AfroCentric GROUP

*Healthier Together*

# 2024

## INTEGRATED ANNUAL REPORT

"**THIS IS A TIME OF GREAT OPPORTUNITY**, AND WE ARE CONFIDENT IN THE GROUP'S ABILITY TO **CONTRIBUTE POSITIVELY TO THE FUTURE OF HEALTHCARE IN OUR COUNTRY**."

-DR ANNA MOKGOKONG
CHAIRMAN

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# ABOUT AFROCENTRIC

AfroCentric Group (the Group or the Company) is a Broad-Based Black Economic Empowerment (B-BBEE) level 1 investment holding company listed on the Johannesburg Stock Exchange (JSE). The Group owns and operates diverse healthcare-related enterprises that provide specialised medical scheme administration and deliver healthcare products and services to the public and private healthcare sectors. Sanlam Life Insurance Limited holds a controlling stake in the AfroCentric Group, fostering synergies and creating opportunities for both entities.

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

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

## ECONOMIC

**4.0 million**

LIVES UNDER OUR MANAGEMENT

(2023: 3.9 million lives)

**0.4%**

REVENUE INCREASE

(2023: 2.0%)

**0.8%**

INCREASE IN OPERATING PROFIT

(2023: 23.6% decrease)

**1.9%***

RETURN ON EQUITY

(Restated 2023: 8.7%)

* *9.0%, excluding impairment of goodwill.*

## SOCIAL

**Level 1**

B-BBEE STATUS

(2023: Level 1)

**15**

CLIENT MEDICAL SCHEMES IN SOUTHERN AFRICA

(2023: 15 client medical schemes)

**5 944**

EMPLOYEES

(2023: 5 867 employees)

## ENVIRONMENTAL#

**30 573 kl**

IN WATER CONSUMPTION

(2023: 31 751 kl)

**6 035 MWh**

IN ELECTRICITY CONSUMPTION

(2023: 7 803 MWh)

**166 810 litres**

OF DIESEL (USED IN GENERATORS)

(2023: 290 497 litres)

# *The environmental data relates to Medscheme, not the Group as a whole.*

## GOVERNANCE

THE **DIVERSE BACKGROUNDS AND EXTENSIVE EXPERIENCE** OF OUR BOARD ENHANCE OUR CAPABILITY TO NAVIGATE THE CONSTANTLY EVOLVING OPERATING ENVIRONMENT (REFER TO PAGES 95 – 114)

AFROCENTRIC INTEGRATES **ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)** FACTORS INTO PERFORMANCE METRICS

# ABOUT THIS REPORT

Our integrated report provides information about AfroCentric for the year ended 30 June 2024.

This report is intended for **current and prospective investors and stakeholders interested in our Group.** It provides information on AfroCentric Investment Corporation Limited's governance, material risks and opportunities, performance against strategy, impact on society, and prospects.

## INTEGRATED THINKING

This report has been prepared to provide balanced, reliable, transparent and relevant information to our providers of financial capital and other interested stakeholders. We strive to demonstrate how we execute our strategy to create or preserve value while minimising value erosion using our chosen business model and considering the nature, quality and availability of the resources and relationships we rely on, as well as our contribution to broader goals. By carefully considering the relationship between the capitals that we use and affect, as well as the potential trade-offs inherent in our strategic choices, we manage our resources to provide integrated healthcare solutions for our clients and increase access to sustainable, affordable and quality healthcare for their members. This enables us to create value by sustaining financial returns and enhancing the lives of our stakeholders.

**Our integrated report houses our material ESG information within the framework of integrated thinking.** We will continue to expand our disclosure as the ESG reporting context evolves and as we integrate the necessary processes into the business to manage and measure the full range of matters identified.

In this regard, we will continuously monitor the need for a separate ESG report based on our stakeholders' needs.

## MATERIALITY

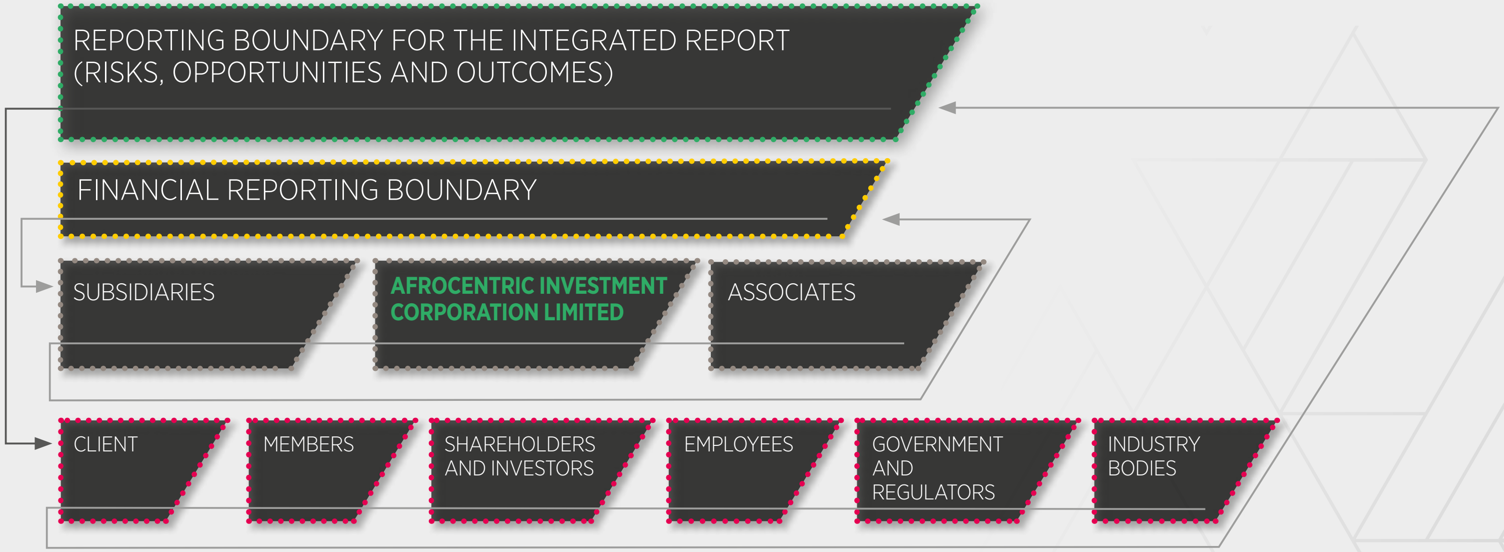
This integrated report discloses information about matters that substantively affect our ability to create value over the short (12 months), medium (three years) and long term (five years and beyond) (refer to page 42 for more detail).

To demonstrate our commitment to **sustainable development**, we have included Sustainable Development Goals (SDGs) – those that relate to our strategy and to which we can most significantly contribute. However, based on our strategic intent, our primary contribution is to **SDG 3 – Good Health and Wellbeing – specifically targeting 3.8.**

## REPORTING SCOPE AND BOUNDARY

Material events between year-end and 2 October 2024, when the Board approved the report, are also included. Our reporting approach's scope, boundary, and measurement methods are materially similar to those in 2023. Other than restating the financial information in the Chief Financial Officer's (CFO's) review and the financial statements, there were no other restatements in the Integrated Annual Report.

In our integrated reporting, we define the reporting boundary by considering the financial reporting boundary and the significant risks, opportunities, and outcomes associated with external entities and stakeholders.



# NAVIGATING OUR REPORT

## Our strategic focus areas

- Collaboration with Sanlam
- Client-facing strategy
- Primary health insurance
- Leadership, culture and values

## Our capitals

- Financial
- Social and relationship
- Human
- Manufactured
- Intellectual
- Natural

# OUR SUITE OF REPORTS


### Integrated report

**What's disclosed in these reports**

Our integrated report is our primary report and is addressed to our providers of capital and other interested stakeholders. It details the Group's strategy and our performance against it, including demonstrating the Group's journey in relation to value creation, preservation and erosion.

**Key regulatory and reporting frameworks**

- Integrated Reporting Framework
- JSE Listings Requirements
- JSE Sustainability Disclosure Guidance
- King Report on Corporate Governance for South Africa, 2016 (King IV™)
- Companies Act 71 of 2008, as amended (Companies Act)
- The South African Institute of Chartered Accountants' Financial Reporting Guides, as issued by the Accounting Practices Committee
- Financial Pronouncements as issued by the Financial Reporting Standards Council
- International Financial Reporting Standards (IFRS® Accounting Standards)

**Assurance**

- Management and governance oversight
- Board oversight and approval
- B-BBEE verification (Honeycomb BEE Ratings)

**Date of issue**

8 October 2024

Available @ www.afrocentric.za.com


### Annual financial statements

**What's disclosed in these reports**

The Group's annual financial statements provide comprehensive information pertaining to the Group's audited financial statements, prepared in accordance with IFRS® Accounting Standards.

**Key regulatory and reporting frameworks**

- Integrated Reporting Framework
- JSE Listings Requirements
- King IV™
- Companies Act 71 of 2008, as amended (Companies Act)
- The South African Institute of Chartered Accountants' Financial Reporting Guides, as issued by the Accounting Practices Committee
- Financial Pronouncements as issued by the Financial Reporting Standards Council
- IFRS® Accounting Standards

**Assurance**

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

**Date of issue**

3 September 2024

Available @ www.afrocentric.za.com

## OUTLOOK

Outlook information is considered to be that which details the challenges, opportunities and uncertainties we are likely to encounter in pursuing our strategy, as well as the potential implications for our business model and future performance. Outlook information can be found throughout this report; however, the majority of this information is detailed in the following sections:

Chairman's review
Page 10

Our material matters
Page 42

Chief Executive Officer's (CEO's) review
Page 50

Our strategy and approach
Page 53

Our performance
Page 58

Chief Financial Officer (CFO's) review
Page 60

## FORWARD-LOOKING STATEMENTS

Certain statements in this document may constitute forward-looking statements. Such statements involve known and unknown risks, uncertainties and other important factors that could cause the actual performance or achievements of AfroCentric and its subsidiaries to materially differ from future results, performance or achievements expressed or implied by such forward-looking statements.

The Group undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after publication of this report or to reflect the occurrence of anticipated events. These have not been reviewed or reported on by the Group's external auditors..

## PROCESS DISCLOSURE AND ASSURANCE APPROACH

Our integrated reporting process began with reviewing the material matters for reporting. Content gathering for the report included engagements across the business and at the Board level and drawing from Board and Board committee submissions. We apply a combined assurance approach to the Group's operations. Therefore, internal controls, management assurance, compliance and internal audit reviews, as well as the services of independent external assurance providers, support the accuracy of the disclosures within our published reports. The executive responsible for the report is our Group CFO. In line with their mandate, the integrated report is reviewed and recommended to the Board for approval by the Audit and Risk Committee. The Board takes final accountability for approving the Group's external disclosures.

## BOARD APPROVAL

The Board acknowledges its responsibility for the integrity of this report. This report provides relevant information to providers of financial capital to enable informed capital allocation decisions while supplying information relevant to our broader stakeholders. The report addresses all material matters, offering a balanced perspective of the Group's strategy and how it relates to AfroCentric's ability to create value in the short, medium and long term. The report addresses the use of and effects on the capitals and how the availability of these capitals impacts the Group's strategy and business model. Furthermore, we believe this report demonstrates how the Group seeks to fulfil its purpose and, in this way, creates sustainable value for all its stakeholders. Our opinion is that this integrated report presents a fair and balanced view of AfroCentric's performance and outlook. We, as the Board, believe that this report has been prepared in accordance with the Integrated Reporting Framework.

This report was approved for release on 8 October 2024.

**Dr Anna Mokgokong**
Chairman

**Joe Madungandaba**
Deputy Chairman

**Bruno Fernandes**
Lead Independent
Non-executive Director

**Gerald van Wyk**
Group CEO

**Hannes Boonzaaier**
Group CFO

**Paul Hanratty**
Non-executive Director

**Marinda Dippenaar**
Non-executive Director

**Alice le Roux**
Independent
Non-executive Director

**Dr Nkateko Munisi**
Non-executive Director

**Mmaboshadi Chauke**
Independent
Non-executive Director

**Kanyisa Mkhize**
Non-executive Director

## FEEDBACK

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

# CREATING VALUE THROUGH PURPOSE

**OUR PURPOSE IS TO ENHANCE THE QUALITY OF LIFE OF OUR STAKEHOLDERS.** VALUE FOR AFROCENTRIC IS THEREFORE TIED TO OUR ABILITY TO ACHIEVE THIS AIM. WE SEEK TO FULFILL THIS PURPOSE BY TRANSFORMING HEALTHCARE – MAKING IT MORE AFFORDABLE AND WIDELY ACCESSIBLE.

For our business to succeed, we must determine the matters that are most material to us. We do this by evaluating our external operating context (refer to page 26), our stakeholder relationships (refer to page 30) and the risks and opportunities arising from these (refer to page 35).

Read about the material matters central to our business on page 42.

EXTERNAL ENVIRONMENT

STAKEHOLDER RELATIONSHIPS

RISKS AND OPPORTUNITIES

MATERIAL MATTERS

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

Read about our strategy on page 53.

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

PRIMARY CARE

MEDICINE

HOSPITALISATION

SPECIALIST CARE

We deliver on our strategy through our **business clusters**.

Read about our business model on page 21.

MEDICAL SCHEME ADMINISTRATION, RISK MANAGEMENT AND TECHNOLOGY

- 4.0 million lives under management
- Substantial digital and technological advancement

PHARMACEUTICAL

- Management of full medicine spend for our client schemes
- High impact on overall healthcare spend and savings for schemes

CORPORATE SOLUTIONS

- Primary care
- Occupational health
- Fully integrated with Wellness

Read about our business clusters from page 70.

## DELIVERING VALUE BY TRANSFORMING HEALTHCARE

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

These efforts align with a primary United Nations SDG for the healthcare sector and is a foremost target for the Group – Good Health and Wellbeing. Our ambitions specifically address the following target within **SDG 3**:

### Target 3.8 of SDG 3

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

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

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

### Health goal 8 of the NDP: Universal healthcare coverage

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

## OUR CONTRIBUTION TO THESE CRITICAL GOALS

Investing in primary and preventative healthcare to advance access to care

Primary health insurance, a cornerstone of **SDG 3**, promotes good health and wellbeing by providing affordable and accessible essential healthcare services. By leveraging the synergy with medical schemes, we offer a range of wellbeing offerings and cost-effective solutions, improving early detection and quality of life for members.

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

Advancing value-based care

**Digitising to reduce costs and improve client experience**

Medscheme has developed various data-driven disease management solutions that are integrated, holistic and member-centric.

Automation and process improvements have enhanced operational excellence to the benefit of schemes and their members.

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

Over the years, AfroCentric has been pursuing the diversification of our involvement in the health sector. This places the Group in a strategic position to work with government on the NHI processes as implementation progresses. Our collaboration with the NDoH in the Central Chronic Medicine Dispensing and Distribution (CCMDD) programme highlights our ability to support the government's healthcare goals. 15 268 885 scripts were dispensed during the period as part of the CCMDD programme (2023: 13 045 738).

## DELIVERING VALUE TO SOCIETY BY FULFILLING OUR PURPOSE

Our success is intrinsically linked to the value we provide to our stakeholders. We recognise our societal role and envision how AfroCentric's presence can positively transform healthcare for the benefit of society. A clear sense of purpose informs our strategic direction and decision-making, enabling us to balance creating long-term value and achieving short-term goals.

### VALUE FOR OUR **CLIENTS**

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

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

CUSTOMER EFFORT SCORE

**73.64%**

(2023: 61.39%)

WEIGHTED SCHEME SOLVENCY OF

**49.2%**

(2023: 52.2%)

AVERAGE SCHEME CONTRIBUTION INCREASE OF

**8.29%**

(2023: 6.9%)

**R425.8 million**

COST SAVING BASED ON CHANGE IN BILLING BEHAVIOUR

(2023: R541.7 million)

**R296.6 million**

FRAUD, WASTE AND ABUSE (FWA)

(2023: R342.2 million)

**R151 million**

FWA CASES RECOVERED

(2023: R150 million)

**Value created for us**

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

### VALUE FOR OUR CLIENT'S **MEMBERS**

Enhancing the quality and ease of access to healthcare services.

ENABLED **VIRTUALCARE CONSULTATIONS**

ENABLED **WHATSAPP MEMBER ENGAGEMENTS**

FACILITATED THE USE OF THE **HOSPITAL-AT-HOME PRODUCT** BY PATIENTS

DRIVING A **VALUE-BASED CARE MODEL** TO ENSURE THE BEST OUTCOMES AT THE BEST COST FOR MEMBERS

**Value created for us**

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

▲ Value created/capital enhanced

▼ Value eroded/capital reduced

▶ Value preservation

## VALUE CREATED FOR OUR **SHAREHOLDERS AND INVESTORS**

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

DIVIDEND YIELD OF
**3.8%**
(2023: Nil)

HEADLINE EARNINGS PER SHARE OF
**40.32 cents**
(Restated 2023: 36.34 cents)

OPERATING PROFIT INCREASED BY
**0.8%**
(2023: 23.6% decrease)

NET WORKING CAPITAL
**12.6%** DECREASE YEAR-ON-YEAR (2023: 9.8% increase)

**0.4%**
GROWTH IN REVENUE
(2023: 2.0%)

RETURN ON INVESTED CAPITAL OF
**4.3%**
(2023: 8.1%)

RETURN ON EQUITY OF
**1.9%**
(Restated 2023: 8.7%)

DIVERSIFYING INTO OTHER REVENUE STREAMS THROUGH OUR VARIOUS SUBSIDIARIES SUPPORTS BUSINESS SUSTAINABILITY

PHARMACEUTICAL COMPANIES

**47.8%**
REVENUE CONTRIBUTION
(2023: 50.3%)

**24%**
CONTRIBUTION TO OPERATING PROFIT
(2023: 22%)

**Value created for us**
Our providers of capital enable us to diversify our revenue sources and grow our business.

## VALUE FOR OUR **EMPLOYEES**

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

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

**14.8%**
EMPLOYEE TURNOVER
(2023: 13.4%)

**85.6%**
OF THE WORKFORCE ARE BLACK
(2023: 90.2%)

**69.2%**
OF THE WORKFORCE ARE WOMEN
(2023: 71%)

**61.6%**
OF THE WORKFORCE ARE BLACK WOMEN
(2023: 59%)

**53.3%**
BLACK REPRESENTATION AT SENIOR MANAGEMENT LEVEL
(2023: 45%)

**3 927**
EMPLOYEES UNDERTOOK **642** ONLINE COURSES
(2023: 844 courses taken by 3 802 employees)

**R5.2 million**
WAS SPENT ON DEVELOPING OUR EMPLOYEES
(2023: R5.8 million)

**Value created for us**
Our people are a key differentiator and enable our continued success. AfroCentric competes for skilled and experienced global and local healthcare employees. Retention of critical skills, particularly actuarial, information technology (IT) and medical specialists, is imperative to our continued success.

## VALUE FOR GOVERNMENT AND REGULATORS

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

THROUGH THE PARTNERSHIP WITH THE NDoH ON THE CCMDD PROGRAMME, AFROCENTRIC DISPENSED

**15.3 million** SCRIPTS
(2023: 13 million scripts)

AFROCENTRIC CONTRIBUTED APPROXIMATELY

**R862 million** IN TOTAL TAX BORNE
(2023: R1 008 million) (refer to page 114 for detailed breakdown)

**Value created for us**

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

## VALUE CREATED FOR INDUSTRY BODIES

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

AFROCENTRIC PARTICIPATES IN VARIOUS **ENGAGEMENTS WITH INDUSTRY BODIES**

**Value created for us**

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

# WHO WE ARE

# CHAIRMAN'S REVIEW

WE LIVE AT A PIVOTAL TIME IN SOUTH AFRICA, PARTICULARLY WITHIN THE HEALTHCARE LANDSCAPE. WITHIN THIS EVOLVING CONTEXT, **OUR UNWAVERING COMMITMENT TO IMPROVING ACCESS TO QUALITY HEALTHCARE FOR ALL REMAINS UNCHANGED**. THIS IS A TIME OF GREAT OPPORTUNITY, AND WE ARE **CONFIDENT IN THE GROUP'S ABILITY TO CONTRIBUTE POSITIVELY** TO THE FUTURE OF HEALTHCARE IN OUR COUNTRY.

**DR ANNA MOKGOKONG**
*Chairman*

"AfroCentric reaffirms its commitment to the principles of equitable access to healthcare, which are integral to our purpose of improving the quality of life for all our stakeholders."

## LEADING THROUGH A LANDSCAPE OF CHANGE

South Africa is navigating a historic political shift, with the 2024 general elections leading to the formation of a Government of National Unity (GNU) – a coalition of multiple political parties. This transition presents both challenges and opportunities as the country strives to establish a stable and inclusive political system amid widespread socioeconomic pressures.

Our healthcare system starkly reflects these challenges, with the majority of the population dependent on an under-resourced public healthcare system, while only a small percentage benefit from private healthcare. This disparity underscores the broader socioeconomic issues confronting the nation, necessitating reforms towards universal coverage which is essential for the well-being of all South Africans.

AfroCentric reaffirms its commitment to the principles of equitable access to healthcare, which are integral to our purpose of improving the quality of life for all our stakeholders. We are committed to transforming healthcare to make it more affordable and accessible, in line with the NHI's goal of universal health coverage through an integrated system that ensures quality care for everyone.

We believe this alignment positions AfroCentric as a key player in transforming healthcare in South Africa and driving positive health outcomes for all, and while consultations on the substance of the Bill led to limited changes in the Act, there is hope that the national dialogue envisioned by the GNU will foster more constructive engagement. In his opening address to parliament, President Cyril Ramaphosa was clear that the resources and capabilities of the public and private sectors would be needed to realise universal healthcare for all.

AfroCentric is committed to leading through this landscape of change by actively engaging in discussions on how the private sector can collaborate with the public sector to support the NHI's goals. Successful public-private collaborations, such as the CCMDD programme, highlight the potential for partnerships to improve healthcare outcomes. Through this programme, Pharmacy Direct, one of our subsidiaries, provides chronic medications to approximately 1.3 million patients across five provinces monthly. This initiative exemplifies how private sector capacity can be harnessed to support and enhance the public healthcare system and achieve equitable access.

## STRENGTHENING OUR STRATEGIC POSITION

The Board's strategic oversight responsibility seeks to steer AfroCentric through its continually shifting operational terrain. We are responsible for setting the strategic direction and policy for the Company and its subsidiaries, and I am pleased to report that the Board has effectively discharged these duties.

