was used.

See note 39 of the **Group annual financial statements** for a complete list of investments in subsidiaries, associates and joint ventures of the Group, and details of the country of incorporation, place of business, principal activities and interest in capital.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

4. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise the subsidiaries, the shareholders, key management personnel and those entities over which the parent, the directors or the Company can exercise significant influence or which can significantly influence the Company.

	2022 £'m	2021 £'m
a) Transactions with key management personnel		
Key management includes the directors (executive and non-executive) and members of the Group Executive Committee		
Directors' fees	**1**	1
b) Amount due to a related party[1]		
Mediclinic Hospitals LLC	**28**	26
c) Dividends received from related parties:		
Mediclinic CHF Finco Ltd	**–**	2
Mediclinic Holdings Netherlands B.V.	**8**	21
Mediclinic International (RF) (Pty) Ltd	**17**	–
	25	23

Note

[1] This amount included the transaction and operational expenses paid by Mediclinic Hospitals LLC on behalf of the Company. This amount is payable on demand. Information regarding the Group's subsidiaries and associates can be found in note 39 to the **Group annual financial statements**.

5. SHARE CAPITAL

	2022 £'m	2021 £'m
Issued share capital		
Share capital	**74**	74
Share premium	**690**	690
	764	764

Ordinary shares	2022	2021
Number of shares in issue and fully paid	**737 243 810**	737 243 810
Nominal value	**10p**	10p

Value: Indicating nominal and share premium amount

Rights of the ordinary shares to profits: All dividends shall be declared and paid according to the amounts paid up on the ordinary shares.

Rights of the ordinary shares to capital: If there is a return of capital on winding up or otherwise, the ordinary shares shall confer full rights but they do not confer any rights of redemption.

Voting rights of the ordinary shares: The ordinary shares shall confer, on each holder of the ordinary shares, the right to receive notice of and to attend, speak and vote at all general meetings of the Company. Each ordinary share carries the right to one vote on a poll.

6. DIVIDENDS

The Company did not declare interim dividends for FY22 or final dividends for FY21 during the year under review (2021: nil).

Details on the final proposed dividend have been disclosed in note 13 to the **Group annual financial statements**.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS CONTINUED

7. AUDITORS' REMUNERATION

The Company incurred an amount of £0.8m (2021: £0.7m) to its auditors in respect of the audit of the Company's and Group's financial statements for the year ended 31 March 2022. The fee includes an amount of less than £0.1m (2021: £0.1m) in respect of prior years.

Fees paid to the Company's auditors for other services amounted to £0.1m (2021: £0.1m).

8. TAXATION

At 31 March 2022, the Company had unutilised tax losses of approximately £62m (2021: £54m). No deferred tax asset has been recognised in respect of these losses due to the unpredictability and availability of future profit streams.

9. FINANCIAL INSTRUMENTS

9.1. Capital risk management

The Company manages its capital to ensure it is able to continue as a going concern while maximising the return on equity. The Company does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objective. The Company's overall strategy remains unchanged from the prior year. The Company is not subject to externally imposed capital requirements.

9.2. Financial risk management objectives

The Company is exposed to the following risks related to financial instruments: credit risk, liquidity risk and foreign currency risk. The Company does not enter into or trade in financial instruments, investments in securities, including derivative financial instruments, for speculative purposes.

9.3. Credit risk

The carrying amount of cash and cash equivalents represents the maximum credit exposure. There is no material credit risk involved on the Company financial statements. The Company's cash equivalents are placed with reputable financial institutions with a high credit rating.

9.4. Liquidity risk

The ultimate responsibility for liquidity risk management rests with the directors of the Company, who have built an appropriate liquidity risk management framework for managing the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities.