In line with our commitment to proactive leadership and future-focused planning, we critically reviewed our strategy during the year to ensure AfroCentric is well-positioned to capture emerging opportunities. This refreshed strategy, which involves the creation of a Sanlam-aligned open scheme, is designed to capitalise on the Group's unique strengths to achieve its purpose.

Our focus is on pioneering access to inclusive, seamless, and quality healthcare through sustainable models that benefit all Africans. AfroCentric's strategic intent is to be the leading healthcare partner in Southern Africa by 2030, driving innovation and excellence in healthcare delivery. To achieve this, we are leveraging our strengths, expanding our reach, and enhancing clinical outcomes while managing client costs effectively. This includes preparing for the implementation of NHI in South Africa.

AfroCentric is also a strong advocate of value-based care, a model that shifts the focus from volume to value, ensuring that healthcare providers are rewarded for the quality and outcomes of the care they deliver rather than the quantity. By driving the delivery of value-based care through our strategy, we aim to enhance patient outcomes while managing costs more effectively, reinforcing our commitment to providing accessible, high-quality healthcare for all.

## DRIVING LONG-TERM VALUE WITH ROBUST GOVERNANCE

Effective governance supports the creation and preservation of value and plays a critical role in preventing value erosion. This is especially pertinent in today's dynamic environment, where transparency, accountability, and ethical leadership are paramount to maintaining stakeholder trust and ensuring long-term success.

As part of our ongoing efforts to reposition AfroCentric for sustainable growth, we made significant strides in enhancing our governance framework. In line with King IV™, we undertook a thorough review and where appropriate realignment of our Board committees. This includes changes to the composition of the Remuneration Committee and the Social and Ethics Committee to better align with best practice governance. Additionally, we updated the terms of reference for the Nominations Committee, Audit and Risk Committee, and the Social and Ethics Committee, ensuring compliance with prevailing legislation and pursuing best practice governance principles.

These governance enhancements are not merely procedural; they are strategic. By strengthening our governance structures, we are better positioned to navigate the complexities of our operating environment, mitigate risks, and seize opportunities for growth. Our focus on governance excellence underpins our commitment to creating enduring value for all our stakeholders.

## OUTLOOK FOR 2024 AND BEYOND

Looking ahead, the Board is cautiously optimistic about the future. The healthcare landscape in South Africa is evolving rapidly, and AfroCentric is well-positioned to play a leading role in this transformation. The initiatives currently underway provide confidence that the Group is on a firm path towards sustainable growth.

We see significant opportunities for the private sector to innovate and collaborate with the public sector to advance universal healthcare. By focusing on advanced technological solutions, cutting-edge innovations, and next-generation digital health tools and fostering public-private partnerships, AfroCentric is committed to supporting the development of a robust healthcare system that serves all our stakeholders.

## APPRECIATION

I would like to express my sincere gratitude to my fellow Board members for their wisdom, clarity, and dedication. Their contributions have been invaluable during this transformative period. I also wish to extend a special thank you to the management team, under the leadership of our new CEO, Gerald van Wyk, for their hard work and commitment. Their efforts have been pivotal in navigating the past year's challenges and positioning AfroCentric for future success.

As we move forward, AfroCentric remains committed to improving access to quality healthcare. We will continue to innovate, adapt, and lead with integrity, ensuring that we meet the evolving needs of our stakeholders and contribute positively to the healthcare sector.

**Dr Anna Mokgokong**
Chairman

# WHO WE ARE

AfroCentric is a B-BBEE level 1 JSE-listed investment holding company providing services and products to the healthcare sector. The Group was founded in 2008 on the core philosophy of promoting transformation and empowerment.

## WHAT WE DO

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

### WHY WE EXIST

**Our purpose**

Enhancing the quality of life.

### WHERE WE ARE GOING

**Our vision**

Transforming healthcare.

### HOW WE WILL GET THERE

**Our mission**

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

### WHAT IT WILL REQUIRE OF US

**Our values**

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

We execute our **vision** and **purpose** through our **strategy**

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

For more information, refer to page 53.

## WHERE WE OPERATE

We operate in four sub-Saharan African countries.

### NAMIBIA

- Medscheme Namibia

### BOTSWANA

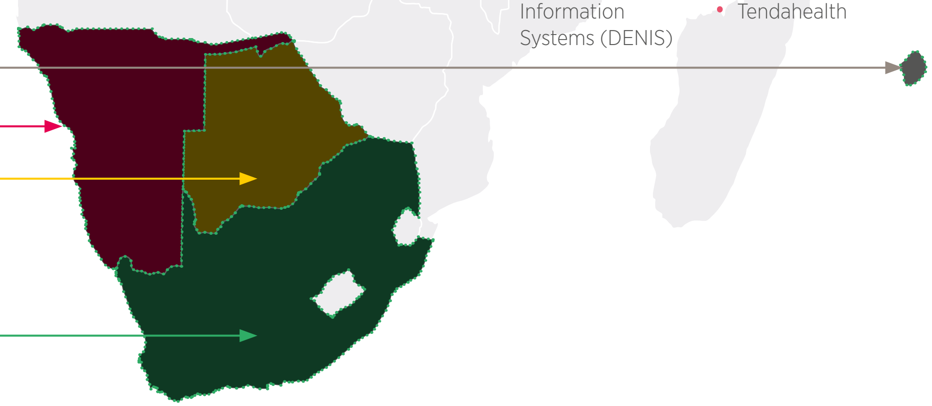
- Associated Fund Administrators

### MAURITIUS

- Medscheme Mauritius
- Medscheme International

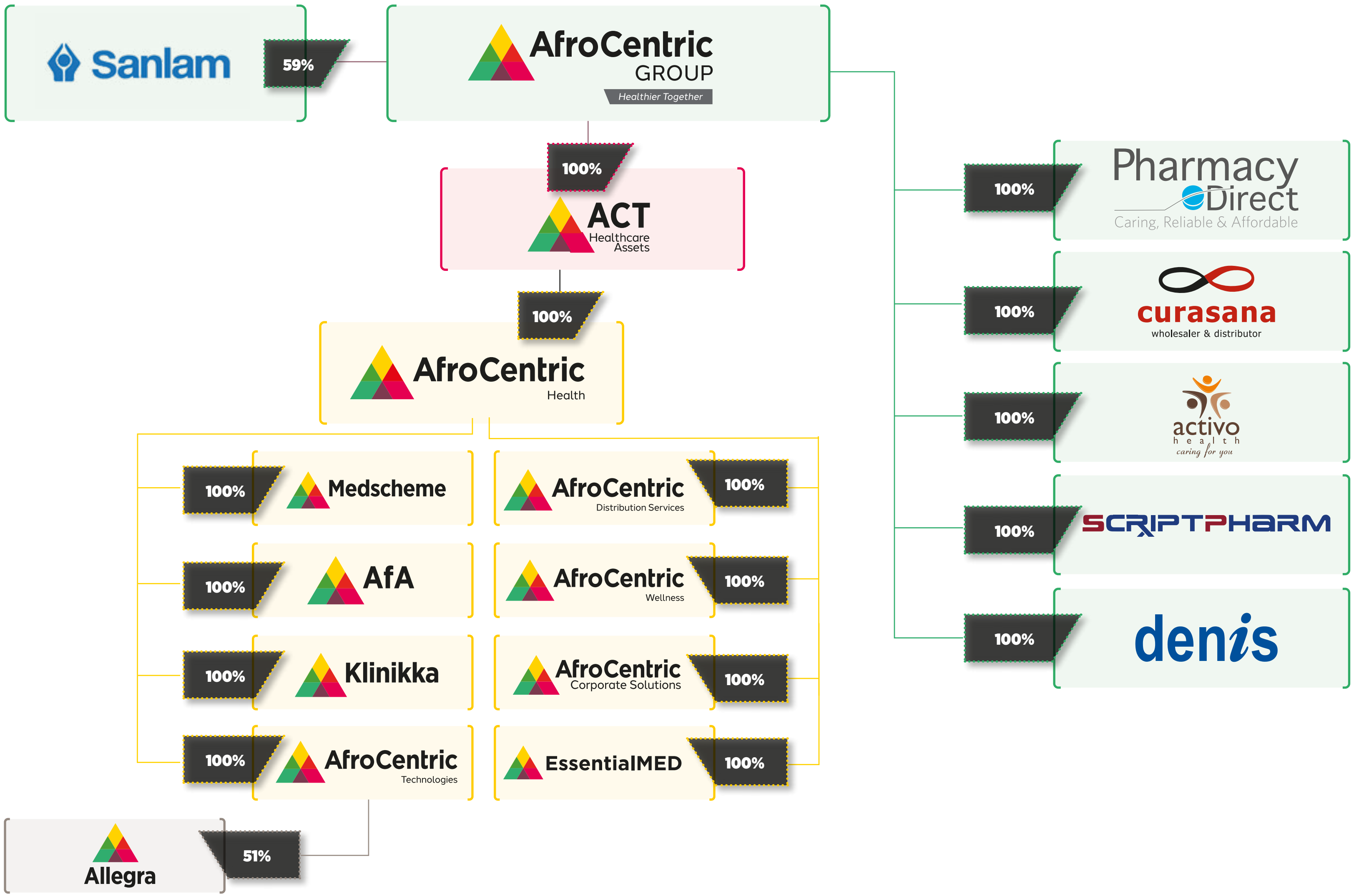
### SOUTH AFRICA

- Activo Health
- AfroCentric Distribution Services (ADS)
- Afrocentric Wellness
- Afrocentric Integrated Health Administrators
- Afrocentric HealthInsure
- Afrocentric Employee Health Solutions
- Afrocentric WorkCare
- AfroCentric Technologies
- Aid for AIDS
- Allegra
- Curasana
- Dental Information Systems (DENIS)
- EssentialMed
- Klinikka
- Medscheme South Africa
- Pharmacy Direct
- Private Healthcare Administrators (PHA)
- Scriptpharm Risk Management
- Tendahealth



# ORGANISATIONAL OVERVIEW

## GROUP STRUCTURE[1]




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

# WHAT SETS US APART

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

## STRONG MARKET POSITIONING

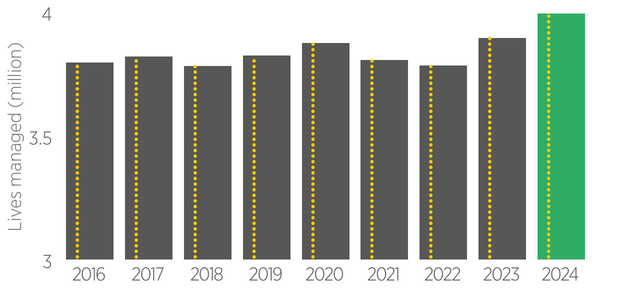
One of the **largest health administration businesses** in the South African healthcare sector.

An integrated healthcare business and market leader in managed care.

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

**4.0 million** beneficiaries

### Number of lives managed




## LEVERAGING PARTNERSHIPS

Our integration into Sanlam's comprehensive ecosystem represents a competitive edge, reaffirming our commitment to providing affordable medical aid and health insurance solutions.

Integration into Sanlam's ecosystem provides a **unique competitive edge**.

Access to Sanlam's **expansive distribution network** and **diverse financial products.**

**Enhanced ability to serve customers** with improved offerings and service quality.

## DIVERSIFIED ACROSS COMPLEMENTARY HEALTHCARE SERVICES

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

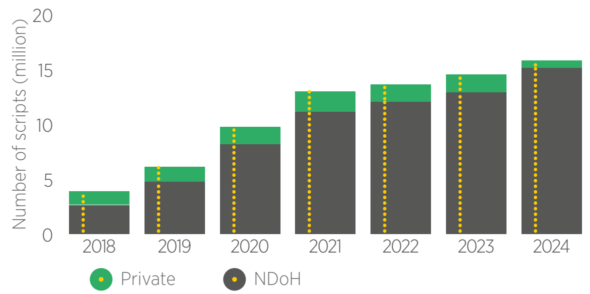
**Pharmaceutical companies contributed 47.8% in revenue** through organic and acquisitive growth, as well as 24% contribution to operating profit.

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

Average **1.3 million monthly scripts**

**15.2% growth** in annual scripts

### Number of scripts

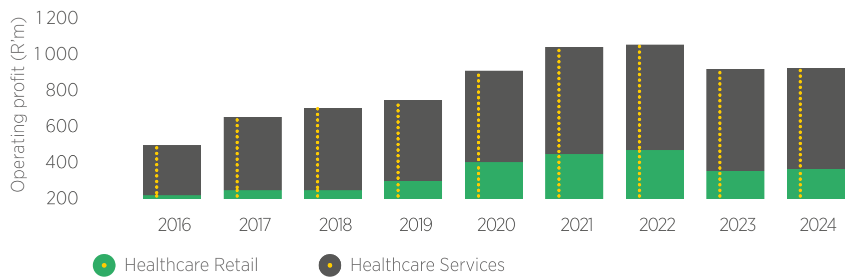



## MULTIPLE GROWTH DRIVERS

Positioning **ventures** for success
**Digitising** to enhance efficiencies and improve client experience
**Integrated business model**
**Partnering** with various institutions to deliver value
Positioning for success in an **NHI** environment

| Revenue contributors | 30 June 2024 (R'000) |
|---|---|
| Pharmacy Direct | 1 825 104 |
| Activo Group | 1 080 365 |
| Scriptpharm | 1 346 106 |
| Admin | 4 639 131 |

### Sustained performance



# OUR HISTORY

**2008**

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

**2009**

Acquired AfroCentric Health Group (80% effective interest)

**2010**

Increased effective interest in AfroCentric Health to 94.1%

**2012**

AfroCentric Technologies (formerly Helios IT Solutions) acquired a 51% interest in Allegra

**2014**

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

**2016**

Acquired:
- 100% of Pharmacy Direct
- 100% of Curasana
- 26% of Activo Health

Sanlam acquired 28.7% of ACT Healthcare Assets, a major subsidiary of AfroCentric Investment Corporation

Awarded South African Police Service Medical Aid (POLMED) scheme contract

**2017**

Acquired:
- 100% of AfroCentric Wellness (formerly Wellness Odyssey)
- 51% of The Cheese Has Moved

Amalgamation of Bonitas and Liberty added 125 000 lives to our care

Pharmacy Direct secured further contracts for the delivery of chronic medicine to public sector patients, increasing its footprint from five to seven South African provinces

**2018**

Acquired:
- 51% of EssentialMed
- 80% of Scriptpharm Risk Management
- 70% of MMed Distribution
- ADS acquired 51% of Tendahealth

- COMMED merged with Bonitas

Awarded Hosmed contract

Pharmacy Direct awarded four of nine provinces in the new NDoH CCMDD contracts, increasing volumes from 50% to an estimated 80%

Corporate action | Scheme merger | Acquisition/Disposal | Contract award | Loss of contract

**2019**

Acquired:
- Remaining 74% of Activo Health
- 82.8% of PHA
- 100% of Sanlam Health (renamed AfroCentric Integrated Health Administrators)
- Additional 25% of Associated Fund Administrators Botswana

Medshield Hospital and Fraud Management

Bonitas Actuarial Services

Hosmed Medicine Management

POLMED contracts for Chronic Medicine Management in Scriptpharm

**2020**

Acquired
- ACT Healthcare Assets acquired the remaining 20% of the shares in Scriptpharm Risk Management
- Remaining 17.2% of PHA
- Additional 17% of TCHM

Medscheme won a contract to administer MEDiPOS Medical Scheme

**2021**

ACT Healthcare Assets acquired 100% of the shares in the DENIS Group, which specialises in dental benefits management

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

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

Activo Health acquired Exeltis SA (the holding company of Forrester Pharma and Lamar International)

**2022**

AfroCentric Health acquired the Sanlam Gap Cover business

ADS acquired the remaining 49% of the shares in Tendahealth

AfroCentric Health acquired the remaining 49% of the shares in ADS

Medscheme was awarded the full managed healthcare tender for SAMWUMED

**2023**

Conclusion of Sanlam's acquisition of a controlling shareholding in AfroCentric

Pharmacy Direct retained three provinces from the CCMDD tender and attained two additional provinces (Gauteng and North West)

Disposal of MMed

**2024**

ADS was unsuccessful in retaining the Bonitas sales, marketing and distribution contract

Acquired the remaining 49% of the shares in EssentialMed

Corporate action | Scheme merger | Acquisition/Disposal | Contract award | Loss of contract

# OPERATIONS

AFROCENTRIC IS THE MOST DIVERSIFIED HEALTHCARE COMPANY IN SOUTHERN AFRICA. TO LEVERAGE OUR INTEGRATED MODEL, OUR BUSINESS IS ORGANISED INTO THREE PRIMARY CLUSTERS: **MEDICAL SCHEME ADMINISTRATION, RISK MANAGEMENT AND TECHNOLOGY; PHARMACEUTICAL; AND CORPORATE SOLUTIONS.**

## MEDICAL SCHEME ADMINISTRATION, RISK MANAGEMENT AND TECHNOLOGY

### Areas of strength and differentiation

- Largely constituting Medscheme, the largest managed care organisation in South Africa
- Manages over 4.0 million lives
- Utilises hyper-automation, robotic process automation, artificial intelligence (AI), and machine learning

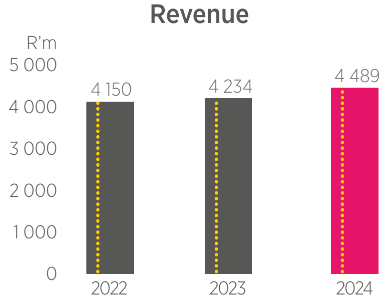
### Outputs (products and services)

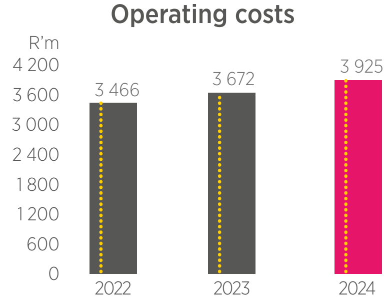
- **Claims processing:** Automated claims adjudication and high straight-through processing rates
- **Customer service:** Enhanced digital platforms for member interaction, including online and mobile technologies
- **Health risk management:** Programmes that identify and manage clinical and financial risks to lower healthcare costs
- **VirtualCare:** Provides safe and affordable virtual consultations with registered medical professionals
- **Hospital benefit management:** Digital engagement system for hospital authorisations and claims
- **Healthcare Professional Portal (HCP):** Our HCP portal is a web-based digital tool designed to help healthcare practitioners and their staff simplify and speed up many administrative tasks related to patients who are members of Medscheme-administered schemes

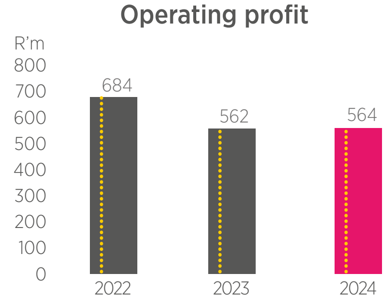
### Outcomes

- Enhances efficiency and reduces healthcare costs
- Streamlines claims adjudication, reducing human intervention
- Improves customer satisfaction
- Enhanced patient outcomes
- Increased access to healthcare


### Contribution to the Group



## PHARMACEUTICAL

### Areas of strength and differentiation

- Management of full medicine spend for our client schemes
- Comprehensive presence in the pharmaceutical value chain, including manufacturing, wholesale, importing, marketing, distribution and courier services

### Outcomes

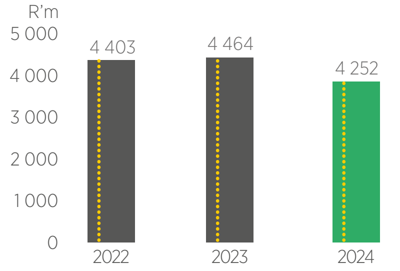
- High impact on overall healthcare spend
- Savings for client schemes
- Improved access to medicines
- Enhanced patient care and adherence to medication regimes


### Outputs (products and services)

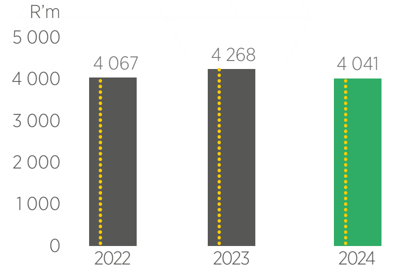
- **Wholesale and distribution:** Delivering medicines to urban and rural areas through Pharmacy Direct
- **Medicine cost management:** Scriptpharm manages chronic and acute medication, providing drug utilisation reviews
- **Manufacturing, importing and marketing:** Activo Health imports and markets pharmaceutical products

### Contribution to the Group

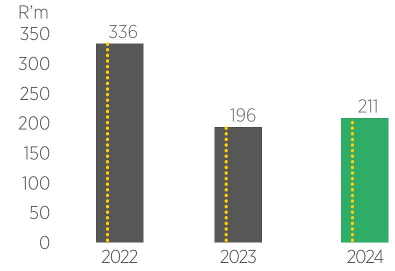
Revenue




Operating costs




Operating profit



## CORPORATE SOLUTIONS

### Areas of strength and differentiation

- Primary care
- Occupational health
- Fully integrated employee wellness solutions

### Outputs (products and services)

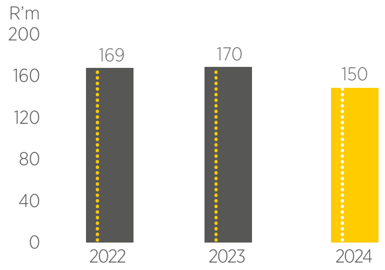
- **Health and wellness programmes:** Integrated solutions for employee health and wellness
- **Onsite clinics:** Nurse-led primary healthcare clinics
- **Disease management:** Programmes for managing non-communicable diseases
- **Wellness initiatives:** Programmes to enhance employee wellbeing and productivity
- **Sanlam Gap Cover**
- **Primary Healthcare Insurance**

### Outcomes

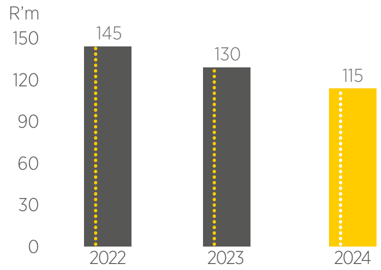
- Supports employee wellbeing and productivity
- Reduces healthcare costs
- Delivers tangible savings to employers
- Enhances overall employee health and reduces absenteeism


### Contribution to the Group

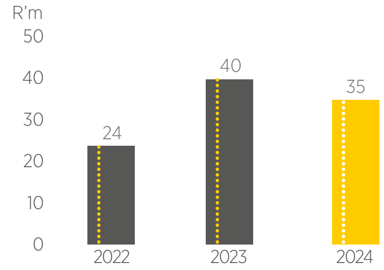
Revenue




Operating costs




Operating profit



# OUR BUSINESS MODEL

## THE RESOURCES WE RELY ON

**Availability, quality and affordability of our capitals**

### FINANCIAL CAPITAL

Financial and liquidity management are essential within the current high inflation and elevated interest rate environment. Despite these challenges, due to prudent management, the Group continued to grow revenue. Although historically there has been significant investment in IT system and infrastructure modernisation, we have made substantial advancements in our collaboration with Sanlam on the technology front. We believe this collaboration will continue to support our aim of enhanced systems stability, enable significant cost savings and serve to strengthen our resilience around our hardware infrastructure.