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. The table below summarises the maturity profile of the Company's financial liabilities. The contractual maturities of the financial liabilities have been determined on the basis of the remaining period at the end of the reporting period to the contractual repayment date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of the liabilities at the end of the reporting period based on existing contractual repayment arrangements was as follows:

	Carrying amount £'m	Contractual cash flows £'m	1 year or less £'m
31 March 2022			
Other payables	**2**	**2**	**2**
Related-party payables	**28**	**28**	**28**
	30	**30**	**30**
31 March 2021			
Other payables	1	1	1
Related-party payables	26	26	26
	27	27	27

9.5. Foreign currency risk

The Company has insignificant exposure to foreign currency risk, but a prudent approach towards foreign cover is followed where applicable.

SHAREHOLDER INFORMATION

SHARE CAPITAL AND SHAREHOLDERS

STRUCTURE

The Company's ordinary issued share capital at 31 March 2022 was 737 243 810 ordinary shares of £0.10 each, with a primary listing on the LSE in the UK and secondary listings on the JSE in South Africa and the NSX in Namibia. The ordinary share class represents 100% of the Company's total issued share capital.

See note 21 to the **Group annual financial statements** on page 210 for more on the Company's issued share capital

There are no known arrangements under which financial rights are held by a person other than the holder of the shares. Shares acquired through the Company's share schemes and plans rank equally with the other shares in issue and have no special rights.

See the **Remuneration Committee Report** on pages 160–161 for more on the Company's employee share scheme

The Company has no intention to complete a market purchase of its ordinary shares and will not seek this authority at the Company's 2022 AGM.

RESTRICTIONS ON THE TRANSFER OF COMPANY SHARES

There are no restrictions on transfer of the Company's shares.

RESTRICTIONS ON VOTING RIGHTS

The Company's Articles provide that, unless the directors determine otherwise, a shareholder shall not be entitled to vote, either personally or by proxy, at any general meeting of the Company or to exercise any other right conferred by membership, if:

- any call or other sum payable to the Company in respect of that share remains unpaid; or
- such shareholder, having been duly served with a notice to provide the Company with information under Section 793 of the Act, has failed to do so within 14 days of such notice, for so long as the default continues.

SUBSTANTIAL SHAREHOLDERS

At year end, the following shareholders notified the Company in accordance with the Disclosure Guidance and Transparency Rules of their interest of 3% or more in the Company's issued share capital:

TABLE 1: FY22 SUBSTANTIAL SHAREHOLDERS

	ORDINARY SHARES	% VOTING RIGHTS	DATE NOTIFIED
Remgro Ltd (through wholly owned subsidiaries)	328 497 888	44.56	17/02/2016
Public Investment Corporation SOC Ltd	74 357 880	10.09	22/09/2021

Between year end and the Last Practicable Date, the Company received the following notification from shareholders in their interest of 3% or more in the Company's issued share capital, in accordance with the Disclosure Guidance and Transparency Rules:

	ORDINARY SHARES	% VOTING RIGHTS	DATE NOTIFIED
Public Investment Corporation SOC Ltd	81 184 020	11.01	17/05/2022

2022 ANNUAL GENERAL MEETING

The Company's AGM will take place at 15:00 (BST) on Thursday, 28 July 2022 at Rosewood London Hotel, 252 High Holborn, London, WC1V 7EN, UK. Shareholders should read the **2022 Notice of AGM** carefully should they plan to attend. The 2022 Notice of AGM is available at annualreport.mediclinic.com and has been posted as a separate booklet at the same time as this Annual Report.

SHAREHOLDER INFORMATION CONTINUED

DIVIDENDS

At the end of FY20, the Board took the prudent and appropriate decision to suspend the dividend as part of the Group's efforts to maintain its liquidity position and maximise its ability to navigate through the pandemic. Given the financial strength of the Company today, the resilience we displayed throughout the pandemic and a more stable outlook, though subject to macroeconomic factors, the Board felt it appropriate to propose a final dividend of 3.00 pence, for approval by the Company's shareholders at the 2022 AGM.

Shareholders on the South African register will be paid the South African rand cash equivalent of 59.53230 cents (47.62584 cents net of dividend withholding tax) per share. A dividend withholding tax of 20% will be applicable to all shareholders on the South African register who are not exempt therefrom. The South African rand cash equivalent has been calculated using the following exchange rate: GBP1:ZAR19.8441, being the five-day average ZAR/GBP exchange rate (Bloomberg) on Friday, 20 May 2022 at 3:00pm GMT.

The final dividend will be paid on Friday, 26 August 2022 to all ordinary shareholders who are on the register of members at the close of business on the record date of Friday, 5 August 2022.

The salient dates for the dividend will be as follows:

Dividend announcement date	Wednesday, 25 May 2022
Last date to trade cum dividend (SA register)	Tuesday, 2 August 2022
First date of trading ex-dividend (SA register)	Wednesday, 3 August 2022
First date of trading ex-dividend (UK register)	Thursday, 4 August 2022
Record date	Friday, 5 August 2022
Payment date	Friday, 26 August 2022

Share certificates may not be dematerialised or rematerialised within Strate from Wednesday, 3 August 2022 to Friday, 5 August 2022, both dates inclusive. No transfers between the UK and South African registers may take place from Tuesday, 25 May 2022 to Friday, 5 August 2022, both dates inclusive.

The tax treatment of the dividend for shareholders on the South African register is available on the Company's website. Details of the Dividend Access Trust established for South African resident shareholders are provided in note 21 of the **Group annual financial statements** on page 210.

The dividends declared by the Company to its ordinary shareholders during the reporting period are summarised below:

TABLE 2: FY22 DIVIDENDS DECLARED

	FY21	FY22
Interim dividend	n/a	**n/a**
Final dividend	n/a	**3.00**
Total dividend	n/a	**3.00**

The Company's Dividend Policy is dealt with in the 'Financial review' section of the **Group Chief Financial Officer's Report** on page 80.

SHARE PRICE

The latest share price information can be found on the Company's website at www.mediclinic.com or through a broker.

SHAREHOLDER SERVICES AND CONTACTS

Enquiries relating to shareholdings, including notification of change of address, queries regarding the loss of a share certificate and dividend payments should be made to the Company's registrars:

SHAREHOLDERS ON THE UK REGISTER

Computershare Investor Services PLC
The Pavilions, Bridgwater Road, Bristol,
BS13 8AE, UK
Tel: +44 370 703 6022
E-mail: WebCorres@computershare.co.uk
Website: www.investorcentre.co.uk

Lines are open during normal business hours from 08:30 to 17:30 GMT, Monday to Friday, and charged at the standard rate.

Shareholders can use Computershare's website to check and maintain their records.

SHARE DEALING SERVICE

Computershare offers a share dealing service that allows UK resident shareholders to buy and sell the Company's shares. Shareholders can deal in their shares on the Internet or by telephone. Please contact Computershare for more details on this service.

SHAREGIFT

If a few shares are held, whose low value makes them difficult to sell, they may be donated to charity through ShareGift, an independent charity share donation scheme. For further details, please contact Computershare or ShareGift at tel. +44 20 7930 3737 or visit their website at www.sharegift.org.

SHAREHOLDERS ON THE SOUTH AFRICAN AND NAMIBIAN REGISTERS

SOUTH AFRICAN TRANSFER SECRETARY

Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue,
Rosebank 2196, South Africa
Postal address: Private Bag X9000,
Saxonwold 2132, South Africa
Tel: +27 11 370 5000
Fax: +27 11 688 5200
Email: Groupadmin1@computershare.co.za

NAMIBIAN TRANSFER SECRETARY

Transfer Secretaries (Pty) Ltd
4 Robert Mugabe Avenue,
Windhoek, Namibia
Postal address: PO Box 2401,
Windhoek, Namibia
Tel: +264 61 227 647
Fax: +264 61 248 531
Email: ts@nsx.com.na