### INTELLECTUAL CAPITAL

Innovation within the healthcare sector has accelerated at unprecedented levels. Businesses that cannot innovate quickly risk becoming obsolete. Collaboration to grow intellectual capital is crucial. As the Group advances its digital engagement, we continue to invest in upgrading our software systems and processes.

Our intellectual capital is enhanced through continuous learning, process improvement, and the integration of advanced technologies and knowledge systems. By focusing on developing intellectual capital, the Group aims to maintain its competitive edge and ensure sustainable growth in an increasingly digital and knowledge-driven healthcare environment.

### MANUFACTURED CAPITAL

The Group continuously invests in upgrading buildings, facilities, and physical IT infrastructure. This is essential for maintaining and improving operational efficiency and service delivery. Although initially impacting profitability, these investments enhance the quality and affordability of our services over time by increasing operational efficiencies and reducing long-term costs. The availability of modern infrastructure and well-maintained buildings and facilities is crucial for supporting the Group's strategic goals and ensuring sustainable growth in a highly competitive and rapidly evolving healthcare sector.

### HUMAN CAPITAL

A significant risk affecting employee acquisition and retention is the overall skills shortage present in the sector. Increasing mental health challenges globally are also on our radar as a potential risk for our human capital. The Group provides comprehensive learning and development initiatives, an employee wellness programme and other upliftment opportunities. We also invest in growing skills throughout the sector to ensure sustainable healthcare provision in the future.

### SOCIAL AND RELATIONSHIP CAPITAL

Effective management of stakeholder relationships, including the communities where we operate, remains an integral part of our operating environment to accelerate growth.

### NATURAL CAPITAL

Although load-shedding has decreased, we still rely on diesel generators during outages, adversely impacting financial and natural capital. We also recognise that in South Africa, grid electricity has a significant environmental impact due to the reliance on coal-fired power plants, which produce high levels of greenhouse gas (GHG) emissions and air pollution. By shifting to solar energy, we aim to decrease our carbon footprint and promote cleaner energy solutions while lessening the strain on the national grid. Additionally, we are making progress on borehole installations across our operations. We remain judicious in our use of water in our water-scarce region, whether from boreholes or municipal sources, to ensure sustainable resource management.

# INPUTS

## Financial capital

The pool of funds (equity) the Group relies on:

- Funds reinvested in the Group
- Return on investments
- Revenue generated from services
- **R3.4 billion** net asset value (2023: R3.5 billion)
- **R212.6 million***

## Intellectual capital

The knowledge-based intangible assets:

- Systems and processes
- Customised IT systems
- Licences
- Business and industry knowledge
- IT systems and relevant licences
- Fraud management software
- Medical administration knowledge
- **R151.4 million** spent on software and IT system development (2023: R149.5 million)

## Manufactured capital

The physical assets that are available for use within the Group's operations:

- Buildings
- Facilities
- Equipment
- IT infrastructure (hardware and physical components)
- **R73.9 million** spent on physical infrastructure modernisation (2023: R74.7 million)

## Human capital

Our employees' and contractors' skills, wellness and motivation

- **5 944 employees** (2023: 5 867)
- **R5.2 million** invested in training employees (2023: R5.8 million)
- **R5.2 million** invested in bursaries (2023: R1.4 million)

## Social and relationship capital

The quality of AfroCentric's relationships with our material stakeholders

- Managing stakeholder relations
- Social licence to operate

## Natural capital#

We consume various resources to provide services

- Water consumption: **30 573 kl** (2023: 31 751 kl)
- Electricity consumption: **6 035 MWh** (2023: 7 803 MWh)
- Diesel consumption (used in generators): **166 810 litres** (2023: 290 497 litres)
- Petrol (used in Company-owned vehicles) **37 940 litres** (2023: 12 188 litres)
- Paper used: **13 211 kg** (2023: N/A)

* *Value excludes the impact of the impairment of goodwill.*
\# *Data relates to Medscheme, not the Group as a whole.*

# ACTIVITIES

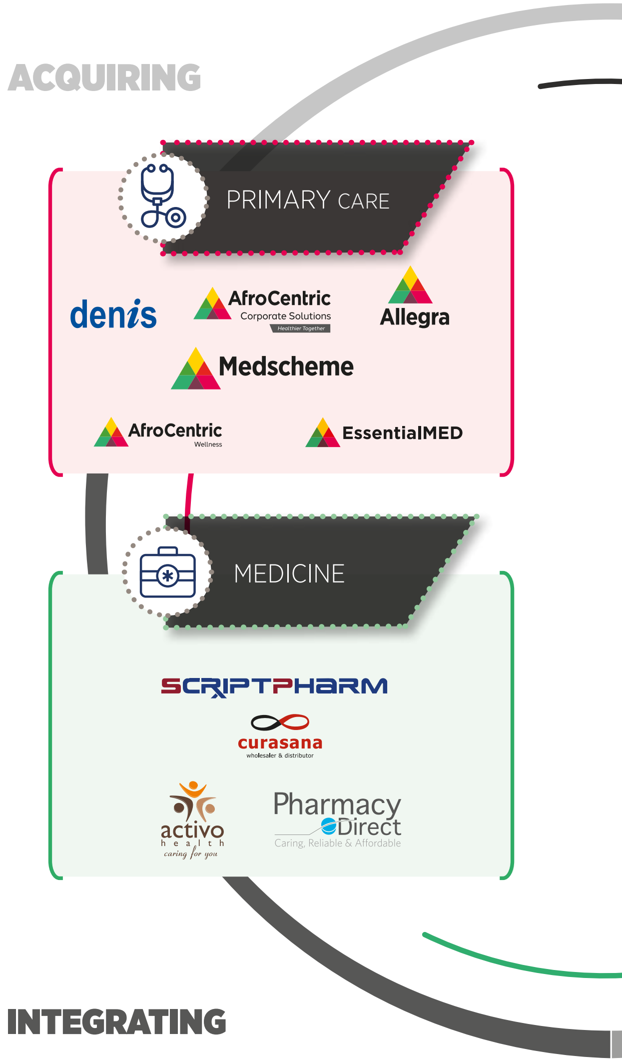
AfroCentric's activities focus on broadening healthcare access by expanding our presence, integrating our operations and optimising costs across the value chain to measurably improve access to quality care.

Our primary activities at the Group level focus on **acquiring, developing and integrating** businesses that enable us to optimise the healthcare value chain to increase the value of the healthcare spend.

The healthcare value chain comprises primary care, medicine, specialist care and hospitalisation solutions.

To optimise costs and healthcare delivery to our stakeholders, the Group is organised into **three clusters incorporating businesses across the value chain.**

(See our cluster performance on page 70 for more information.)



HOSPITALISATION

Klinikka

AfA

Medscheme

AfroCentric Wellness

SPECIALIST CARE

Medscheme

DEVELOPING

# OUTPUTS

## Our products and services

Enhanced access to healthcare through health administration and risk management services.

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

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

## Complementary services

- Coordinated day-to-day healthcare provision
- Medicine delivery

## Products

- Medicine and vitamins

# OUTCOMES

## Financial capital

- ▼ Normalised headline earnings per share **41.99 cents** (restated 2023: 45.77 cents)
- ▲ **R330 million** in cash reserves (2023: R190 million)
- ▼ **30.6%** decrease in share price (2023: 5.5% decrease)
- ▲ Operating profit increased by **0.8%** (2023: 23.6% decrease)
- ▲ Total revenue increased by **0.4%** (2023: 2.0% increase)

## Intellectual capital

Launched HCP, resulting in:

- Improved **customer experience**
- **Service in the moment**
- **Informed decision-making** through instant access to relevant member, medical aid scheme, and administration information, aiding informed healthcare decisions and reducing payment issues

## Manufactured capital

- ▲ **4.0 million** lives under administration (2023: 3.9 million)
- ► **15** client medical schemes in Southern Africa (2023: 15)

## Human capital

- ▼ **14.8%** employee turnover (2023: 13.4%)
- ▲ **75 individuals recruited** to meet growing need for clinical staff

## Social and relationship capital

- ▼ **R4.2 million** invested in enterprise development (ED) (2023: R12.5 million)
- ▼ **R5.9 million** invested in supplier development (SD) (2023: R8.7 million)
- ▼ **R4.6 million** invested in socioeconomic development (SED) (2023: R16.6 million)

## Natural capital

Environmental **impact monitoring and management**

**Optimised energy, water and paper use**

**Enhanced awareness** communication Group-wide

- ▲ **Direct** emissions **decreased by 29.0%** from 2023 to 2024
- ▼ **Indirect** emissions **increased by 7.2%** from 2023 to 2024

# OUTCOMES (continued)

## FINANCIAL CAPITAL

- **Revenue growth:** Prudent financial and liquidity management has led to sustained revenue growth despite challenging economic conditions
- **Profitability:** Investment in IT systems and infrastructure is expected to improve profitability over time by enhancing operational efficiencies
- **Value creation and preservation:** Reinvesting funds into the Group has helped to ensure long-term sustainability for shareholders

### Outcomes for our overarching goals

- **Enhanced quality of life:** Financial stability allows AfroCentric to invest in initiatives that directly enhance the quality of life of its stakeholders, supporting the broader purpose of transforming healthcare

## MANUFACTURED CAPITAL

- **Infrastructure quality:** Significant investments in upgrading buildings, facilities, and IT infrastructure have improved the quality and reliability of the Group's physical assets
- **Service delivery:** Enhanced physical infrastructure supports better service delivery, contributing to overall customer satisfaction
- **Long-term sustainability:** Modernised facilities and infrastructure ensure the Group can meet future demands and remain sustainable

### Outcomes for our overarching goals

- **Widely accessible healthcare:** Our facilities and infrastructure enable our reach, providing more communities with access to high-quality healthcare services

## NATURAL CAPITAL

- **Environmental impact:** While our operations as a service provider do not entail intensive utilisation or degradation of natural resources, our net impact on natural capital is negative as business activity inevitably involves some degree of resource consumption, whether through energy use, waste generation, or other factors. Despite our efforts to minimise these effects through sustainable practices, the cumulative impact of our operations means that a certain level of environmental cost is unavoidable. Nonetheless, we are committed to mitigating these impacts through responsible environmental practices and proactive strategies. For instance, by investing in grid-tied solar systems and reducing diesel consumption, we aim to significantly mitigate the environmental impact of the Group's operations
- **Resource efficiency:** Efforts to manage water and energy usage have led to more efficient resource consumption, aligning with sustainability goals
- **Resilience:** Enhancements in natural capital management have increased the Group's resilience to external environmental challenges, such as load-shedding

### Outcomes for our overarching goals

- **Sustainable healthcare:** Reducing our environmental impact preserves natural resources and minimises pollution while also promoting healthier communities. Sustainable healthcare practices ensure that medical services are provided in an environmentally conscious manner, leading to lower emissions, reduced waste, and enhanced resource efficiency. This holistic approach helps create a healthier environment, which is fundamental to the wellbeing of our stakeholders. Integrating environmental stewardship into our operations contributes to a more resilient and sustainable healthcare system that benefits everyone involved

## INTELLECTUAL CAPITAL

- **Innovation:** Continuous investment in IT systems and processes has driven innovation, keeping the Group competitive in the healthcare sector
- **Knowledge enhancement:** Developing customised IT solutions and improving business processes have enhanced the Group's intellectual assets
- **Operational efficiency:** Improved systems and software have streamlined operations, reducing costs and improving service delivery

### Outcomes for our overarching goals

- **Affordable healthcare:** Enhanced intellectual capital allows for the development of more efficient and affordable healthcare solutions, making healthcare more accessible and affordable

## HUMAN CAPITAL

- **Employee retention:** Comprehensive learning and development programmes, along with wellness initiatives, have improved employee retention and satisfaction
- **Skills development:** Investing in employee skills has ensured the Group has a capable and motivated workforce, ready to meet industry challenges
- **Empowered workforce:** A motivated and skilled workforce is essential for delivering on AfroCentric's purpose of enhancing the quality of life through improved healthcare services

### Outcomes for our overarching goals

- **Health and wellbeing:** Focus on mental health and wellness has led to a healthier, more productive workforce

## SOCIAL AND RELATIONSHIP CAPITAL

- **Community engagement:** Effective stakeholder management has strengthened relationships with communities, ensuring the Group's social licence to operate
- **Collaboration:** Working closely with stakeholders, including shareholders and communities, has accelerated growth and supported the Group's strategic objectives
- **Reputation:** Strong relationships with stakeholders have enhanced the Group's reputation and trust within the industry

### Outcomes for our overarching goals

- **Stakeholder quality of life:** Engaging with communities and stakeholders supports AfroCentric's broader purpose by addressing healthcare needs and trends and contributing to overall quality-of-life improvements

# OUR BUSINESS IN CONTEXT

# OPERATING CONTEXT

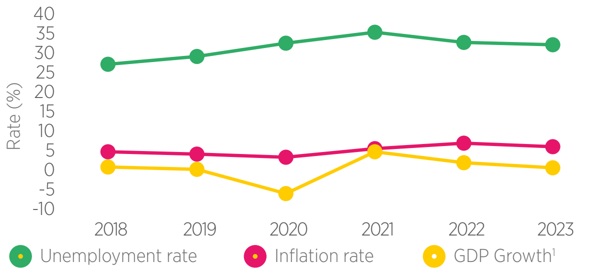
## EXTERNAL ENVIRONMENT

Understanding AfroCentric's external environment is crucial for the Group's integrated thinking and strategic decision-making. The external environment encompasses various factors, including economic conditions, market dynamics, workforce dynamics, regulatory landscape, technological changes, and socio-environmental context. These elements influence AfroCentric's operations and its ability to deliver value to stakeholders.

### Economic conditions

The South African economy has faced significant challenges, including slow economic growth, high unemployment, and elevated inflation. These economic conditions impact consumer spending power and the affordability of healthcare services. The Group must navigate these economic pressures while maintaining cost-effective and high-quality services.

Economic conditions in South Africa (2018 – 2023)




#### Related risks

- Cybersecurity vulnerabilities
- IT infrastructure
- Strategic execution risk
- System stability/availability
- NHI
- Critical skills retention
- Membership
- Revenue and earnings optimisation

#### Material matters

- Business continuity and business model adaptation
- Economic, transformation, political, and societal risk
- Member satisfaction for clients

#### Strategic levers

- Client-facing strategy
- Collaboration with Sanlam
- Primary health insurance

### Market dynamics

The healthcare sector in South Africa faces several challenges, including muted growth, high medical inflation costs, and a rising trend in fraud activities. Over the past 20 years, the industry has undergone significant consolidation, resulting in an 80% reduction in medical schemes and a decrease in administrators from 37 to six. Notably, year-on-year industry growth saw GEMS grow by 107 146 members while the rest of the industry experienced a decline of 12 940 members. The private sector, where AfroCentric predominantly operates, serves a smaller population segment due to these high costs. Despite these challenges, there is a growing demand for affordable healthcare solutions. This demand presents opportunities for AfroCentric to expand its market share by offering cost-effective and innovative healthcare products and services.

#### Related risks

- NHI
- Strategic stakeholder engagement
- Cybersecurity vulnerabilities
- IT infrastructure
- Strategic execution risk
- System stability/availability
- Critical skills retention
- Membership
- Revenue and earnings optimisation

#### Material matters

- Access to healthcare and medicine
- Business continuity and business model adaptation
- Member satisfaction for clients

#### Strategic levers

- Client-facing strategy
- Collaboration with Sanlam
- Primary health insurance

### Workforce dynamics

The workforce landscape is evolving rapidly, driven by technological advancements and changing employee expectations. According to the 2024 Work Trend Index from Microsoft and LinkedIn, 75% of knowledge workers now use AI to save time, boost creativity, and focus on essential tasks. This trend is increasingly relevant in healthcare, where AI is utilised to enhance diagnostics, patient care, and administrative efficiency.

The South African healthcare sector faces a significant challenge in addressing the shortage of skilled professionals. There is a growing concern among leaders about having enough talent to fill crucial roles. The brain drain phenomenon, where skilled professionals emigrate for better opportunities abroad, exacerbates this issue, leaving the local healthcare system with a critical talent gap.

In addition to the talent shortage, the healthcare sector must adapt to the shifting career expectations of its workforce. Approximately 46% of employees globally are considering career changes[2], highlighting a dynamic and competitive talent market.

[1] *https://www.statssa.gov.za/*
[2] *2024 Work Trend Index from Microsoft and LinkedIn.*

### Related risks

- Critical skills retention
- Cybersecurity vulnerabilities
- IT infrastructure
- Strategic execution risk
- System stability/ availability

### Material matters

- Employee wellbeing, acquisition, talent management and retention
- Digital transformation and resilience
- Cybersecurity and information security

### Strategic levers

- Leadership, culture, and values

## Regulatory landscape

Stringent regulations and policies govern the healthcare industry to ensure quality and accessibility. Currently, South Africa's healthcare system remains incredibly unequal, with 86% of the population relying on an under-resourced public system, while only 14% benefit from private healthcare. AfroCentric therefore supports the principles underpinning the movement towards universal health coverage in South Africa through an integrated health system that offers quality, affordable, and accessible healthcare.

The NHI Bill was signed into law this year, aiming to achieve equitable access to healthcare services for all South Africans. First introduced in 2019, the Bill has not undergone material changes despite extensive consultations and engagements. AfroCentric will continue to advocate for a fair, transparent, and phased implementation of the NHI.

Additionally, the Council for Medical Schemes (CMS) continues to prioritise the Low-Cost Benefit Option (LCBO) framework, aiming to enhance healthcare access for lower-income families through affordable private coverage. This effort aligns with AfroCentric's mission to improve stakeholders' quality of life by supporting the integration of LCBOs into health schemes, addressing the need for cost-effective, high-quality healthcare options. (see page 33 for more details on our engagements surrounding the NHI and LCBO).

### Related risks

- NHI
- Strategic stakeholder engagement

### Material matters

- Access to healthcare and medicine
- Economic, transformation, political, and societal risk, page 42
- Legal, regulatory and compliance management

### Strategic levers

- Client-facing strategy
- Collaboration with Sanlam
- Primary health insurance

## Technological changes

Advancements in healthcare technology, such as telemedicine, electronic health records, and AI-driven diagnostics, are transforming the industry. AfroCentric is well-positioned to capitalise on these trends by integrating cutting-edge technologies into its service offerings, enhancing efficiency, and improving patient outcomes.

See our **healthcare trends** on the next page for more details.

### Related risks

- Cybersecurity vulnerabilities
- IT infrastructure
- Strategic execution risk
- System stability/ availability

### Material matters

- Business continuity and business model adaptation
- Cybersecurity and information security
- Digital transformation and resilience

### Strategic levers

- Client-facing strategy
- Collaboration with Sanlam

## Socio-environmental context

Increasing awareness of sustainable and ethical practices in healthcare is shaping consumer expectations and industry standards. AfroCentric's commitment to delivering affordable and quality healthcare aligns with these societal values, enabling the Group to build stakeholder trust and loyalty.

### Related risks

- NHI
- Strategic stakeholder engagement
- Climate change

### Material matters

- Access to medicine
- Climate change

### Strategic levers

- Client-facing strategy
- Collaboration with Sanlam
- Leadership, culture, and values

# HEALTHCARE TRENDS IN FOCUS

## Virtual healthcare to streamline access

Digital health continues to expand, with virtual healthcare emerging as a significant trend. Given that over 90% of South Africans own smartphones, the potential of virtual healthcare solutions to bridge gaps in underserved populations and address prevalent health delivery challenges cannot be overstated.

Moving beyond consultations with healthcare providers, advancements in virtual screening and diagnostics are poised to empower patients, enabling them to take a more proactive role in their health while equipping healthcare professionals with crucial data for informed treatment decisions.

**Companies across our integrated healthcare business that address this trend**

| Allegra | Medscheme | AfroCentric Technologies |
|---|---|---|
| **Related risks** | **Material matters** | **Strategic levers** |
| • NHI<br>• Strategic stakeholder engagement<br>• Cybersecurity vulnerabilities<br>• IT infrastructure<br>• Strategic execution risk<br>• System stability/availability<br>• Critical skills retention<br>• Membership<br>• Revenue and earnings optimisation | • Access to healthcare and medicine<br>• Cybersecurity and information security<br>• Digital transformation and resilience<br>• Member satisfaction for clients | • Client-facing strategy<br>• Collaboration with Sanlam |

## Wellness and self-care as preventative measures

The primary prevention of non-communicable diseases (NCDs) is increasingly focused on improving lifestyle behaviours, as poor nutrition, physical inactivity, smoking, and alcohol misuse are key risk factors driving conditions like cardiovascular disease, diabetes, cancer, and respiratory disease. These conditions are responsible for 65% of healthcare expenditure and account for 80% of deaths attributed to NCDs[1]. By managing these behaviours, 90% of diabetes, 60% of cardiovascular disease, and more than a third of cancers can be avoided[2]. This understanding is driving a shift towards preventative healthcare, emphasising mental wellbeing, diet, and exercise. The rise of the Internet of Things (IoT) further enhances our understanding of the link between psychological and physical health, shaping more comprehensive and effective preventative care strategies.

[1] *Statistics SA mortality data 2022.*
[2] *WHO (2005) Global strategy on Diet Physical Activity and Health.*


**Companies across our integrated healthcare business that address this trend**

| Medscheme | Afrocentric Wellness | Aid for AIDS |
|---|---|---|
| **Related risks** | **Material matters** | **Strategic levers** |
| • NHI<br>• Strategic stakeholder engagement<br>• Critical skills retention<br>• Membership<br>• Revenue and earnings optimisation | • Access to healthcare and medicine<br>• Member satisfaction for clients | • Client-facing strategy<br>• Collaboration with Sanlam<br>• Primary health insurance |

## Mental health: Challenging stigma and access

Mental health remains a challenge in South Africa, with an average increase in the prevalence of anxiety and depressive disorders of more than 30% since the COVID-19 pandemic. With this growing population in need of support, scalable solutions that offer early intervention need to be deployed. Digital enablement facilitates the ability to scale mental health promotion initiatives and allow for early identification of at-risk individuals.