COMPANY INFORMATION

Mediclinic International plc
(incorporated and registered in England and Wales)
Company number: 08338604

REGISTERED OFFICE

Mediclinic International plc
6th Floor, 65 Gresham Street
London, EC2V 7NQ, United Kingdom
Tel: +44 333 300 1930
Email: info@mediclinic.com
Website: www.mediclinic.com

TOLL-FREE ETHICS LINES AND EMAIL

SWITZERLAND

Tel: 0800 005 316

SOUTH AFRICA

Tel: 0800 005 316

NAMIBIA

Tel: 0800 003 313
MTC Networks: 081 91847

THE UAE

Tel: 800 1 55000

Email: mediclinic@tip-offs.com

LISTING

FTSE sector: Health Care – Health Care Providers – Health Care Facilities
ISIN code: GB00B8HX8Z88
SEDOL number: B8HX8Z8
EPIC number: MDC
LEI: 2138002S5BSBIZTD5I60
Primary listing: LSE (share code: MDC)
Secondary listing: JSE (share code: MEI)
Secondary listing: NSX (share code: MEP)

COMPANY SECRETARY

Link Company Matters Limited
Caroline Emmet
6th Floor, 65 Gresham Street
London, EC2V 7NQ, United Kingdom
Tel: +44 333 300 1930
Email: MediclinicInternational@linkgroup.co.uk

INVESTOR RELATIONS

James Arnold
Head of Investor Relations
Hudson House, 8 Tavistock Street
London, WC2E 7PP, United Kingdom
Tel: +44 20 3786 8180/1
Email: ir@mediclinic.com

REGISTRAR/TRANSFER SECRETARIES

UK

United Kingdom Computershare Investor Services PLC
The Pavilions, Bridgwater Road, Bristol, BS13 8AE
Tel: +44 370 703 6022
Email: WebCorres@computershare.co.uk

SOUTH AFRICA

Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank 2196
Private Bag X9000, Saxonwold 2132
Tel: +27 11 370 5000
Email: Groupadmin1@computershare.co.za

NAMIBIA

Transfer Secretaries (Pty) Ltd
4 Robert Mugabe Avenue, Windhoek
PO Box 2401, Windhoek
Tel: +264 61 227 647
Email: ts@nsx.com.na

CORPORATE ADVISERS

AUDITOR

PricewaterhouseCoopers LLP, London

CORPORATE BROKER AND SPONSORS

UK

Joint corporate brokers: Morgan Stanley & Co International plc and UBS Investment Bank

SOUTH AFRICA

JSE sponsor: Rand Merchant Bank
(a division of FirstRand Bank Limited)

NAMIBIA

NSX sponsor: Simonis Storm Securities (Pty) Ltd

LEGAL ADVISERS

UK

Slaughter and May

SOUTH AFRICA

Cliffe Dekker Hofmeyr Inc.

REMUNERATION CONSULTANT

Deloitte LLP

COMMUNICATION AGENCY

FTI Consulting
Tel: +44 20 3727 1000
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FORWARD-LOOKING STATEMENTS