Please see our **purpose-in-action** case study on page 74 for more detail on our approach to value-based care.

**Companies across our integrated healthcare business that address this trend**

| Medscheme | AfroCentric Wellness | AfroCentric Employee Health Solutions |
|---|---|---|
| **Related risks** | **Material matters** | **Strategic levers** |
| • NHI<br>• Strategic stakeholder engagement<br>• Cybersecurity vulnerabilities<br>• IT infrastructure<br>• Strategic execution risk<br>• System stability/availability<br>• Critical skills retention<br>• Membership<br>• Revenue and earnings optimisation | • Access to healthcare and medicine<br>• Digital transformation and resilience<br>• Member satisfaction for clients | • Client-facing strategy<br>• Collaboration with Sanlam<br>• Primary health insurance |

## GenAI in healthcare: Revolutionising health solutions

The advent of Generative AI (GenAI) has invigorated innovation in the healthcare industry. These technologies hold promise in addressing long-standing resource constraints and health risk management challenges. Integrating AI into healthcare solutions is crucial, as it can significantly impact decision-making support and enrich predictive analytics for preventative and curative healthcare.

**Companies across our integrated healthcare business that address this trend**

| Medscheme | AfroCentric Technologies | Allegra |
|---|---|---|
| **Related risks** | **Material matters** | **Strategic levers** |
| • NHI<br>• Strategic stakeholder engagement<br>• Cybersecurity vulnerabilities<br>• IT infrastructure<br>• Strategic execution risk<br>• System stability/availability<br>• Critical skills retention<br>• Membership<br>• Revenue and earnings optimisation | • Access to healthcare and medicine<br>• Digital transformation and resilience<br>• Member satisfaction for clients | • Client-facing strategy<br>• Collaboration with Sanlam<br>• Primary health insurance |

## Value-based care: Redefining healthcare delivery

As healthcare costs rise and population health declines, new healthcare delivery models are gaining traction. Value-based care seeks to remunerate services based on the quality of care provided. This approach aims to hold healthcare professionals accountable for health outcomes, paving the way for more effective, patient-centred services.

However, the implementation of value-based care underscores the necessity for considering social and environmental determinants of health and a supportive system to enable healthcare professionals to achieve desired health outcomes.

Consequently, the industry is prioritising data integration, defining health objectives, and designing new reimbursement models to steer towards value-based healthcare.

**Companies across our integrated healthcare business that address this trend**

| Medscheme / Scriptpharm | DENIS | Aid for AIDS |
|---|---|---|
| **Related risks** | **Material matters** | **Strategic levers** |
| • NHI<br>• Strategic stakeholder engagement<br>• Cybersecurity vulnerabilities<br>• IT infrastructure<br>• Strategic execution risk<br>• System stability/availability<br>• Critical skills retention<br>• Membership<br>• Revenue and earnings optimisation | • Access to healthcare and medicine<br>• Digital transformation and resilience<br>• Member satisfaction for clients | • Client-facing strategy<br>• Collaboration with Sanlam<br>• Primary health insurance |

Looking ahead, AfroCentric is poised for growth through strategic expansion, technological innovation, and enhanced service delivery. Our focus on integrated thinking and value creation and preservation positions the Group to navigate the dynamic healthcare landscape effectively, ensuring long-term sustainability and success.

### Equitable access to mental health support

Mental health in South Africa faces significant challenges, with anxiety and depressive disorders rising since the COVID-19 pandemic. The system's reactive nature, focused on severe cases, leaves early-stage needs unmet, increasing healthcare costs and the burden of NCDs..

Our solution promotes equitable access to mental health support through digital enablement. We empower users with self-assessment tools, enabling early identification and personalised care. Since implementing these tools, screening rates have tripled, offering critical insights into population health.

By integrating virtual consultations and structured telephonic support, we provide accessible, affordable care, reducing stigma and improving outcomes. Early intervention lowers costs and improves prognosis, aligning with **SDG 3's** goals of ensuring healthy lives and promoting wellbeing for all.

This approach demonstrates that scalable, proactive mental health care is essential for a sustainable healthcare system.

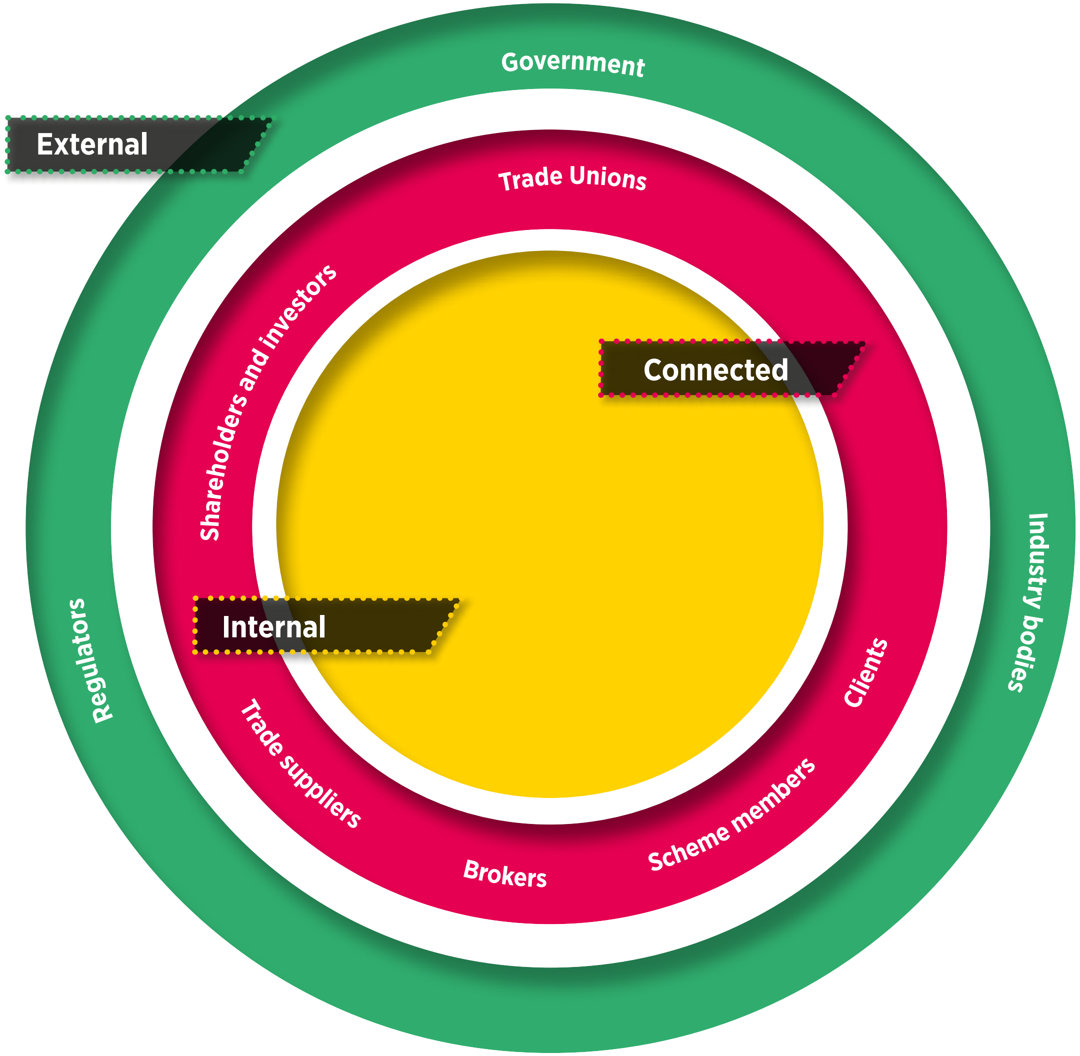
# OUR STAKEHOLDERS

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

AfroCentric considers its stakeholders as individuals and groups interested in or affected by our activities. They range from employees to the external bodies who impact us. We understand the levels of engagement will vary between stakeholder groups based on their levels of influence or interest. We analyse and classify our stakeholders according to their interests and influence to enable tailored levels of engagement to meet their unique needs.

The Board and executive management adopt an inclusive approach to stakeholder management. We engage our stakeholders responsively, constructively, collaboratively and transparently to address their material needs, interests and expectations and respond in a mutually beneficial manner.

Our Social and Ethics Committee provides governance oversight to stakeholder engagement.



## Industry bodies

Bodies that oversee healthcare-related matters:

- Board of Healthcare Funders of Southern Africa (BHF)
- Hospital Association of South Africa
- Doctors' Health Council
- Public Health Enhancement Forum
- Business Unity South Africa (BUSA)
- Business Leadership South Africa (BLSA)
- Health Ombudsman
- South African Nursing Council

### How we engage

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

### Key concerns raised

- Implementation of the NHI and the role of medical schemes
- The NHI Act does not align with the principles enshrined in the country's Constitution and does not reflect the healthcare industry's comments and concerns.

### Responding to our stakeholders' needs

- Ongoing engagements with government and regulators regarding the NHI Bill. AfroCentric continues to play a key role in driving and providing access to healthcare. Through our membership with the BHF and BUSA, we have been involved in the NHI discussions intended to navigate a way for the private sector to meet and partner with the public sector to address as a collective the healthcare challenges South Africa is facing

### Quality of relationship

| | |
|---|---|
| Robust relationship characterised by transparency, trust, and mutual understanding | 🟢 |
| Good quality, value-enhancing relationship | 🔴 |
| Solid relationship but requires some enhancement to add value | 🟡 |
| Relationship established, but significant effort needed to enhance its quality | ⚪ (grey) |
| No existing relationship | ⚫ |

## Employees and trade unions

- National Education, Health and Allied Workers' Union (NEHAWU)
- South African Legal Union (SALU)

### How we engage

- Integrated report and AFS
- Ongoing dialogue through established channels (Employee listening strategy)
- Forums
- Company intranet and newsletters
- Leadership conference
- Surveys and employee presentations
- Onboarding throughout the employee life cycle

### Key concerns raised

- Access to affordable medical care
- Strengthening management and labour working relations
- Reward and recognition
- Wellbeing
- Wage increase

### Responding to our stakeholders' needs

- Renewed collective agreement and related forums
- Intentional relationship building – interventions to strengthen engagement between management and labour to achieve common goals
- Introduction of Primary Health Insurance as an affordable medical benefit option
- Ignite recognition programme
- Employee experience management has given prominence to the wellbeing programmes – ensuring a focus on mental health to boost engagement and productivity

## Our clients – medical schemes

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

Our schemes include:

- Open schemes: Bonitas, Fedhealth, Medshield
- Closed schemes: AECI, Barloworld, GEMS, Horizon, MBMed, ParMed, POLMED, SABC, SAMWUMED, and MEDipos
- Outside SA schemes: NAMMED, Namibia Health Plan

### How we engage

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

### Key concerns raised

- Scheme growth – attracting young and healthy member profile
- Member retention in the current economical context
- Addressing out of pocket expenses to address member concerns
- Fraud, waste and abuse
- Understanding our unique value proposition
- Sound claims management
- Quality service engagements with emphasis on knowledge management
- Digital transformation to reduce cost and enhance service
- The private sector sustainability brought about the NHI Act impact

### Responding to our stakeholders' needs

- Partnering with BHF to fast-track the LCBO framework approval
- ARVs drug prices decrease successfully negotiated with relevant pharmaceuticals companies
- Participation in the Section 59 investigation panel
- Appointed a Chief Health Commercial Officer who will be responsible for driving and optimising the integration strategy to generate improved client value and returns for the Group
- Effective hospital collective negotiation model, provider network management and our disease management programmes continue to demonstrate VBC
- Supplemented administration and managed care services with additional contracts (SAMWUMED Integrated Claims Management)
- Medscheme hybrid EXPO connecting our people to our transformation journey experiences and client feedback through connect groups averaging over 2 000 employees in attendance weekly
- Our mobile app has evolved to be an intelligent extension of our medical aid administration platform at a member's fingertips
- NHI Bill was signed into law during the year. Medscheme supports the principle that underpins movement towards universal health coverage and is continually engaging industry stakeholders on key considerations and implementation scenarios to business model sustainability

## Our shareholders and investors

- Institutional and individual investors

### How we engage

- Integrated report and AFS
- Corporate website
- Stock Exchange News Service (SENS) announcements
- Investor days and roadshows
- One-on-one meetings with executive management
- Interim and annual results presentations

### Key concerns raised

- Sustainable value creation and preservation
- Consistency in the delivery of strategy
- Consistent financial performance
- Sound investment returns
- Working capital and capital allocation
- Protection of minority shareholders' rights in relation to Sanlam's majority shareholding
- ESG matters

### Responding to our stakeholders' needs

- We communicate our value-creation story and strategy through our integrated report
- Enhanced our ESG reporting with additional elements being included during the period

## STAKEHOLDER MATTERS IN FOCUS

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

### NHI

AfroCentric supports the principles that underpin the movement towards universal health coverage in South Africa through an integrated health system that offers quality, affordable, and accessible healthcare. However, since the NHI Bill was first introduced in 2019, no material changes have been made to the Bill despite critical comments, consultations, and engagements with the medical profession, private healthcare industry, medical aid schemes, and other stakeholders, as well as potential legal challenges.

AfroCentric believes the NHI is a critical vehicle in the journey towards universal health coverage, however, the NHI Bill, in its current format, which President Cyril Ramaphosa signed into law on 15 May 2024 is not aligned with the principles enshrined in the country's Constitution and does not reflect the healthcare industry's comments and concerns.

We believe the NHI will only succeed if a collaborative and integrated approach is used. Utilising our diverse set of skills and expertise, AfroCentric will continue to proactively pursue and advocate for a fair, transparent, and collaborative transition through partners like BHF and BUSA to facilitate a phased implementation of a health system tailored to South Africa's needs.

| Stakeholders | Related material matters |
|---|---|
| • Government and regulators<br>• Clients<br>• Shareholders and investors | • Access to healthcare and medicine<br>• Legal, regulatory and compliance management<br>• Member satisfaction for clients |

### Our updated strategy following the Sanlam acquisition

The acquisition of a controlling stake in AfroCentric by Sanlam was concluded last year, granting AfroCentric access to Sanlam's extensive distribution network and integrating AfroCentric's products into Sanlam's ecosystem. Our updated strategy is designed to steer the Company through the internal and external factors that potentially pose a threat to our business, and set us on a course for sustainable and profitable growth into the future. We will do this by developing a cohesive value proposition that leverages our unique, diverse healthcare assets in a more integrated approach. We will also continue to accelerate the collaboration with Sanlam in delivering a winning health offering through their dominant distribution channels. Our track record of unlocking significant value in Clinical Managed Care will remain a critical asset. A vital success factor will be the transformation of traditional care delivery programmes to prioritise value-based care. We will continue to focus on key partnerships with our schemes, intermediaries, and service providers to grow our networks and deliver a compelling, data- and digitally enabled proposition.

As we embark on this strategy refresh, it is essential to recognise that our new direction will be a multi-year journey. This transformation will require a fundamental shift in our culture, one that prioritises empowering our people and fostering an environment of collaboration, innovation and continuous learning. This culture evolution will be the foundation upon which our refreshed strategy will be built by ensuring that every aspect of our organisation is aligned and working towards a common purpose. It will require patience, dedication and a willingness to embrace change, but the payoff will be a more resilient, agile and successful Group that unlocks the full potential of our people and drives sustainable growth.

| Stakeholders | Related material matters |
|---|---|
| • Government and regulators<br>• Clients<br>• Shareholders and investors | • Access to healthcare and medicine<br>• Legal, regulatory and compliance management<br>• Member satisfaction for clients |

### Call for regulatory reform on LCBOs

Increasing access to healthcare is a crucial focus for the Group, aligning with our mission to improve stakeholders' quality of life. We support the introduction of LCBOs in health schemes to help new members access affordable private healthcare, addressing the market need for cost-effective, high-quality healthcare options. This also allows us to collaborate with schemes to integrate LCBOs into the medical schemes environment.

The CMS continued to prioritise the LCBO framework into 2024, aiming to enhance healthcare access for lower-income families through affordable private coverage. The CMS is actively finalising guidelines with stakeholders, with a draft expected soon. The recent extension allowing insurers to sell primary healthcare policies for another year highlights the commitment to making LCBOs a reality while awaiting the framework's final approval by the Minister of Health.

The CMS has been developing the LCBO framework since 2016, with delays causing industry contention. The exemption extension maintains access to primary healthcare for low-income consumers during the finalisation process.

| Stakeholders | Related material matters |
|---|---|
| • Government and regulators<br>• Clients<br>• Shareholders and investors | • Access to healthcare and medicine<br>• Legal, regulatory and compliance management<br>• Business continuity and business model adaptation |

## Neil Harvey and Associates (NHA)

After navigating a 17-year-long arbitration process, our subsidiary Medscheme has welcomed the arbitrator's decision to dismiss all the claims brought against it by software developer NHA as baseless. The arbitrator also awarded costs in Medscheme's favour.

NHA's claims arose out of a Confidentiality Agreement and Software Licence Agreement concluded with Medscheme in 2003 and 2004, respectively.

NHA launched proceedings against Medscheme and others in 2007, claiming damages for multiple causes of action, including fraudulent misrepresentation, unlawful competition, and emulation of software functionality. The total quantum of the claims was initially approximately R80 million, but over the years, the claims grew vastly in quantum and scope and at one stage exceeded R350 million.

NHA appealed the decision, and stakeholders will be updated when the appeal is heard.

| Stakeholders | Related material matters |
| --- | --- |
| • Shareholders and investors | • Legal, regulatory and compliance management |

## Section 59 Inquiry

In early 2019, several healthcare providers and the National Health Care Professionals Association accused medical aid schemes of unfair treatment. As a result, CMS investigated these allegations regarding its regulatory mandate.

Our fiduciary duty is safeguarding members' funds and access to affordable, quality healthcare. Notably, the practices that we investigate and quantify a loss assessment constitute less than 2% of the total medical practices paid by Medscheme. We always pursue forensic processes that are fair, transparent and within the law. Following the release of the Section 59 Investigation Panel Interim Report, we submitted a formal response to the findings. There were further public virtual hearings in June 2023. On 31 January 2024, we provided a further submission. On 3 June 2024, the CMS notified that the final report is close to completion and will be released and published as soon as possible. We continue to work with the panel to ensure its outcome does not negatively impact the healthcare industry and our reputation.

| Stakeholders | Related material matters |
| --- | --- |
| • Industry bodies<br>• Clients<br>• Shareholders and investors | • Access to healthcare and medicine<br>• Legal, regulatory and compliance management |

## Capital and working capital management

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

Please see our CFO review on page 60 for details on these topics.

| Stakeholders | Related material matters |
| --- | --- |
| • Shareholders and investors | • Access to healthcare and medicine<br>• Business continuity and business model adaptation |

# OUR RISKS

## OUR RISKS AND OPPORTUNITIES

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

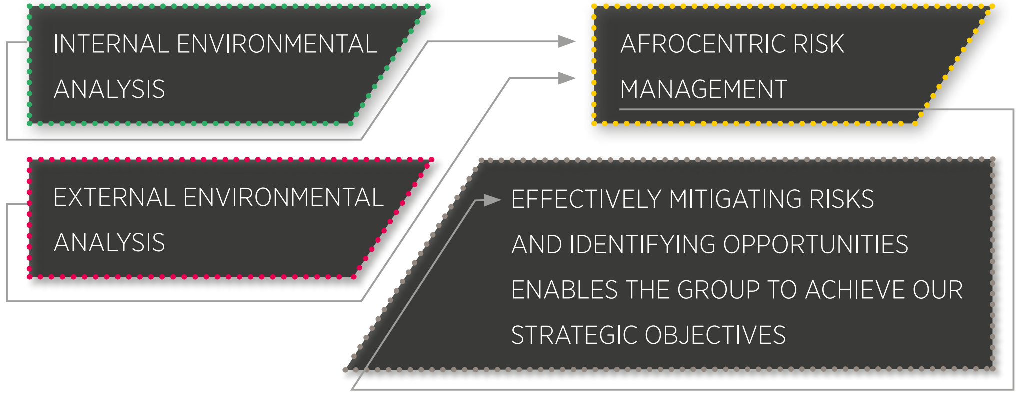
AfroCentric's risk management is overseen by the Board and its sub-committees and managed by governance structures. These structures are chaired by senior management team members and are accountable to Board sub-committees. Risk management processes are effectively governed and managed by the Group risk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

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

## Enterprise risk management (ERM) framework

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

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




### Reporting, communication and consultation

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

Training promotes risk management across the Group.

### Identification

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

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

### Analysis

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

### Evaluation

The risk management system is regularly assessed by the Group, which implements internal controls for each risk.

### Categorising residual risks

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

### Formulation of risk mitigation strategies

The Board approves the risk management policy and framework. The Risk Appetite and Tolerance Framework is also defined and approved by the Board.

### Monitoring and reviewing risks

We consistently monitor ERM and regularly conduct comprehensive risk assessments.

# Overview of our top risks and related opportunities

Please see our material matter discussion on page 42 for information on how our top risks are integrated into our materiality process.

NEW | Remains unchanged | Trend improving | Trend worsening

## 1 Strategic stakeholder engagement

NEW

### Impact on value creation/preservation and potential for value erosion

Failure to proactively communicate and manage issues or risks with key stakeholders could lead to misaligned expectations, reputational damage, and erosion of trust, leading to value erosion.

### Response and mitigating actions to preserve value:

- Implementation of a comprehensive stakeholder engagement plan
- Ongoing monitoring and reporting of service level agreements
- Regular and transparent engagement with stakeholders to ensure alignment and manage expectations

### Identified opportunities to create value:

- **Strengthen relationships with stakeholders through proactive communication:** Reinforce our reputation as a trusted partner by anticipating concerns and engaging transparently
- **Build trust and loyalty by exceeding expectations:** Transform stakeholders into advocates by consistently surpassing their expectations

### Board committees overseeing the risk

ARC

### Affected strategic priorities and capitals

## 2 Profit and earnings optimisation

NEW

### Impact on value creation/preservation and potential for value erosion

Maintaining our ability to meet budget and growth targets in headline earnings is crucial for preserving investor confidence and ensuring we can continue to reinvest in strategic initiatives that drive long-term growth and value creation.

### Response and mitigating actions to preserve value:

- Review of monthly financial results by Group Exco
- Monitoring of the Group's performance against the budget/forecast
- Quarterly and annual review by the Investment Committee of the Group's performance
- Monthly review of the results by the Group Executive Committee
- Quarterly reviews of the Group results by the Board

### Identified opportunities to create value:

- **Identify and capitalise on growth opportunities through regular financial reviews:** Use insights from frequent assessments to drive growth and improve performance
- **Optimise budget allocations and financial efficiency through performance monitoring:** Apply data-driven insights to strategically adjust budgets for maximum efficiency
- **Realign strategic priorities during quarterly and annual reviews:** Use these reviews to refine our strategic direction and support sustainable growth

### Board committees overseeing the risk

ARC IC

### Affected strategic priorities and capitals

## 3 Concentration risk

NEW

### Impact on value creation/preservation and potential for value erosion

A significant portion of our Group income is associated with a few key clients. While this focus has been beneficial, it also presents a potential risk to income stability if these clients were to face challenges.

### Response and mitigating actions to preserve value:

- Invest in the growth of primary health insurance
- Intensify revenue diversification by expanding all subsidiary businesses
- Refocus growth efforts outside of South Africa to mitigate geographic and political risk

### Identified opportunities to create value:

- **Unlock new revenue potential:** By fully capitalising on the growth of primary health insurance, we can explore innovative product offerings and expand into untapped markets
- **Expand our market footprint:** Diversifying into new regions and businesses not only mitigates risk but also positions us to seize emerging opportunities in less saturated markets
- **Enhance organisational resilience:** Focusing on geographic and political diversification helps us build a more resilient business model that can adapt to global and regional shifts

### Board committees overseeing the risk

ARC IC

### Affected strategic priorities and capitals

## 4 Strategic execution risk

NEW

### Impact on value creation/preservation and potential for value erosion

The Sanlam/AfroCentric integration presents significant opportunities for growth and value creation. However, the process also carries potential risks, particularly to our reputation and growth prospects, if not executed effectively. Failure to manage these risks could impact our ability to fully realise the strategic benefits of the integration and preserve long-term value.

### Response and mitigating actions to preserve value:

- Performance tracking and monitoring are ongoing to ensure that the integration delivers the expected outcomes

### Identified opportunities to create value:

- **Drive strategic alignment and operational synergy:** Through a honed focus on integration, we enhance our ability to execute on strategic priorities and realise long-term value
- **Advance continuous value creation:** Leveraging performance monitoring, we can ensure ongoing optimisation of the integration process, driving sustained value and growth

### Board committees overseeing the risk

ARC ICT

### Affected strategic priorities and capitals

## 5 System stability/availability

Trend improving

### Impact on value creation/preservation and potential for value erosion

Unreliability of critical IT systems poses a significant risk to business continuity, potentially leading to operational disruptions, decreased productivity, and reputational damage.

### Response and mitigating actions to preserve value:

- Remediate outdated or unsupported hardware and software
- Leverage synergies with Sanlam for better integration
- Refresh virtual environment infrastructure to improve system reliability

### Identified opportunities to create value:

- **Enhance business continuity:** Strengthen operational resilience by upgrading and maintaining IT systems, ensuring continuous availability
- **Optimise IT performance:** Address system stability proactively, reducing the risk of disruptions and enhancing overall productivity

### Board committees overseeing the risk

ARC ICT

### Affected strategic priorities and capitals

## 6 IT infrastructure

Trend improving

### Impact on value creation/preservation and potential for value erosion

Obsolete and legacy IT infrastructure that has reached the end of life and is no longer supported presents significant risks to business continuity.

### Response and mitigating actions to preserve value:

- Implement robust infrastructure upgrades
- Conduct comprehensive testing of all components to ensure seamless integration and system stability during critical upgrades
- Maintain a comprehensive testing and contingency plan, including disaster recovery protocols, to mitigate potential risks

### Identified opportunities to create value:

- **Enhance IT infrastructure:** By successfully completing the migration and upgrades, we lay the foundation for a more robust, scalable, and efficient IT environment
- **Strengthen organisational resilience:** Leveraging the new data centre and updated infrastructure reduces the risk of future disruptions and positions us to better handle IT challenges

### Board committees overseeing the risk

ARC ICT

### Affected strategic priorities and capitals

## 7 NHI

Trend worsening

### Impact on value creation/preservation and potential for value erosion

The implementation of the NHI has significant strategic implications for AfroCentric, particularly regarding the preservation of investor confidence and the stability of Medscheme's client base. While NHI aims to enhance healthcare access, the uncertainty surrounding its rollout and ongoing legal challenges present risks that could erode investor sentiment. Managing these uncertainties effectively is crucial for maintaining value and ensuring long-term growth in a rapidly changing healthcare landscape.

### Response and mitigating actions to preserve value:

- Enhance market position during the transition by maintaining proactive communication with stakeholders
- Engage continuously with key stakeholders such as the NDoH and the Presidency to ensure alignment with strategic goals
- Participate in the BHF collective policy initiatives, including scenario planning for future health system transformations and the role of the private sector

### Identified opportunities to create value:

- **Shape the future healthcare landscape:** Influence policy and NHI implementation through strategic engagement with government bodies and active participation in BHF initiatives
- **Strengthen market position:** Proactively manage communication with stakeholders to reinforce confidence in Medscheme's role during the transition
- **Diversify revenue streams:** Explore new opportunities, positioning the organisation to benefit from changes in the healthcare system

### Board committees overseeing the risk

ARC SEC

### Affected strategic priorities and capitals

## 8 Critical skills retention

NEW

### Impact on value creation/preservation and potential for value erosion

The retention of critical skills, particularly in technology, data science, actuarial science, and clinical fields, is essential for sustaining innovation and operational excellence. Skills shortages in these areas could hinder AfroCentric's ability to drive growth and maintain competitive advantage, potentially leading to value erosion if not addressed.

### Response and mitigating actions to preserve value:

- Fast-track the development of talent pipelines to ensure a steady flow of skilled professionals
- Leverage Sanlam's resources for talent mobility and skills exchange to bolster AfroCentric's capabilities
- Continuously review and adjust reward levers to retain top talent and remain competitive in the market

### Identified opportunities to create value:

- **Enhance strategic talent management:** Implement the newly approved Talent Acquisition policy to strategically integrate key talent from Sanlam and other sources, strengthening AfroCentric's overall talent pool and ensuring long-term capability growth
- **Build sustainable talent pipelines:** Establish and expand targeted talent pipelines, such as partnerships with academic institutions, to secure a consistent flow of critical skills that support AfroCentric's strategic objectives
- **Optimise recruitment strategy:** Explore the centralisation of recruitment activities to streamline processes, increase efficiency, and attract top-tier talent across all critical business functions

### Board committees overseeing the risk

ARC SEC

### Affected strategic priorities and capitals

## 9 Membership

Trend improving

### Impact on value creation/preservation and potential for value erosion

Economic challenges like poor growth, job losses, inflation, and rising interest rates are straining disposable income, risking membership stability and potential value erosion. However, strategic actions focused on cost control, enhanced services, and targeted growth can preserve and even create value amid these pressures.

### Response and mitigating actions to preserve value:

- Implement cost control measures while driving growth in schemes, primary health insurance, and the pharmaceutical cluster
- Balance growth and cost elements across the Group to ensure financial stability
- Design and refine product benefits to better meet member needs
- Enhance client experience and intermediary support by improving onboarding and servicing processes

### Identified opportunities to create value:

- **Leverage growth in key areas:** Despite challenges, steady membership growth in certain segments presents opportunities to strengthen the revenue base and expand services
- **Restructure and adapt:** Strategic adjustments and service enhancements in response to shifts in client needs can lead to improved retention and new growth avenues
- **Expand service offerings:** Adding new services and digital solutions provides potential for additional revenue streams and enhances the organisation's overall value proposition

### Board committees overseeing the risk

ARC

### Affected strategic priorities and capitals

## 10 Cybersecurity vulnerabilities

Trend improving

### Impact on value creation/preservation and potential for value erosion

The growing threat of cybercrime poses a significant risk to the organisation's ability to protect critical systems and data from malicious attacks. If not effectively managed, the impact of cybercrime could lead to disruptions, data breaches, and reputational damage, potentially resulting in value erosion.

### Response and mitigating actions to preserve value:

- Conduct regular evaluations, including cloud environments, third-party assessments, and compliance reviews across all subsidiaries
- Align with Sanlam's cybersecurity framework and standards to ensure comprehensive protection and reduce exposure to risks

### Identified opportunities to create value:

- **Drive innovation through secure practices:** Incorporating cybersecurity into all projects promotes a culture of security-first innovation, positioning the organisation as a leader in secure digital transformation

### Board committees overseeing the risk

ARC ICT

### Affected strategic priorities and capitals

# OUR MATERIAL MATTERS

We disclose matters that substantively affect our ability to create value over the short, medium, and long term. We identify these matters using a double materiality determination process to enable us to identify our impact materiality (the effect our business has on society, communities, and the environment) and our financial materiality (those matters that could meaningfully affect our ability to create and preserve financial value over time). Our approach reflects the combined guidance of the Integrated Reporting Framework and the JSE Sustainability Disclosure Guidance.

The process we follow includes:

## IDENTIFY

Our external environment (refer to page 26) influences our ability to create value and achieve our strategy (refer to page 53), along with our relationships with our stakeholders (refer to page 30) and the risks and opportunities derived from these contexts (refer to page 35).

**Inputs**

- Global research reports
- Peer benchmarking
- Group risk register
- Stakeholder inputs

## PRIORITISE

Material matters were reviewed to evaluate and prioritise a comprehensive set of issues relevant to our business and strategy.

**Inputs**

- Material matters were reviewed and updated during the year
- Approval from appropriate governance structures

## INTEGRATE

We map our material matters to our strategy to ensure our strategic direction is responsive and progressive. Furthermore, by assigning internal owners of various material matters and the related KPIs, we integrate monitoring and management of these diverse issues into our everyday business.

**Inputs**

- Board-determined strategy
- Progressive alignment with remuneration structures

# OVERVIEW OF OUR MATERIAL MATTERS

## 1. Access to healthcare and medicine

### What it entails

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

### How we are responding

- Implemented disruptive strategies to eliminate inefficiencies in the healthcare value chain
- Implemented value-based care initiatives to improve health outcomes while controlling costs
- Increased focus on providing primary healthcare, providing fundamental healthcare coverage at a feasible cost, with a particular emphasis on preventative care and early detection
- Partnered with government to drive the universal healthcare agenda through the CCMDD programme
- Adopted technology and other initiatives to curtail costs
- Collective bargaining and negotiations of tariffs aimed at cost reduction
- Alternative reimbursement models with risk-sharing agreements
- Management of supplier-induced demand
- FWA initiatives to reduce maladministration and fraudulent activities that impact healthcare costs

### Diving deeper: ESG in focus

#### Customer responsibility

- **Product innovation:** While no costs were incurred for research and development (R&D) aimed at social or environmental enhancements, the Group invested in digital technology to improve client service efficiency

(Refer to page 139 for our full ESG reporting index)

| Strategic focus areas | Related risks | Impacted SDG | Related capitals |
|---|---|---|---|
| • Client-facing strategy<br>• Collaboration with Sanlam<br>• Leadership, culture and values<br>• Primary health insurance | • NHI<br>• Strategic stakeholder engagement | | |

## 2. Business continuity and business model adaptation

### What it entails

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

### How we are responding

- We continue to innovate to ensure we remain relevant within a rapidly changing healthcare system
- Business continuity planning within the Group is continuously updated and reviewed by the Audit and Risk Committee
- Continuity plans are in place to ensure the services we provide to our clients are not materially impacted
- Information Communication Technology (ICT) Committee reviewed all ICT policies, including the business continuity plan
- We are investing in grid-tied solar systems to reduce our reliance on diesel and enhance business resilience amidst energy challenges in South Africa

### Diving deeper: ESG in focus

#### Customer responsibility

- **High-risk products and services:** AfroCentric's services pose no specific risks to individuals, communities, or the environment. The pharmaceutical cluster's medicines comply with South African Health Products Regulatory Authority (SAHPRA) requirements, with routine stock checks in place to remove short-dated stock.
- There were five products that were recalled by SAHPRA during the year. There was no significant impact for AfroCentric as there were two products that were recalled in stock.
- **Product innovation:** While no costs were incurred for R&D aimed at social or environmental enhancements, the Group invested in digital technology to improve client service efficiency

(Refer to page 139 for our full ESG reporting index)

| Strategic focus areas | Related risks | Impacted SDGs | Related capitals |
|---|---|---|---|
| • Client-facing strategy<br>• Collaboration with Sanlam<br>• Leadership, culture and values<br>• Primary health insurance | • Cybersecurity vulnerabilities<br>• IT infrastructure<br>• Strategic execution risk<br>• System stability/ availability | | |

## 3. Digital transformation and resilience

**What it entails**

Includes matters related to our cutting-edge technological platforms and transactional systems and services, such as hosting, switching, administration, health risk management and clinical applications.

**How we are responding**

- Enhanced our actuarial and analytics capability to understand our scheme lives and develop products and services to delight and assist members
- Focused on providing innovative digital solutions to meet member needs and enhance efficiencies
- Provided easy access to digital self-service on clients' websites and members' smartphones
- Enabled faster detection and response to rapidly evolving cyber threats
- Migration and integration of AfroCentric Data Centre with Sanlam Group Technologies to improve client servicing capacity
- Launched our HCP portal, a web-based digital tool designed to help healthcare practices and their staff simplify and expedite administrative tasks

**Diving deeper: ESG in focus**

**Customer responsibility**

- **Product innovation:** While no costs were incurred for R&D aimed at social or environmental enhancements, the Group invested in digital technology to improve client service efficiency

(Refer to page 139 for our full ESG reporting index)

| Strategic focus areas | Related risks | Impacted SDG | Related capitals |
|---|---|---|---|
| • Client-facing strategy<br>• Collaboration with Sanlam<br>• Leadership, culture and values<br>• Primary health insurance | • Cybersecurity vulnerabilities<br>• IT infrastructure<br>• Strategic execution risk<br>• System stability/ availability | 9 Industry, innovation and infrastructure | |

## 4. Legal, regulatory and compliance management

**What it entails**

Compliance with relevant laws, policies and regulations. It covers several processes for recognising and proactively addressing litigation or regulatory action risks and seeking to prevent disputes from arising or escalating.

**How we are responding**

- The Board serves as the custodian of corporate governance and ensures that best-practice corporate governance principles are observed and entrenched while meeting all compliance requirements
- Adapted our strategies to align our business model to the government's health policy direction and have successfully demonstrated our abilities in these strategies
- Maintaining a legal compliance framework to guide and support the Group in complying with legislation and regulation
- Keeping abreast of legislative and regulatory changes and their impact on Group operations
- Engaging with industry regulators
- We are proactively expanding our participation across the healthcare sector, a move that strategically situates the Group to collaborate with the government on the unfolding implementation of the NHI processes (for more information, refer to our Chairmans's review on page 10)

**Diving deeper: ESG in focus**

**Customer responsibility**

- **High-risk products and services:** AfroCentric's services pose no specific risks to individuals, communities, or the environment. Pharma Cluster medicines comply with SAHPRA requirements, with routine stock checks in place to remove short-dated stock.
- There were five products that were recalled by SAHPRA during the year. There was no significant impact for AfroCentric as there were two products that were recalled in stock.
- **Consumer data security and privacy:** An Information Officer oversees compliance with the Protection of Personal Information Act (POPIA). Data breach complaints are reported to the Information Officer and escalated to the Executive Enterprise Risk Committee (EERCO). This year, three complaints were escalated, with one reported to the Information Regulator and the affected medical scheme

**Compliance and risk management**

- There were no significant environmental, social and/or governance related incidents in 2024, including incidents of legal non-compliance
- There were no fines, settlements, penalties, and other monetary loss suffered in relation to ESG incidents or breaches in 2024, including individual and total cost of the fines, settlements and penalties paid in relation to ESG incidents or breaches

(Refer to page 139 for our full ESG reporting index)

| Strategic focus areas | Related risks | Impacted SDGs | Related capitals |
|---|---|---|---|
| • Client-facing strategy<br>• Collaboration with Sanlam<br>• Leadership, culture and values<br>• Primary health insurance | • NHI | 3 Good health and well-being<br>8 Decent work and economic growth<br>13 Climate action<br>16 Peace, justice and strong institutions | |

## 5. Economic, transformation, political and societal risk

**What it entails**

Encompasses economic, transformation, political and societal issues that may pose risks to the Group.

**How we are responding**

- Our business model is geared towards transforming healthcare, making it more affordable and widely accessible (see material matter: 1. Access to healthcare and medicine and 4. Legal, regulatory and compliance management)
- Developed and promoted primary health insurance solutions to support individuals facing economic hardships while awaiting the Council for Medical Schemes' (CMS) pronouncement on low-cost benefit options
- As the most transformed health-related business listed in South Africa, we are committed to corporate citizenship and driving transformation to support a more resilient economy
- Increased partnerships within the Group to achieve B-BBEE priority objectives, emphasising skills development, enterprise and supplier development and ownership
- The Group Scorecard highlights a significant transformation goal – to ensure that 70% of senior management appointments are African, Indian, and Coloured individuals
- ESG framework to enhance focus on delivering integrated, sustainable value to our stakeholders

**Diving deeper: ESG in focus**

### Human rights and community development

- Human rights (refer to page 90)
- Skills for the future (refer to page 86)
- Employment and wealth creation (refer to page 83)

### Supply chain (social)

- Supply chain – The Group aims to proactively identify and mitigate significant risks of child labour, forced or compulsory labour, and other potential negative social impacts within our value chain, ensuring ethical and sustainable practices in the communities and regions where we operate

### Board composition

- Board diversity and competence (refer to pages 97)
- Board independence (refer to page 97)
- Remuneration practices (refer to section 7 of the remuneration report)

(Refer to page 139 for our full ESG reporting index)

| Strategic focus areas | Related risks | Impacted SDGs | Related capitals |
|---|---|---|---|
| • Client-facing strategy<br>• Collaboration with Sanlam<br>• Leadership, culture and values<br>• Primary health insurance | • NHI | | |

## 6. Employee wellbeing, acquisition, talent management and retention

**What it entails**

Includes how we recruit, manage, and retain employees to build a skilled and capable workforce that supports sustainable growth.

**How we are responding**

- Recruited a significant number of clinical staff to strengthen our workforce and meet the growing demands of our healthcare services
- Continued initiatives to address mental health and employee wellbeing
- Offered comprehensive learning opportunities and other upliftment initiatives
- Remained focused on building an external pipeline of critical talent and an internal pipeline of successors for critical roles
- Undertook numerous training and development initiatives
- Reviewed short-term and long-term incentives
- Achieved Top Employers certification
- Listening strategy

**Diving deeper: ESG in focus**

### Health and Safety

- Workplace health and safety (refer to page 84)

Human rights and community development

- Human rights (refer to page 90)
- Skills for the future (refer to pages 86)
- Employment and wealth creation (refer to page 83)

### Labour standards

- Diversity and inclusion (refer to page 81)
- The Group is still in the process of determining the Pay equality, Wage level and Living wage and will report on these for the period ending 31 December 2025
- Freedom of association and collective bargaining (refer to page 82)
- Temporary workers (refer to page 82)

(Refer to page 139 for our full ESG reporting index)

| Strategic focus areas | Related risks | Impacted SDGs | Related capitals |
|---|---|---|---|
| • Collaboration with Sanlam<br>• Leadership, culture and values | • Critical skills retention | | |

## 7. Member satisfaction for clients

**What it entails**

Encompasses strategies and processes seeking to meet or surpass member expectations to create a positive experience and build member loyalty for our clients.

**How we are responding**

- Focused on providing innovative digital solutions to meet member needs and enhance efficiencies
- Implemented value-based care initiatives to improve health outcomes while controlling costs
- Designed innovative scheme products and interventions to address declining affordability
- Enhanced our actuarial and analytics capability to understand our scheme lives and develop products and services to delight and assist members
- Partnered with various institutions, including Sanlam, to develop value-added products to address financial constraints for members
- Focused on improving call centre productivity
- Created specific teams to address retention for members, either directly or as service consultants for brokers

**Diving deeper: ESG in focus**

**Customer responsibility**

- **High-risk products and services:** AfroCentric's services pose no specific risks to individuals, communities, or the environment. Pharma Cluster medicines comply with SAHPRA requirements, with routine stock checks in place to remove short-dated stock.
- There were five products that were recalled by SAHPRA during the year. There was no significant impact for AfroCentric as there were two products that were recalled in stock.
- **Product innovation:** While no costs were incurred for R&D aimed at social or environmental enhancements, the Group invested in digital technology to improve client service efficiency
- **Consumer data security and privacy:** An Information Officer oversees compliance with the POPIA. Data breach complaints are reported to the Information Officer and escalated to the EERCO. This year, three complaints were escalated, with one reported to the Information Regulator and the affected medical scheme

(Refer to page 139 for our full ESG reporting index)

| Strategic focus areas | Related risks | Impacted SDG | Related capitals |
|---|---|---|---|
| • Client-facing strategy<br>• Collaboration with Sanlam<br>• Leadership, culture and values | • Critical skills retention<br>• Membership<br>• Revenue and earnings optimisation | 3 Good health and well-being | |

## 8. Cybersecurity and information security

**What it entails**

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

**How we are responding**

- Implemented several risk mitigation strategies for cybersecurity threats, primarily from increasing power disruptions. These risk mitigation strategies form part of AfroCentric's business continuity plan
- Extensive cyber awareness training rolled out across the Group
- Applied a proactive approach with improved evaluation and analysis of cybercrime and data security risks
- Enabled faster detection and response to rapidly evolving cyber threats
- Ensured continued use of Privileged Account Manager, which is a supervisory tool to track activities and changes by privileged users
- Advanced threat analytics technology strengthens the security of our systems
- Ensured continuous updating of systems, including web application firewalls

**Diving deeper: ESG in focus**

**Customer responsibility**

- **Consumer data security and privacy:** An Information Officer oversees compliance with the POPIA. Data breach complaints are reported to the Information Officer and escalated to the EERCO. This year, three complaints were escalated, with one reported to the Information Regulator and the affected medical scheme

(Refer to page 139 for our full ESG reporting index)

| Strategic focus areas | Related risks | Impacted SDG | Related capitals |
|---|---|---|---|
| • Client-facing strategy<br>• Collaboration with Sanlam<br>• Leadership, culture and values<br>• Primary health insurance | • Cybersecurity vulnerabilities | 9 Industry, innovation and infrastructure | |

## 9. Climate change

**What it entails**

The impending climate and biodiversity challenge in combination with the ratification of the Paris Agreement, which will likely increase environmental regulation. Includes the impacts of climate change on health and wellbeing.