This Annual Report contains certain forward-looking statements relating to the business of the Company and its subsidiaries, including with respect to the progress, timing and completion of the Group's development; the Group's ability to treat, attract and retain patients and clients; its ability to engage consultants and healthcare practitioners and to operate its business and increase referrals; the integration of prior acquisitions; the Group's estimates for future performance and its estimates regarding anticipated operating results; future revenue; capital requirements; shareholder structure; and financing. In addition, even if the Group's actual results or developments are consistent with the forward-looking statements contained in this Annual Report, those results or developments may not be indicative of the Group's results or developments in the future. In some cases, forward-looking statements can be identified by words such as 'could', 'should', 'may', 'expects', 'aims', 'targets', 'anticipates', 'believes', 'intends', 'estimates', or similar. These forward-looking statements are based largely on the Group's current expectations as of the date of this Annual Report and are subject to a number of known and unknown risks and uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievement expressed or implied by these forward-looking statements. In particular, the Group's expectations could be affected by, among other things, uncertainties involved in the integration of acquisitions or new developments; changes in legislation or the regulatory regime governing healthcare in Switzerland, South Africa, Namibia and the Middle East; poor performance by healthcare practitioners who practise at its facilities; unexpected regulatory actions or suspensions; competition in general; the impact of global economic changes; the impact of pandemics, including COVID-19; the impact of military conflicts, including the current events in the Ukraine; and the Group's ability to obtain or maintain accreditation or approval for its facilities or service lines. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements made in this Annual Report will in fact be realised and no representation or warranty is given with regard to the completeness or accuracy of the forward-looking statements contained herein.

The Group is providing the information in this Annual Report as of this date, and disclaims any intention to, and makes no undertaking to, publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

GLOSSARY OF TERMS

TERM	MEANING
A	action
Act	the United Kingdom Companies Act 2006
AGM	annual general meeting
ANCI	Al Noor Commercial Investments Sole Proprietorship LLC
ANGCI	Al Noor Golden Commercial Investment LLC
ANMC	ANMC Management Limited
Annual Report	this annual report with financial statements for the reporting period ended 31 March 2022
APMs	alternative performance measures
AR6	6th Assessment Report of the Intergovernmental Panel for Climate Change
Articles	the Company's Articles of Association as adopted on 22 July 2020
Ayadi Home Healthcare	Ayadi Home Health Care LLC
B-BBEE	broad-based black economic empowerment
Board or Board of Directors	the board of directors of Mediclinic International plc
Bourn Hall	Bourn Hall International MENA Limited
BUPA	British United Provident Association
CAP	College of American Pathologists
CCC	Comprehensive Cancer Centre
CE marking	certification mark for products sold in the European Economic Area
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	cash-generating unit
CMA	the UK's Competition and Market Authority
CMI	case mix index
CO_2e	carbon dioxide equivalent
Code	2018 UK Corporate Governance Code published by the Financial Reporting Council
CoE(s)	Centre(s) of Excellence
COHSASA	Council for Health Service Accreditation of Southern Africa
Committee	pertaining to the committee previously defined, e.g. Audit and Risk Committee
Company	Mediclinic International plc
CSI	corporate social investment
D	decision
DAS	Dividend Access Scheme

TERM	MEANING
DHA	Dubai Health Authority
DRG	diagnostic-related group
EASO	European Association for the Study of Obesity
EBA	economic benefit available
EBIT	earnings before interest and taxes
EBITDA	earnings before interest, tax, depreciation and amortisation
EEA	European Economic Area
EHL	Emirates Healthcare Limited
EHRs	electronic health records
EMEA	Europe, Middle East and Africa region
EMP	environmental management programme
EMS	environmental management system
Energy Exchange	Energy Exchange of Southern Africa
EPS	earnings per share
ERM	enterprise-wide risk management
ESG	environmental, social and governance
external auditors	the Group's independent external auditors, PricewaterhouseCoopers LLP
FBU	fair, balanced and understandable
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FVLCOD	fair value less cost of disposal
FVOCI	fair value through other comprehensive income
FVPL	fair value through profit or loss
FY20	the financial year ended on 31 March 2020
FY21/prior financial year	the financial year ended on 31 March 2021
FY22/period under review/ reporting period/ year under review	the financial year ended on 31 March 2022
FY23, FY24	the financial years ending 31 March 2023 and 31 March 2024, respectively
GDP	gross domestic product
GDPR	General Data Protection Regulation
GHG	greenhouse gas
GRI Standards	Global Reporting Initiative Sustainability Reporting Standards 2016
Group	Mediclinic International plc and its subsidiaries, including its divisions in Switzerland, Southern Africa and the Middle East