**How we are responding**

- Our ESG framework expands the measuring and monitoring of KPIs related to environmental factors, including climate change
- Enhanced our external reporting on our environmental impacts

**Diving deeper: ESG in focus**

**Climate change**

- GHG emissions (refer to pages 91)

(Refer to page 139 for our full ESG reporting index)

| Strategic focus areas | Related risks | Impacted SDGs | Related capitals |
|---|---|---|---|
| • Leadership, culture and values<br>• Primary health insurance | • Climate change*<br><br>* *Currently falls outside top 10 risks.* | 3 Good health and well-being; 13 Climate action; 16 Peace, justice and strong institutions | |

# RESPONDING STRATEGICALLY


X-RAY
AI
TECHNOLOGY
CAM:A2
HOSPITAL No:
HEART R:

# CEO'S REVIEW

TAKING THE HELM AS CEO AT AFROCENTRIC HAS BEEN AN ENERGISING EXPERIENCE, DEEPENING MY APPRECIATION FOR AN **ORGANISATION THAT IS BOTH RESILIENT AND PURPOSE-DRIVEN**. OVER THE PAST YEAR, WE HAVE NOT ONLY REAFFIRMED BUT STRENGTHENED OUR DEDICATION TO **TRANSFORMING HEALTHCARE – MAKING IT MORE AFFORDABLE AND WIDELY ACCESSIBLE.**

**GERALD VAN WYK**
*Group CEO*

> **"These hardships fuel our determination to innovate relentlessly, driving us to refine our offerings and steadfastly pursue our mission of creating a new integrated model that measurably improves access to high-quality, affordable healthcare."**

## DRIVING ACCESS TO HEALTHCARE WITHIN A DYNAMIC CONTEXT

In a challenging economic environment, where sluggish growth, high unemployment, and volatile market conditions are placing immense pressure on household incomes, access to healthcare has become increasingly difficult, and affordability is a growing concern. Yet, our resolve has only grown stronger. These hardships fuel our determination to innovate relentlessly, driving us to refine our offerings and steadfastly pursue our mission of creating a new integrated model that measurably improves access to high-quality, affordable healthcare.

Amid these economic trials, we are also at a critical juncture in healthcare reform. With the NHI now signed into law, our role in shaping a system that integrates private sector expertise has never been more pivotal. AfroCentric is committed and driven to ensure the success of the NHI framework, fully recognising that the private sector's involvement is essential in realising its transformative potential.

This commitment is exemplified by our involvement in government's CCMDD programme (for more information, see our Chairman's review on page 10). Additionally, our growth in primary healthcare services and value-based care initiatives further underscore our commitment to driving positive health outcomes for all, ensuring that accessible, affordable, and quality healthcare becomes a reality.

## PERFORMANCE AND STRATEGIC OUTLOOK

We pride ourselves on our unique positioning as the most diversified healthcare group in Southern Africa. Our diverse enterprises afford us a comprehensive approach to seamlessly integrate medical scheme administration, risk management, and technology with pharmaceutical services and corporate health solutions, allowing us to navigate the complexities of the healthcare landscape with agility and foresight.

Within the medical scheme administration, risk management and technology cluster, we focused on ensuring sustainability, innovation, and improved member experience. This has been achieved by developing digital solutions to enhance benefit access and service delivery. The cluster saw a 6.0% growth in revenue, linked to an increase in membership across major open and closed schemes. However, increased clinical servicing, product development, and IT modernisation costs have resulted in marginal operating profit growth.

The pharmaceutical cluster faced several challenges, particularly in the over-the-counter and chronic medicine segments, due to reduced patient adherence, single-exit pricing reductions, and fluctuating consumer spending on preventative medicine. Despite these headwinds, the cluster achieved a 7.3% growth in operating profit, although off a low base following the closure of our hospital surgical consumables business in 2023. To further improve profitability, various targeted interventions were implemented throughout the year, resulting in enhancing efficiency and reducing costs in both our private sector and state contracts. These efforts included projects to re-engage non-adherent patients, digitise several clinical activities to generate savings and optimise courier costs. These action plans have already begun to deliver tangible results, with a reduction in overall costs per script and a corresponding increase in the number of scripts processed. These improvements underscore our commitment to driving efficiency and setting the stage for stronger future performance within the Pharmacy Direct business.

Our acquisition of the Sanlam Gap cover business has bolstered profitability in the corporate solutions cluster, which provides integrated health and wellness solutions to corporate clients. The primary health insurance book has seen a 25.1% increase off a low base, and the gap cover book size has increased by 27.9%. These gains demonstrate the strength and growth potential of our employee-focused offerings.

In our ongoing efforts to position AfroCentric for sustainable growth, we acquired control of AfroCentric Employee Health Solutions and Essential Group from their minority shareholders. These entities, now fully integrated within our corporate solutions cluster, are vital components of our growth strategy. They play a crucial role in our broader objective to capture growth across the healthcare value chain, leveraging our synergies and strengths.

Looking forward, our strategy is clear: we aim to become the leading integrated healthcare solutions provider by 2030. Our focus on vertical integration within the Sanlam ecosystem supports this ambition, leveraging technology to accelerate our digital transformation and embracing value-based care models that prioritise health outcomes. These efforts will not only position us as a leader in the industry but will also ensure that we continue to meet the evolving needs of our stakeholders.

## INVESTING IN OUR PEOPLE AND CULTURE

Our commitment to transformation and empowerment is central to building a diverse and inclusive workforce. As the Group evolves, we are reinforcing our value-driven culture and enhancing our organisational design to support sustained growth. Our values – acting with integrity and trust, going the extra mile, cultivating uniqueness, thriving together, and making a positive difference – are the bedrock of our efforts.

This year, AfroCentric was recognised as a Top Employer by the Top Employers Institute, reflecting our dedication to exceptional human capital practices, including diversity and inclusion. Our positive pulse survey results indicate a highly engaged workforce, underscoring our resilience and ability to fulfil our mission.

## OUTLOOK

We are confident in the resilience and strength of our core business, which is well-diversified across private and public medical scheme memberships. As we move into the new financial year, our focus will remain on optimising our investments in IT and resources. By enhancing our technological infrastructure, we will drive greater efficiency and effectiveness in our service model, setting the stage for sustainable growth.

Our priority is to capitalise on synergies and deepen the integration of our various businesses and products. By aligning these elements, we will unlock the full potential of being the most diversified healthcare group in Southern Africa, ensuring we continue to deliver value across the healthcare spectrum.

The foundation for a powerful partnership with Sanlam has already been laid, and we are excited about the opportunities ahead. With improved sales capabilities and innovative product enhancements for medical scheme and insurance members, we are well-positioned to seize new opportunities in the market. We look forward to sharing more about these advancements as we continue to lead the way in integrated healthcare solutions.

## APPRECIATION

I want to express my deep gratitude to our leadership team and employees for welcoming me into AfroCentric with such warmth and openness. Their dedication to our mission and commitment to excellence have made my transition seamless. I also extend my thanks to the Board for their trust and guidance, which has been invaluable as we navigate this complex environment. It is the collective effort of our entire team that enables us to fulfil our vision of transforming healthcare and, in so doing, improve the quality of life of our stakeholders.

**Gerald van Wyk**
Group CEO

# OUR STRATEGY AND APPROACH

Over the past year, we have consistently aligned our performance with the strategic objectives outlined in our 2024 roadmap. This has driven tangible results, particularly in business integration, client satisfaction, and digital transformation.

However, as the healthcare landscape evolves, so must our approach. While our long-term objectives remain unchanged – focused on broadening access to healthcare and enhancing value across the healthcare value chain – our strategic approach was refreshed to better capitalise on emerging opportunities and deliver sustainable growth.

**Our refreshed strategy** is anchored in **two key growth** drivers:

- Building a winning health offering in partnership with Sanlam
- Strengthening our managed care leadership through clinically driven innovation

These will be **underpinned by** focused investments in digital platforms and technology, supported by an evolved operating model designed to sustain growth, enhance operational excellence, and prioritise client-centred value creation.

**By setting ambitious targets for 2030, we aim to deliver long-term value through innovation, digital transformation, and a cohesive operating framework**, directly contributing to **SDG 3** and **NDP Goal 8**, prioritising access to high-quality, affordable healthcare for all South Africans.

## 2024 STRATEGIC PERFORMANCE IN REVIEW

Our 2024 strategic review highlights critical initiatives and measurable outcomes that have informed our refreshed strategy, reinforcing our commitment to growth, innovation, and enhanced healthcare services.

### Collaboration with Sanlam

Sanlam and AfroCentric strategically intensified their efforts to identify synergies and foster collaboration. This includes enhancing client experiences through a comprehensive product value proposition encompassing health, wealth, and insurance protection. A novel holistic corporate wellness model was implemented, forging partnerships with client schemes and leveraging Sanlam Corporate services. The focus remained on achieving growth and retention in client scheme membership and the Sanlam Gap Cover and Primary Health Insurance books. These initiatives strengthened the alliance between Sanlam and AfroCentric, delivering enhanced value to clients and fostering sustainable growth.

**Performance during the year**

- Leveraged Sanlam's best practices in technology and data, accelerating AfroCentric's digital and managed care transformation
- Continued focusing on unlocking synergies through collaboration, driving significant value. The corporate solutions cluster is set to play a crucial role in product integration and growth, showing a 27.9% increase in Sanlam Gap policies. However, despite exceptional growth, this business faced challenges as one of the leading new channels, the Sanlam Umbrella Fund, did not gain the expected traction during the year

| Key performance indicators | 2024 target | 2024 actual | Link to executive remuneration |
|---|---|---|---|
| Introduction of innovative products in the healthcare market designed to attract new members. | 100% completion of the launch of new products.<br><br>New members acquired. | Some products launched. Target was not fully met. To be addressed through the refreshed strategy. | ✔<br>(Scorecard component: **Strategic**) |

## Client-facing strategy

Our client-facing strategy sought to enhance the customer journey across various aspects of our business. This included optimising our sales approach, refining our service delivery model, ensuring exceptional care during critical moments, showcasing the value we offer, driving product development and innovation, and fostering customer loyalty. Specifically, we prioritised the retention of our customers by consistently delivering exceptional experiences and value. In this way, we sought to establish long-lasting relationships and solidify our position as a trusted healthcare provider.

**Performance during the year**

- Gained significant traction in digital solutions and enablement capabilities, ensuring optimal product delivery with a focus on easy benefit access, self-service, and high-touch service
- Our subsidiary, Medscheme, won the Diamond Arrow Award for its outstanding contribution to Disease Management – Asthma, Hospital Utilisation Management and Counselling of High Claimers at the PMR Africa Awards. Medscheme also won the Golden Arrow Awards across multiple categories, including Alternative Fee Structure/Reimbursement, Chronic Medication Management, Disease Management – Cardiovascular, Health Risk Assessment, Management of Specialists and GPs and Wellness Programme

| Key performance indicators | 2024 target | 2024 actual | Link to executive remuneration |
|---|---|---|---|
| Membership Growth: Number of lives administrated | 3.9 million | 4.0 million | ✔ (Scorecard component: **Strategic**) |

## Primary health insurance

Primary health insurance provides coverage for essential healthcare services and preventative care. It is crucial in promoting early detection, managing chronic conditions, and maintaining overall wellbeing. It aims to make healthcare services affordable and accessible, ensuring prompt medical care, preventative check-ups, and essential treatments. This leads to improved health outcomes and a higher quality of life, aligning with our Group purpose. By leveraging the synergy between primary health insurance and medical schemes, members can enjoy comprehensive and cost-effective healthcare solutions. Specifically, medical scheme members on lower options (Hospital Plan), when combined with gap cover and primary health insurance for day-to-day benefits, will get richer benefits at a lower total cost.

**Performance during the year**

- The corporate solutions cluster saw a 25.1% rise in primary health insurance policies
- The Group acquired the remaining 49% of Essential Group, the licence holder for the primary insurance business, in anticipation of increased demand for low-income products as medical scheme affordability becomes more challenging

| Key performance indicators | 2024 target | 2024 actual | Link to executive remuneration |
|---|---|---|---|
| Primary health insurance digital offering for the retail market: Develop and implement a low-cost health insurance platform and offering that customers can purchase through digital platforms hosted by major grocery chains, banks, telcos, insurers etc. | 100% completion of the development and implementation of a low-cost health insurance platform and offering.<br><br>75% of target sales achieved. | Phase 1 = 100% complete<br>Phase 1.2 = 50% complete<br>Phase 2 = 0% complete | ✔ (Scorecard component: **Strategic**) |

## Leadership, culture and values

Our people are a critical differentiator. We are devoted to helping them self-develop. A top priority was fostering a high-performance culture to help us achieve our strategic goals. Our vigorous and persuasive People Plan fed into our overall business strategy and powered it.

**Performance during the year**

- Focused on fostering a high-performance culture aligned with strategic goals
- Promoted a diverse and inclusive workforce, achieving a 37.3% male and 62.7% female new hire rate, with a 3.85% improvement in recruitment from previously disadvantaged groups, contributing to talent diversification and succession planning
- Strengthened employee wellbeing through a comprehensive wellness strategy, resulting in 794 employees and 72 dependents utilising the employee assistance programme (EAP), addressing key concerns such as stress and financial wellness
- Implemented a robust employee listening strategy, achieving an 81% satisfaction score in the inaugural pulse survey, identifying critical areas for improvement in leadership, management, and career development
- Recognised as a Top Employer for 2023/2024, reinforcing AfroCentric's commitment to creating a high-performance work environment that supports strategic goals

| Key performance indicators | 2024 target | 2024 actual | Link to executive remuneration |
|---|---|---|---|
| B-BBEE Level | Level 1 | Level 1 | ✔ (Scorecard component: **Strategic**) |
| Diversity, equity and inclusion | 70% of new senior management appointments are black. | 62.5% of new senior management appointments are black. | ✔ (Scorecard component: **Strategic**) |

## Looking ahead

Within a rapidly evolving operating context, we recognised the need to critically review our strategy to ensure we are poised to capture growth across the healthcare value chain while leveraging Sanlam's extensive distribution network to drive growth and integration.

Our refreshed strategy is built on two growth drivers, fueled by a data-driven and digital approach and underpinned by a cohesive, integrated operating model.

### GROWTH DRIVERS

#### Building a winning health offering

As part of the Sanlam Group, we are uniquely positioned to create an integrated, Sanlam-endorsed open medical scheme. This initiative will connect healthcare with holistic financial and wellness services, offering members comprehensive solutions.

Fedhealth has committed to partnering with us on this journey, and we are actively working to bring this innovative offering to market. We are also in discussions with other like-minded partners who share our vision. While we advance this initiative, we remain committed to maintaining exceptional service for our existing schemes to ensure their continued success and growth.

#### Driving clinical innovation

As a leading managed care organisation, clinical innovation will be a crucial differentiator. We aim to transform traditional care delivery into a value-based model, focusing on healthcare outcomes, cost-effective access, and exceptional experiences for members and service providers. Leveraging our clinical expertise, Sanlam's risk management capabilities, and key strategic partnerships, we are committed to placing our members at the heart of everything we do.

### KEY ENABLERS

#### Investing in data, digital and technology

We are committed to strengthening our leadership in healthcare by leveraging data-driven insights and adopting new technologies. By investing in data analytics, digital tools, and technology, we aim to improve operational efficiency and enhance the healthcare experience for our clients, empowering them with seamless digital solutions.

#### Evolving our culture and operating model

A key enabler of our strategy is the evolution of our culture and operating model. We aim to foster a mindset of innovation, collaboration, and continuous learning, creating an inclusive environment that embraces diversity and maximises everyone's potential.

Our refreshed approach will focus on a cohesive, integrated operating model, leveraging the strengths of our diversified businesses. This will enable us to unlock our core service and clinical innovation capabilities, delivering exceptional client experiences.

## Strategic priorities for 2025

As we advance our refreshed strategy, we will focus on areas critical to driving growth and maintaining our leadership in the healthcare sector:

- Executing our growth drivers through iterative cycles of implementation and improvement
- Embedding our operating model through a culture-first approach
- Accelerating our data and digital delivery
- Strengthening our risk and compliance excellence

These priorities will enable us to execute our strategy and, ultimately, improve healthcare access, outcomes, and client experiences.

# UNDERSTANDING OUR STRATEGIC TRADE-OFFS

Robust strategic decision-making requires careful consideration of which trade-offs to pursue and which to avoid, particularly when these decisions might negatively impact certain stakeholder groups while ensuring sustained value creation for others.

## BALANCING SHORT-TERM RETURNS WITH LONG-TERM DIRECTION

We recognise that in improving access to quality healthcare, value is created, preserved or eroded across the six capitals. The alignment of our core purpose with national and global goals positions the business well within a changing South African healthcare context but requires the Group to make decisions regarding the pursuit of long-term direction over short-term gains.

This central trade-off plays out in all the decisions listed below.

3 GOOD HEALTH AND WELL-BEING

HEALTH GOAL 8: UNIVERSAL HEALTHCARE COVERAGE

## 1. Navigating reduced profitability for long-term strategic positioning

**Related material matters**

- Access to healthcare and medicine
- Business continuity and business model adaptation
- Economic, transformation and political and societal risk
- Legal, regulatory and compliance management

**Link to strategic levers**

**Analysing the trade-off**

The terms of the CCMDD contract, while crucial in establishing AfroCentric as a majority service provider across five provinces, include a reduction in the price per script. This reduction inevitably impacts our financial capital, particularly in the short term. Moreover, the need to increase staffing levels to meet the demand for prescriptions further strains our operational budget.

Despite these challenges, AfroCentric views this as a strategic investment in the future. By aligning closely with government initiatives, we position ourselves as a key player in the evolving healthcare landscape. The long-term value creation derived from this partnership far outweighs the short-term financial pressures. Our ability to demonstrate significant success, such as the 17% growth in NDoH script volumes, underscores our commitment to supporting the government's objectives and highlights the potential for future collaboration under the NHI.

**Central capital trade-off**

↔

## 2. Balancing short-term financial impact with long-term value preservation

| Related material matters | Link to strategic levers |
| --- | --- |
| • Economic, transformation and political and societal risk | |

**Analysing the trade-off**

The market factors in the pharmaceutical sector are increasingly geared towards heightened competition, leading to margin erosion within the pharmaceutical cluster as members opt for cheaper generic medicines that reduce their out-of-pocket expenses. In response to these challenges, the Board has decided to take a prudent approach by impairing some of the historical investment values within the cluster. This is a strategic move aimed at safeguarding the Group's long-term value. By realigning our financial resources in this way, AfroCentric ensures that we remain resilient amid market shifts while positioning ourselves to capitalise on future opportunities and sustain our competitive edge.

**Central capital trade-off**

↔

## 3. Balancing the need for IT modernisation with financial impact

| Related material matters | Link to strategic levers |
| --- | --- |
| • Business continuity and business model adaptation<br>• Digital transformation and resilience | |

**Analysing the trade-off**

The Group is currently undertaking significant investments in IT system modernisation and an infrastructure refresh (manufactured capital) to prepare for a more digitally focused mode of engagement. This strategic initiative is essential for maintaining and enhancing our social and relationship capital, particularly as we strive to meet evolving consumer demands and deepen our collaboration with Sanlam. However, these investments have a notable impact on the Group's profitability in the short term. This trade-off highlights the tension between the immediate financial impact and the long-term benefits of staying competitive and responsive in a rapidly digitalising market. While the financial effects are significant in the short term, this investment positions the Group to deliver enhanced member experiences and maintain strong relationships with our stakeholders, ultimately securing long-term value and sustainability.

**Central capital trade-off**

↔


# OUR PERFORMANCE


DNA Sequencing Data Analysis
Status : Analysis
DNA Structure

# CFO'S REVIEW

THE **2024 FINANCIAL YEAR** HAS SEEN ONGOING CHANGES, INCLUDING THE **TRANSITION FOLLOWING THE SUBSCRIPTION OF SHARES BY SANLAM** LATE IN THE 2023 FINANCIAL YEAR. THIS TRANSITIONING PHASE WILL, HOWEVER, CONTINUE IN 2025 WITH THE GROUP INVESTING MORE INTO ITS CAPABILITY TO SERVICE A SANLAM ENDORSED OPEN SCHEME AND IMPROVED CLINICAL CLAIMS MANAGEMENT CAPABILITIES.

**HANNES BOONZAAIER**
*Group CFO*

> **"A notable 2024 highlight was the Group's strong cashflow performance, driven by prudent capital management policies implemented since 2020."**

While 2023 was impacted by various closure costs relating to the hospital consumables business and the correction of pharmaceutical trading after the pandemic, the medical scheme business continued to be consistent into 2024.

Notable highlights for the year included the resolution of the longstanding IT arbitration case against Medscheme, which was concluded in our favour with costs awarded. As expected, the other party exercised their right to appeal.

Our IT costs in 2023 were exceptionally high due to stability issues linked to network dependency impacted by load-shedding. The investments made in the 2023 year and first half of 2024 have ensured a stable platform for Medscheme to deliver seamless services to all its clients and members. The above was achieved with lower IT costs through contract renegotiations and integration with specific Sanlam IT platforms and processes.

The medical schemes started experiencing higher claims volumes during the year, returning to pre-COVID activity levels. This required more investment in case management and hospital event management skills, entailing the recruitment of many skilled nurses. The impact of this increased cost was experienced in the Medscheme SA performance, in which the costs increased in line with the client revenue increases. We are working on various projects to optimise these expensive skills through digitisation and appropriate workforce management.