GLOSSARY OF TERMS CONTINUED

TERM	MEANING
Group Executive Committee	the executive committee of Mediclinic International plc
HCRW	healthcare risk waste
HCT	Higher Colleges of Technology
HEPS	headline earnings per share
Hirslanden	the Group's operations in Switzerland, trading under the Hirslanden brand, with Hirslanden AG as the intermediary holding company of the Group's operations in Switzerland
IAS	International Accounting Standard
ICT	Information and communications technology
ICU	intensive care unit
IFRS	International Financial Reporting Standards
IPCC	Intergovernmental Panel for Climate Change
ISA	International Standards of Auditing (UK)
IT	information technology
IVF	*in vitro* fertilisation
JACIE	Joint Accreditation Committee ISCT-Europe and EBMT
JCI	Joint Commission International
JIBAR	Johannesburg Interbank Average Rate
JSE	the stock exchange operated by the JSE Ltd, based in Johannesburg
KPI	key performance indicator
Last Practicable Date	the date of the approval of the Annual Report, being 24 May 2022
LIBOR	London Interbank Offered Rate
Lintstock	Lintstock Ltd, the firm appointed to evaluate the Board's performance
Listing Rules	the listing rules issued by the Financial Conduct Authority
Listings Requirements	the listings requirements of the JSE
LSE	the stock exchange operated by London Stock Exchange plc, based in London
LTI	long-term incentive scheme for executive and senior management
Mediclinic	Mediclinic International plc
Mediclinic Middle East	the Group's operations in the Middle East, trading under the Mediclinic brand, with Mediclinic Middle East Holdings (registered in Jersey) as the intermediate holding company of the Group's operations in Dubai and Abu Dhabi
Mediclinic Southern Africa	the Group's operations in South Africa and Namibia, trading under the Mediclinic brand, with Mediclinic Southern Africa (Pty) Ltd as the intermediary holding company of the Group's operations in South Africa and Namibia
MR	mixed reality
NCI	non-controlling interests

TERM	MEANING
NHS	the National Health Service in the UK
NPS®	Net Promoter Score®
NSX	Namibian Stock Exchange
OECD	Organisation for Economic Co-operation and Development
PCR	polymerase chain reaction, used in testing for COVID-19
PH	Pensionskasse Hirslanden, the fund which provides post-employment, death-in-service and disability benefits
PPDs	paid patient days
PPPs	public-private partnerships
PV	photovoltaic
PwC	the Group's independent external auditors, PricewaterhouseCoopers LLP
RCF	revolving credit facility
Relationship Agreement	the Company's relationship agreement with its principal shareholder, Remgro
Remgro	Remgro Ltd, a controlling shareholder of Mediclinic, which through wholly owned subsidiaries held a 44.56% stake in the Company as at 31 March 2022
ROIC	return on invested capital
RPA	robotic process automation
RPM	remote patient monitoring
SAICA	South African Institute of Chartered Accountants
SARON	Swiss Average Rate Overnight
SCADA	supervisory control and data acquisition, a system to monitor energy consumption
Section 172	Section 172 of the United Kingdom Companies Act 2006
SID	Senior Independent Director
SOFR	Secured Overnight Financing Rate
Spire	Spire Healthcare Group plc, a leading UK-based independent hospital group listed on the LSE
STI	short-term incentive scheme for management
TARMED	national outpatient tariff in Switzerland
TCFD	Task Force on Climate-related Disclosures
TSR	total shareholder return
UAE	the United Arab Emirates
UK	the United Kingdom of Great Britain and Northern Ireland
US	the United States of America
WACC	weighted average cost of capital

Mediclinic's commitment to environmental issues is reflected in this Annual Report, which has been printed on FSC®-certified materials. This document was printed by Tandym Print using its environmental print technology, which minimises the impact of printing on the environment. Tandym Print is FSC certified: FSC-C166694.

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