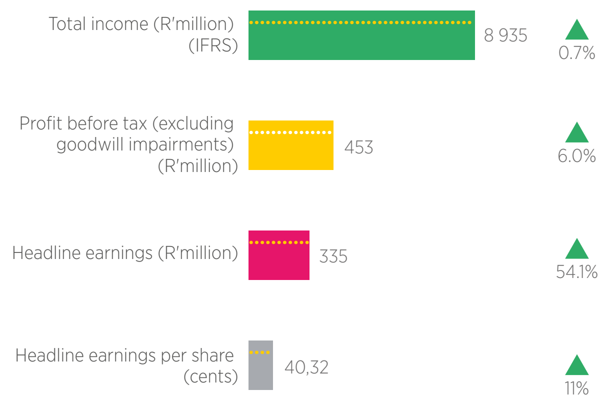
From a trading perspective, the pharmaceutical cluster experienced fluctuating sales volumes and pricing effects, which it benefited from during the COVID period in 2021 and 2022. As government and competitors continue to drive medicine prices down, consumers benefit from lower prices. This has necessitated AfroCentric to focus on ensuring that it helps address the significant disease burden through a wide range of chronic medications and preventative treatments. The continued margin erosion in the pharmaceutical manufacturing and medicine delivery businesses prompted the Group to reassess the value of goodwill that was recognised on initial acquisition of these operations. As a result, impairments of R230 million were recognised at year end.

Another notable 2024 highlight was the Group's strong cashflow performance, driven by prudent capital management policies implemented since 2020. These policies focused on optimising capital expenditure, managing working capital, and applying central cash treasury management principles across all Group entities. As noted below, the Group generated over R460 million in operational cash, excluding acquisition activities. This cash performance will form a strong basis for the final calendar year dividend to be distributed with the December 2024 results.

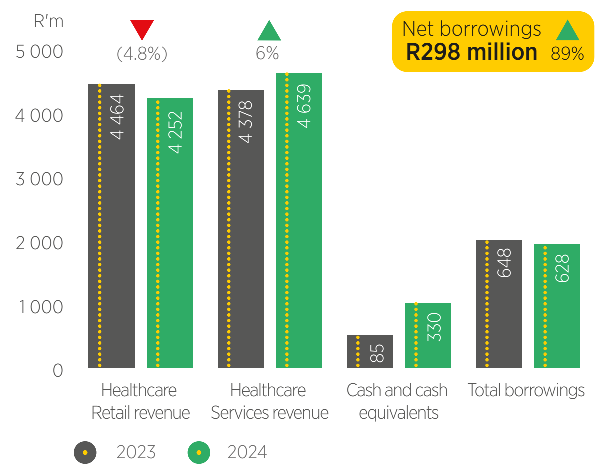
Key highlights of the 2024 performance are set out below:

**Statutory performance (%)**

**Current year-on-year performance**




**Detailed performance**

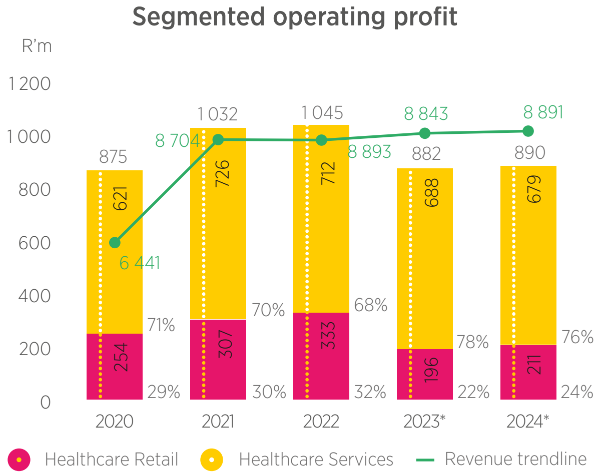


# FIVE-YEAR VIEW

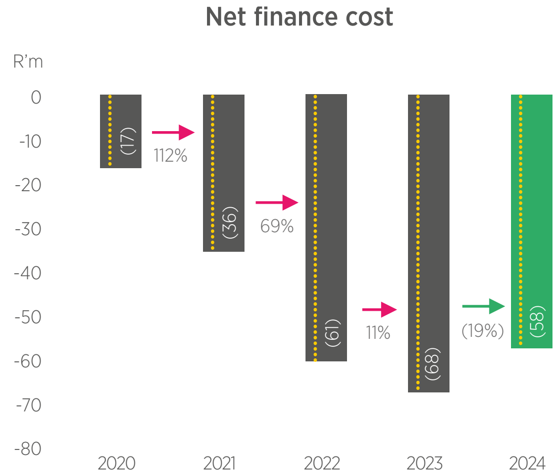
As noted on the previous page, the medical scheme administration business has been relatively stable over the past five years. However, the pharmaceutical cluster is trading at lower levels than in 2020, which required a review of the price paid for the investments.

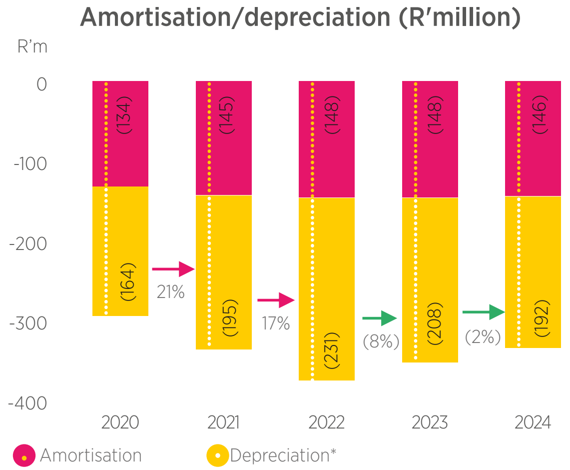
The management team has focused on reducing its capital expenditure since 2019, especially IT development costs, by either expensing development or designing more agile solutions. This is starting to yield benefits with the retraction of both the depreciation and amortisation of intangibles' impact on profit and loss. The Group will continue to apply prudent capital management and adhere to value-for-money principles in its approach to future solutions.

Rising interest rates in 2022/2023 drove financing costs higher, especially given the additional acquisitions completed during the year under review. The impact was reasonably well absorbed, with a deliberate focus on working capital and treasury management.




* Total revenue includes IFRS 17 insurance revenue.




* Depreciation includes R52.8 million of right-of-use asset depreciation per IFRS 16.


* Profit before tax excluding goodwill impairments and associate income.

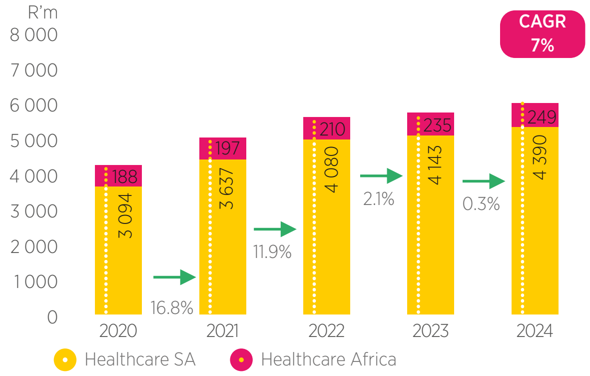
## MEDICAL SCHEME ADMINISTRATION, RISK MANAGEMENT AND TECHNOLOGY CLUSTER

The medical scheme administration, risk management and technology cluster, primarily comprising Medscheme, has consistently exceeded expectations in operating profit despite challenging market conditions. This is evident in the cluster's revenue growth, which contrasts with the anticipated decline due to concerns about medical scheme affordability for members. With limited growth in insured lives in South Africa, Medscheme has consistently retained its membership base in the four largest schemes we manage – Bonitas, Fedhealth, POLMED and GEMS. In the past 12 months, we have recorded net growth in both Bonitas and GEMS, which indicates the public's commitment to private healthcare benefits and the fact that the South African middle class has not been impacted too harshly by the reduction in employment.

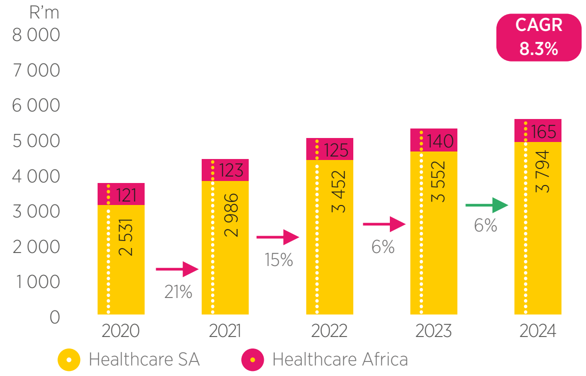
The focus for Medscheme, being the primary subsidiary of the Group responsible for medical scheme administration, has been to build systems and processes of excellence. This entailed embarking on projects where teams competed on a "Single Service Measure," which enabled competition in the business units, resulting in improved customer service and turnaround time of transactions. The rollout of other digital enhancements in the member applications, such as WhatsApp communication and chatbots, has also driven more customer volumes to a digital platform that is 24/7 enabled and reliable. An improved hospital approval system linked to the major hospital groups in South Africa will further enhance the turnaround time, case management and payment cycles of hospital claims, thereby reducing transaction costs for this particular service.

Medical scheme activities and volumes are back to pre-COVID levels. We anticipate our implemented self-service and digitisation solutions will help us maintain margins comparable to previous levels.

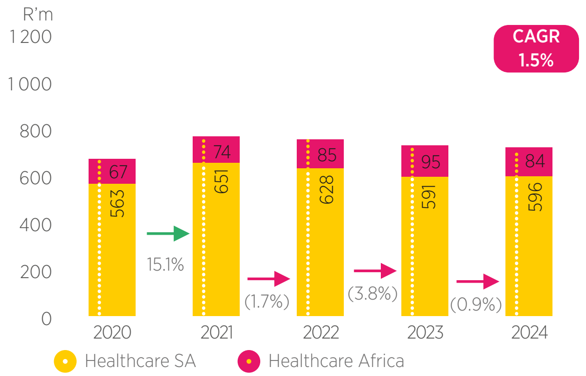
### Revenue



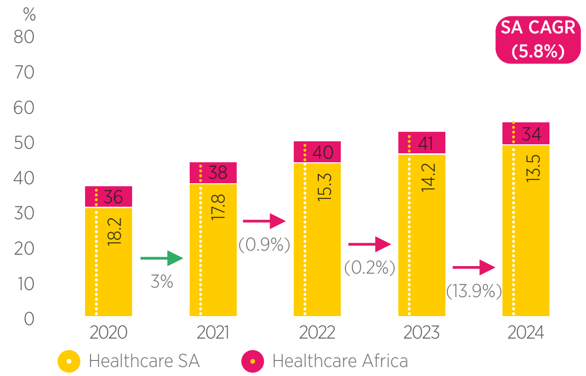

### Operating costs




### Operating profit



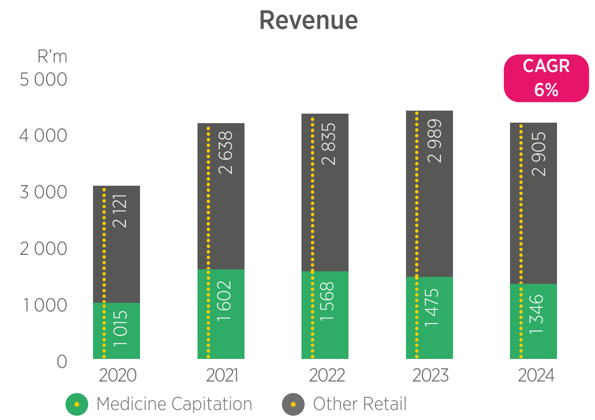

### Operating margin

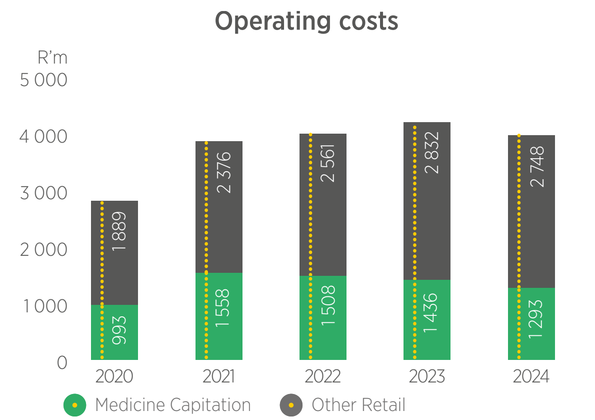


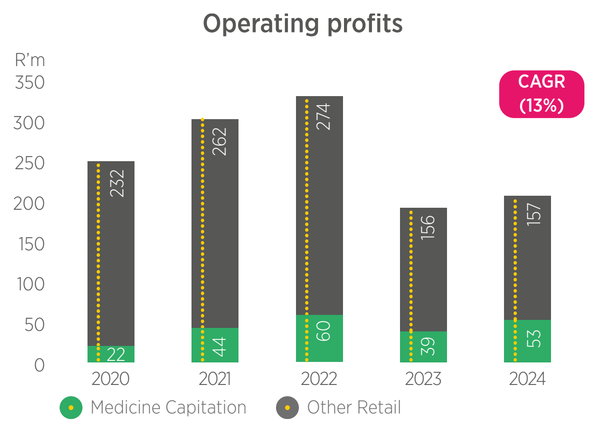
## PHARMACEUTICAL CLUSTER

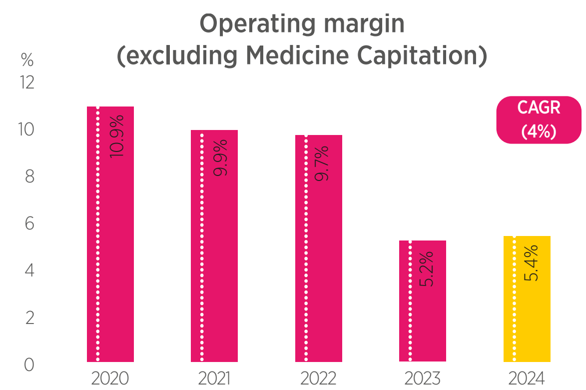
This division is mainly dominated by two large subsidiaries: Pharmacy Direct, which delivers medicines to medical scheme members and Activo, a medicine producer selling directly into the open pharmacy market. Pharmacy Direct was successful in retaining its contract with the NDOH for medicine distribution to public patients. The impact of the new contract and related profitability is however less than previously anticipated and has impacted the company's net profit before tax. The Private business is also experiencing margin pressure with medicine prices increasing by less than inflation and in many cases decreasing due to competition. These factors have played a significant role in the Board's view on the future profitability of this service and decided to prudently impair the goodwill of the asset by R100 million.

Our medicine manufacturer Activo, experienced continued growth especially in the hospital and over the counter products. The company is however also impacted by the industry's continuous drive towards lower prices, and therefore its profitability is lower than in previous years. This lower profitability and continued margin pressure was assessed, and the Board decided to also impair the goodwill for the Activo/Forrester acquisitions by a combined value of R130 million.



## CAPITAL MANAGEMENT

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

With the Sanlam acquisition of shares from current shareholders and subsequent "flip up" to listed shareholders (previously invested below listed company level), the impact on Share Premium, Retained Income and Non-controlling interest was material due to the size of the 28.7% shareholding that Sanlam had since December 2015. We now have all shareholders aligned at the same investment level. We will see consistent balance sheet performance going forward, with prudent capital management to support an increased return on equity in the future.

### Optimising our capital structure while absorbing new acquisitive opportunities is a balancing act

The objective of matching capital expenditure incurred in IT development with amortisation is starting to pay off, and, therefore, the decrease in intangible assets is notable as we strive towards smaller intangible assets in the future, pursuing organic growth with our available resources.

The focus on net cash generation by the Group is evident in the 2024 results in which acquisition activities were funded through operational cash, as well as the reduction in net borrowing facilities.

The various businesses contribute towards a streamlined central treasury management process to optimise cash balances and reduce any financing costs. The normalised cash performance of the Group is set out below with the intended distribution of cash to various stakeholders per our new capital management policy and strategy for growth.

AfroCentric re-negotiated its borrowing facilities in line with a possible 30% debt to equity ratio. As at 30 June 2024, we have only recorded a 52% utilisation level excluding excess cash on hand.

NET CASH GENERATED

**R245 million**

ADD BACK DIVIDENDS PAID

**R93 million**

ADD BACK ACQUISITIONS

**R131 million**

CASH GENERATED THROUGH NORMAL OPERATIONS

**R469 million**

PRE-STAKEHOLDER DISTRIBUTION (CAPITAL MANAGEMENT POLICY)

SHORT-TERM BORROWINGS

**R59 million**

*Borrowings at 52% of the total facilities available*

**R100 – R150 million**

RESERVES TO FUND GROWTH STRATEGY

CASH AVAILABLE FOR DISTRIBUTION

**R260 – R310 million**

## CONCLUSION

The Group enjoyed significant growth from 2020 to 2022, while many other healthcare companies declined in revenue and operating profit. The need for the shareholder change was desired from the start of the Sanlam acquisition to bolster our product offering towards growing our medical schemes and delivering the most affordable healthcare for patients. These fundamental principles of placing our clients and their competitive products first will be the focus for growth into 2025 and beyond.

AfroCentric has a proven track record of acquiring and seamlessly integrating new businesses and products, providing customers with a continuous experience in healthcare services and products.

The optimal capital structure of equity, debt, and working capital, balanced by a reasonable dividend policy, has been concluded to ensure the sustainability of the Group's earnings and our shareholders' returns.

I would like to thank the Group Finance team for its dedicated hard work and commitment to consistently being innovative in supporting the Group from a financial and commercial level. We reap the benefits through long-term planning and guidance to the business.

**Hannes Boonzaaier**

*Group CFO*

# SUMMARY ANNUAL FINANCIAL RESULTS

## RESULTS AT A GLANCE

for the year ended 30 June 2024

| Key features | | Year ended 30 June | | | | | | % change | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2024 | 2024 excluding impairments | Restated 2023 | Restated 2022 | 2021 | 2020 | 2024/23 | 2023/22 | 2022/21 | 2021/20 | 2020/19 |
| Healthcare service revenue | (R'000) | **4 639 131** | | 4 378 300 | 4 290 086 | 3 834 256 | 3 282 853 | **6.0%** | 2.1% | 11.9% | 16.8% | 0.7% |
| Healthcare service operating profit | (R'000) | **679 697** | | 686 571 | 787 983 | 812 062 | 629 584 | **(1.0%)** | (12.9%) | (3.0%) | 29.0% | 14.8% |
| Healthcare retail revenue | (R'000) | **4 251 575** | | 4 464 341 | 4 403 131 | 4 240 162 | 3 136 059 | **(4.8%)** | 1.4% | 3.8% | 35.2% | 53.9% |
| Healthcare retail operating profit | (R'000) | **210 646** | | 196 323 | 333 317 | 306 564 | 253 772 | **7.3%** | (41.1%) | 8.7% | 20.8% | 96.4% |
| Headline earnings | (R'000) | **334 808** | | 217 258 | 315 667 | 329 068 | 306 750 | **54.1%** | (31.2%) | (4.1%) | 7.3% | 15.4% |
| Normalised headline earnings | (R'000) | **348 655** | | 193 494 | 324 956 | 353 786 | 321 822 | **80.2%** | (40.5%) | (8.1%) | 9.9% | 16.8% |
| Cash generated from operations | (R'000) | **1 027 896** | | 796 143 | 1 101 850 | 1 013 012 | 939 745 | **29.1%** | (27.7%) | 8.8% | 7.8% | 41.6% |
| **Statutory earnings per shares** | | | | | | | | | | | | |
| - Basic | (cents) | **6.67** | **34.47** | 30.70 | 54.32 | 52.56 | 52.87 | **(78.3%)** | (43.5%) | 3.3% | (0.6%) | 9.9% |
| **Statutory headline earnings per shares** | | | | | | | | | | | | |
| - Basic | (cents) | **40.32** | | 36.34 | 54.81 | 57.26 | 53.42 | **11.0%** | (33.7%) | (4.3%) | 7.2% | 13.0% |
| **Normalised headline earnings per share** | | | | | | | | | | | | |
| - Basic | (cents) | **41.99** | | 45.77 | 56.43 | 61.56 | 56.04 | **(8.3%)** | (19.0%) | (8.3%) | 9.9% | 14.1% |
| Dividends paid per ordinary share | (cents) | **11** | | 0 | 34,00 | 34.00 | 34.00 | | | | | |
| Share price as at 30 June | (rands) | **2.88** | | 4,15 | 4.39 | 4.42 | 3.69 | | | | | |
| **Return on assets** | | **1.20%** | **5.24%** | 5.47% | 8.83% | 9.31% | 10.08% | | | | | |
| **Return on assets (excl. Goodwill)** | | **1.59%** | **7.24%** | 7.60% | 12.38% | 12.84% | 14.44% | | | | | |
| **Return on equity** | | **1.91%** | **8.14%** | 8.69% | 14.02% | 14.69% | 14.69% | | | | | |
| **Current ratio** | | **1.52** | | 1.27 | 1.30 | 1.63 | 1.40 | | | | | |
| **Net cash generated from operating activities** | (R'000) | **695 368** | | 381 694 | 527 018 | 385 264 | 501 708 | | | | | |
| **Capital expenditure** | (R'000) | **262 152** | | 257 103 | 295 386 | 439 019 | 369 533 | | | | | |
| **Number of lives managed** | (000) | **4 010** | | 3 901 | 3 790 | 3 781 | 3 754 | | | | | |
| **Group membership** | | **1 705 738** | | 1 653 477 | 1 652 035 | 1 768 251 | 1 738 527 | | | | | |
| Open schemes | | **486 261** | | 481 127 | 492 283 | 510 185 | 498 105 | | | | | |
| Closed and Corporate schemes | | **249 940** | | 251 516 | 259 103 | 308 952 | 225 309 | | | | | |
| GEMS | | **859 660** | | 818 953 | 784 431 | 759 685 | 735 584 | | | | | |
| SADC and other | | **109 877** | | 101 881 | 116 218 | 189 429 | 279 529 | | | | | |
| **Number of scripts** | | **17 097 640** | | 14 847 876 | 13 911 074 | 13 315 918 | 10 063 229 | | | | | |
| NDoH | | **15 268 885** | | 13 045 738 | 12 196 969 | 11 287 656 | 8 320 838 | | | | | |
| Pharmacy Direct | | **1 828 755** | | 1 802 138 | 1 714 105 | 2 028 262 | 1 742 391 | | | | | |

# SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Audited year ended 30 June 2024 R'000 | Restated Audited year ended 30 June 2023 R'000 | Restated Audited year ended 30 June 2022 R'000 | Restated Audited year ended 30 June 2021 R'000 | Audited year ended 30 June 2020 R'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | **3 790 706** | 4 141 570 | 4 115 232 | 3 808 789 | 3 539 167 |
| Property and equipment | **290 230** | 340 819 | 381 057 | 369 065 | 210 583 |
| Right of use Assets | **142 572** | 191 065 | 147 964 | 176 924 | 234 980 |
| Land and buildings | **301 422** | 307 052 | 316 561 | 321 504 | 261 374 |
| Investment property | **12 500** | 10 731 | 7 631 | 7 765 | 15 418 |
| Intangible assets | **2 804 199** | 3 045 541 | 3 076 336 | 2 782 866 | 2 695 187 |
| Other financial assets | **27 719** | 39 928 | 19 117 | 29 661 | 3 711 |
| Investment in associates and joint ventures | **8 732** | 49 148 | 33 340 | 31 541 | 33 307 |
| Insurance contract assets | **67 644** | 69 978 | 56 154 | – | – |
| Deferred tax assets | **132 015** | 82 881 | 77 072 | 89 463 | 84 607 |
| Deferred payment asset | **3 673** | 4 427 | – | – | – |
| **Current assets** | **1 618 849** | 1 418 660 | 1 321 909 | 1 305 577 | 1 007 999 |
| Trade and other receivables | **786 276** | 740 695 | 724 321 | 503 270 | 504 335 |
| Inventory | **449 079** | 444 562 | 431 764 | 421 563 | 297 851 |
| Current tax assets | **53 235** | 43 640 | 27 235 | 32 560 | 28 133 |
| Other financial assets | **–** | – | – | 149 244 | – |
| Cash, managed funds and deposits | **330 259** | 189 763 | 138 589 | 198 940 | 177 680 |
| **Total assets** | **5 409 555** | 5 560 230 | 5 437 141 | 5 114 366 | 4 547 166 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | **3 369 996** | 3 443 302 | 2 438 244 | 2 318 759 | 2 216 604 |
| Issued ordinary share capital | **21 324** | 21 294 | 18 909 | 18 892 | 18 885 |
| Share premium | **2 537 411** | 2 525 687 | 1 094 876 | 1 084 696 | 1 080 301 |
| Share-based payment reserve | **24 468** | 34 115 | 30 465 | 26 802 | 20 417 |
| Treasury shares | **(1 162)** | (1 162) | (2 324) | (2 324) | (2 324) |
| Foreign currency translation reserve | **(5 650)** | 2 201 | (5 056) | (6 139) | (14 632) |
| Capital contribution by Non controlling interest | **–** | – | 55 874 | 55 874 | 55 874 |
| Cash flow hedge reserve | **–** | 1 530 | – | – | – |
| Distributable reserve | **793 605** | 859 637 | 1 245 500 | 1 140 958 | 1 058 083 |
| Non-controlling interest | **31 189** | 55 950 | 987 772 | 920 511 | 902 491 |
| **Total equity** | **3 401 185** | 3 499 252 | 3 426 016 | 3 239 270 | 3 119 095 |

| | Audited year ended 30 June 2024 R'000 | Restated Audited year ended 30 June 2023 R'000 | Restated Audited year ended 30 June 2022 R'000 | Restated Audited year ended 30 June 2021 R'000 | Audited year ended 30 June 2020 R'000 |
|---|---|---|---|---|---|
| **Non-current liabilities** | **942 911** | 946 614 | 995 923 | 1 072 665 | 705 492 |
| Deferred tax liabilities | **259 628** | 223 131 | 242 367 | 250 040 | 246 809 |
| Non-current borrowings | **569 853** | 528 005 | 531 082 | 655 785 | 266 311 |
| Non-current provisions | **–** | 16 970 | 16 970 | 8 350 | 8 350 |
| Post-employment medical obligations | **1 680** | 1 825 | 1 916 | 2 137 | 2 595 |
| Lease liabilities | **111 750** | 176 683 | 127 790 | 156 353 | 181 427 |
| Contingent consideration | **–** | – | 75 798 | – | – |
| Deferred payment | **–** | – | – | – | – |
| **Current liabilities** | **1 065 459** | 1 114 364 | 1 015 202 | 802 431 | 722 579 |
| Provisions | **16 792** | 16 695 | 15 216 | 11 269 | 8 374 |
| Borrowings | **58 553** | 120 000 | 120 000 | 120 000 | 120 000 |
| Lease liabilities | **65 336** | 67 644 | 68 610 | 63 764 | 96 855 |
| Trade and other payables | **733 057** | 610 588 | 632 604 | 452 974 | 361 488 |
| Current tax liabilities | **9 374** | 9 031 | 19 161 | 23 808 | 33 086 |
| Employment benefit provisions | **182 347** | 106 276 | 143 122 | 130 616 | 102 776 |
| Deferred payment liability | **–** | – | 14 139 | – | – |
| Bank overdraft | **–** | 104 007 | 2 350 | – | – |
| Contingent consideration | **–** | 80 123 | – | – | – |
| **Total liabilities** | **2 008 370** | 2 060 978 | 2 011 125 | 1 875 096 | 1 428 071 |
| **Total equity and liabilities** | **5 409 555** | 5 560 230 | 5 437 141 | 5 114 366 | 4 547 166 |

## SUPPLEMENTARY OPERATING PERFORMANCE (NON-IFRS) MEASURE

| | Year ended 30 June 2024 R'000 | Restated year ended 30 June 2023 R'000 | Restated year ended 30 June 2022 R'000 | Year ended 30 June 2021 R'000 | Year ended 30 June 2020 R'000 | % change | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | 2024/23 | 2023/22 | 2022/21 | 2021/20 | 2020/19 | 2019/18 | CAGR |
| Healthcare service revenue | **4 639 131** | 4 378 300 | 4 290 086 | 3 834 256 | 3 282 853 | **6.0%** | 2.1% | 11.9% | 16.8% | 0.7% | 12.0% | *7.2%* |
| Healthcare service operating costs | **(4 038 306)** | (3 766 970) | (3 577 908) | (3 108 650) | (2 653 269) | | | | | | | |
| IFRS 16: Lease reversals | **78 872** | 75 241 | 75 805 | 86 456 | 85 460 | | | | | | | |
| **Healthcare service operating profit** | **679 697** | 686 571 | 787 983 | 812 062 | 629 584 | **(1.0%)** | (12.9%) | (3.0%) | 29.0% | 14.8% | (1.2%) | *1.5%* |
| Healthcare retail revenue | **4 251 575** | 4 464 341 | 4 403 131 | 4 240 162 | 3 136 059 | **(4.8%)** | 1.4% | 3.8% | 35.2% | 53.9% | 56.5% | *6.3%* |
| Healthcare retail cost of sales | **(3 370 496)** | (3 590 850) | (3 592 571) | (3 438 009) | (2 477 796) | | | | | | | |
| Healthcare retail operating costs | **(670 433)** | (677 168) | (477 243) | (495 589) | (404 491) | | | | | | | |
| **Healthcare retail operating profit** | **210 646** | 196 323 | 333 317 | 306 564 | 253 772 | **7.3%** | (41.1%) | 8.7% | 20.8% | 96.4% | 90.6% | *(3.7%)* |
| **Total healthcare operating profit** | **890 343** | 882 894 | 1 121 300 | 1 118 626 | 883 356 | **0.8%** | (21.3%) | 0.2% | 26.6% | 30.4% | 8.8% | *0.2%* |
| Other income | **5 186** | 2 570 | 563 | 1 747 | – | | | | | | | |
| (Loss)/Profit on sale of investments | **(5)** | – | – | 1 314 | – | | | | | | | |
| Loss on disposal of intangible assets | **(6 060)** | (5 415) | (635) | (26 793) | – | | | | | | | |
| Fair value gains/(losses) | **1 769** | 3 669 | 6 369 | (6 307) | 183 | | | | | | | |
| Impairment of assets and loans | **(274 265)** | (27 115) | (3 203) | (10 378) | (2 919) | | | | | | | |
| Net finance and investment income | **(58 227)** | (68 252) | (60 834) | (36 498) | (45 224) | | | | | | | |
| – Finance and investment income | **38 008** | 25 941 | 14 996 | 20 595 | 26 503 | | | | | | | |
| – Finance cost: Lease liabilities | **(19 190)** | (16 964) | (18 781) | (21 420) | (27 839) | | | | | | | |
| – Finance cost | **(77 045)** | (77 229) | (57 049) | (35 673) | (43 888) | | | | | | | |
| Share-based payment expense | **(3 133)** | (17 837) | (13 848) | (10 694) | (8 876) | | | | | | | |
| Share of associate (losses)/profits | **(9 045)** | 14 051 | 6 991 | 8 294 | 7 990 | | | | | | | |
| **Profit before depreciation and amortisation** | **546 563** | 784 565 | 1 056 703 | 1 039 311 | 834 510 | **(30.3%)** | (25.8%) | 1.7% | 24.5% | 7.3% | *14.6%* | *(8.1%)* |
| Right of use assets depreciation | **(52 747)** | (65 380) | (61 606) | (66 564) | (71 026) | | | | | | | |
| Depreciation | **(94 142)** | (82 976) | (87 138) | (78 202) | (62 179) | | | | | | | |
| Amortisation of intangible assets | **(192 690)** | (208 823) | (231 269) | (195 027) | (164 091) | | | | | | | |
| **Profit before income taxation** | **206 984** | 427 386 | 676 690 | 699 518 | 537 214 | **(51.6%)** | (36.8%) | (3.3%) | 30.2% | 1.7% | *(1.8%)* | *(17.4%)* |

# CLUSTER PERFORMANCE

| Related SDG | Related material matters | |
|---|---|---|
| 3 GOOD HEALTH AND WELL-BEING | • Access to healthcare and medicine<br>• Employee wellbeing, acquisition, talent management and retention<br>• Member satisfaction for clients | • Business continuity and business model adaptation<br>• Legal, regulatory and compliance management<br>• Economic, transformation, political and societal risk<br>• Digital transformation and resilience |

## MEDICAL SCHEME ADMINISTRATION, RISK MANAGEMENT AND TECHNOLOGY

AFROCENTRIC PRIMARILY OPERATES IN ADMINISTRATION AND HEALTH RISK MANAGEMENT THROUGH MEDSCHEME. **LEADING MEDICAL SCHEMES IN SOUTHERN AFRICA RELY ON THE GROUP FOR EFFECTIVE, CLIENT-FOCUSED ADMINISTRATION SERVICES.** FURTHERMORE, BY RECOGNISING AND MANAGING CLINICAL AND FINANCIAL RISKS FOR OUR CLIENT SCHEMES, WE LOWER HEALTHCARE COSTS, REDUCE SCHEME CONTRIBUTIONS AND IMPROVE THE QUALITY OF TREATMENT.

Focus on **value-based care** to optimise healthcare outcomes and cost efficiency.

Despite challenging economic conditions, **commendable results** were achieved, especially in medical scheme administration, focusing on member retention and cost reduction through increased efficiency and an enhanced operating model.

Focused on enhancing **digital capabilities and operational efficiency,** we have transformed challenges faced in our digital offerings into opportunities for growth and client-centric improvements.

**Medscheme** won the **Diamond Arrow Award** for its outstanding contribution in Disease Management – Asthma, Hospital Utilisation Management and Counselling of High Claimers at the PMR Africa Awards. Medscheme also won the **Golden Arrow Awards** across multiple categories, including Alternative Fee Structure/Reimbursement, Chronic Medication Management, Disease Management – Cardiovascular, Health Risk Assessment, Management of Specialists and GPs and Wellness Programme.

**Aid for AIDS** once more secured the prestigious **Diamond Arrow Award** in the Disease Management HIV/AIDS category at the PMR Africa Awards.

## Our businesses

### Medscheme

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

Through its subsidiaries and associated businesses in several African countries, including Namibia, Mauritius and Botswana, Medscheme delivers exceptional, affordable health risk management, medical scheme administration and information technology solutions to leading medical schemes and corporate clients outside South Africa.

### AfroCentric Technologies

AfroCentric Technologies offers technology-based products and services. Its systems connect millions of scheme members, schemes, doctors and hospitals internationally.

### AfroCentric Distribution Services

AfroCentric Distribution Services (ADS) is a specialised marketing and sales company offering complete marketing services and comprehensive distribution channel management.

### Klinikka

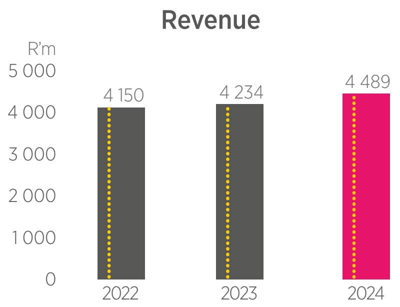
Klinikka is licensed to offer the DBC programme, an evidence-based, multi-disciplinary treatment approach to managing musculoskeletal disorders. Klinikka provides DBC equipment and administration services to 31 musculoskeletal treatment centres in Southern Africa.

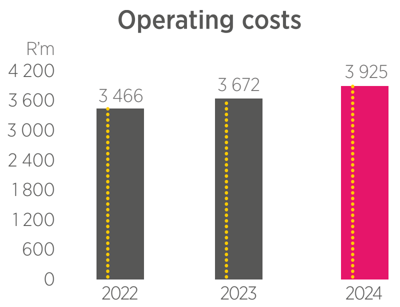
### denis

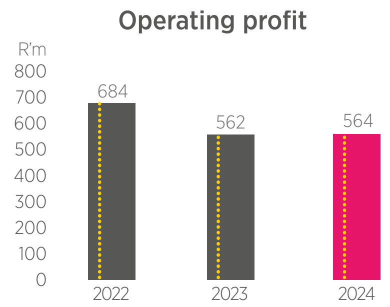
DENIS has 27 years of experience as a managed care company, focusing entirely on dental management. DENIS adds to the Group's diversity as focused dental managed care is now a product to offer to all its medical scheme clients.

### AfA

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




## Overview

In line with our commitment to continuous improvement, we leverage our diversified business model and enhanced client-centricity to drive superior long-term sustainability.

## Our performance

Despite a persistently challenging macroeconomic climate, the medical scheme administration, risk management and technology cluster achieved commendable results. The cluster, substantially comprising the medical scheme administration business, has focused on member retention initiatives for the open schemes. To support this focus, additional resources were employed to increase the net retention rate as part of our client commitment. We remained focused on cost reduction through increased efficiency and an enhanced operating model, seeking to maintain the operating margins while addressing member needs for affordable, quality care. Our unwavering commitment to optimising operations through digital transformation, leveraging technological advancements, data utilisation, and business engineering capabilities has started yielding greater efficiencies.

### Operations

Placing our clients at the centre of everything we do, we prioritise excellence in service and quality health outcomes. In line with this focus, the cluster's management structure was enhanced with the appointment of a new executive leadership team, including our CEO, Andrew Schwulst, COO, Mujeeb Bray, and Dr Numaan Mohamood as Chief Health Commercial Officer. Our commitment to delivering an exceptional customer experience is also driven by a high-performance culture. We use innovative performance management techniques and have cascaded accountability through all levels of leadership down to staff. Additionally, we continue to leverage the relationship with Sanlam, sharing best practices in technology and data, which has accelerated our transformational strategy. Notably, in the last quarter of the period under review, we made significant gains in our service levels, meeting and exceeding client expectations and reflecting a substantial improvement in stability and client satisfaction.

Our deployment of Nexidia, an innovative speech analytics tool, is a prime example of our client-centric approach and commitment to service excellence.

### ENHANCING EFFICIENCIES AND DRIVING CLIENT-CENTRICITY WITH NEXIDIA

Nexidia is a pioneering speech analytics tool developed and used by Medscheme to analyse phone calls between employees and scheme members, brokers, and service providers. This innovative solution offers insights into key metrics such as average handle time, non-talk time, and sentiment.

Sentiment analysis is a transformative feature. By examining the spoken words in a phone call, Nexidia assigns a numerical score to gauge how happy a customer is with the service received. This real-time feedback allows Medscheme to better understand customer experiences and promptly address issues.

Nexidia's impact extends beyond metrics. It has empowered team leaders and managers to pinpoint areas for improvement in phone calls. By improving the efficiency and effectiveness of communication between Medscheme and its stakeholders, Nexidia ensures that members receive timely and satisfactory responses, ultimately enhancing their overall experience and access to essential healthcare services.

While we celebrate our achievements, we also recognise that the challenges faced during the year provided valuable opportunities for growth and learning. In response to a medical scheme's concerns on service delivery due to identified areas for improvement in our digital and managed care offerings, we honed our focus on client-centricity – enhancing our digital capability, improving operational efficiency and outcomes, refining managed care delivery, and leveraging actuarial insights and data capabilities. Initiatives included establishing a Project Management Office, upgrading systems, and leveraging support from Sanlam. These efforts demonstrate our commitment to strengthening our operational foundations and ensuring long-term financial health, positioning us favourably for sustained growth and stability. We are pleased to report that these projects are progressing well, and engagements with our client have been positive, reflecting our dedication to continuous improvement and client satisfaction.

Additionally, we received notification of changes in our service provision to another medical scheme. Although this resulted in the loss of certain contracts, the financial impact is minimal, affecting only specific business units related to onboarding new members and key accounts management.

### Membership

The overall membership under administration has shown a marginal increase despite challenging economic conditions. This was mainly driven by continued growth in the open schemes (GEMS and Bonitas) amid successful member retention endeavours. Our market share therefore remained stable at approximately 39.3%. While we experienced member buy-downs due to economic circumstances, impacting the higher fees we accrue for these options, we see opportunity to expand our market share in the lower-cost options following the growth in this segment achieved this year.

Weighted scheme solvency is 49.2%, which is good news for our clients' sustainability. We are seeing a recovery in discretionary and elective healthcare utilisation, and our care products are aligned with the new post-pandemic healthcare landscape.

### Health risk management

Our deep understanding of sustainable healthcare enables us to devise bespoke programmes that generate superior solutions and deliver added value in healthcare. Our approach is grounded in informed decision-making, emphasising the utilisation of sustainable healthcare resources.

Key health risk interventions include:

- **Hospital event management:** We use collective bargaining and alternative reimbursement models to achieve financial savings and enhance patient experiences. By negotiating better rates with providers and using bundled payments and value-based care agreements (see the discussion on innovation paragraph for more information), we reduce costs and ensure high-quality, necessary care. These strategies align provider incentives with patient outcomes, fostering a more efficient, patient-centric healthcare system and resulting in better financial management, improved patient satisfaction, and enhanced clinical outcomes. In 2023, we saved our schemes almost R1 billion on collective bargaining and hospital networks alone.
- **Alternatives to hospitalisation:** Our hospital-at-home initiative enables patients to receive acute care in the comfort of their homes, leading to faster recovery, lower infection rates, and higher patient satisfaction. By integrating remote patient monitoring and telemedicine, we ensure continuous, high-quality care that is both effective and cost-efficient.
- **Disease management:** Our outcomes-based disease management initiatives focus on preventing and managing chronic conditions and aim to improve clinical outcomes. These initiatives include comprehensive screening programmes to detect diseases early, allowing for timely intervention and management. Focusing on prevention and early detection reduces the burden of chronic diseases and enhances patient quality of life.
- **HIV management:** Aiming to meet the 95-95-95 targets set by the Joint United Nations Programme on HIV/AIDS (UNAIDS) to help end the HIV epidemic – where 95% of people living with HIV know their status, 95% of those diagnosed are on antiretroviral therapy, and 95% of those on therapy achieve viral suppression – we enhance clinical outcomes through our HIV management initiatives (please see the case study on the next page for more details). For all our schemes combined, where Viral Load results are available, we are achieving the third target (95% of those on therapy have achieved viral suppression).
- **Oncology management:** By securing access to advanced and often expensive treatments, we enable patients to receive the most effective therapies. This approach improves clinical outcomes, supports providers with more treatment options, and reduces the financial burden on patients. It also enhances adherence to treatment plans and fosters a collaborative environment between patients and providers, leading to better survival rates, quality of life, and satisfaction.
- **Wellness programmes:** Through increased engagement driven by our wellness programmes, we achieve better risk factor management, improved patient experiences, and enhanced clinical outcomes.
- **Mental health management:** The partnership between AfroCentric and October Health (formerly known as Panda) seeks to leverage October Health's digital mental health platform to provide comprehensive mental health support for employees and clients. The platform's rebranding signifies a commitment to improving access to care and offering comprehensive mental health support, incorporating assessments, group sessions, and AI-driven personal care.
- **Provider management:** Through our multiple value-based care initiatives in the family practitioner (FP), specialist space and coding space, we improve cost efficiency, enhance the quality of care provided, contribute to scheme financial sustainability and ensure that member and provider experience is enhanced. Through various global fees and value-based programmes, we saved Medscheme schemes R226 million in 2023 in specialist costs. The relaunch of our FP Integrated Chronic Care Model, with alternative reimbursement models, is vital to ensuring that providers are equipped to provide a better quality of care for members with chronic disease.

This strategic focus drives financial savings and enhances the overall quality and experience of care for members.

### Innovation

During the year, Medscheme launched its Healthcare Professional (HCP) portal, a digital tool designed to enhance healthcare administration. Administrative inefficiencies can hinder quality care and increase operational costs. Medscheme's HCP portal addresses these challenges by simplifying and expediting tasks for healthcare professionals by providing instant access to critical information.

The portal improves customer experience by catering to doctors, reception staff, practice administration staff, and medical bureaus. Real-time service and reduced turnaround times enable quick, informed decisions, enhancing healthcare delivery efficiency.

Instant access to member, medical scheme, and administration information empowers healthcare professionals and patients, reducing payment issues and focusing on recovery. Outcomes include enhanced healthcare delivery, operational efficiency, and patient empowerment. This initiative showcases the importance of digital solutions in driving sustainable healthcare outcomes.

We also advocate for an innovative shift towards value-based care, believing it is at the heart of healthcare system reform and fostering a more sustainable healthcare landscape. Value-based care optimises healthcare outcomes for patients while ensuring cost efficiency and sustainability. Unlike the traditional fee-for-service model, value-based care focuses on broader outcomes such as patient clinical results, enhanced patient experience, accessibility, cost-effectiveness, and provider satisfaction.

### Outlook

Our collaboration with Sanlam continues to unlock synergies, enhancing our ability to deliver comprehensive and integrated healthcare solutions. This partnership, which combines AfroCentric's expertise in healthcare management with Sanlam's robust financial services infrastructure, is expected to drive significant value.

We are excited about our integrated operating model's potential and continued growth opportunities. Moreover, we are confident that our strategic focus on value-based care, digital innovation, and client-centricity will position us favourably for sustained growth and stability, ultimately delivering greater value and benefits to our stakeholders.

## PURPOSE IN ACTION – PIONEERING VALUE-BASED CARE IN HIV DISEASE MANAGEMENT

South Africa's private healthcare system faces significant sustainability challenges, including rising non-communicable diseases such as diabetes and hypertension and mental health issues like depression and anxiety. Moreover, an ageing population requires long-term, comprehensive, and expensive care. The country also continues to battle the HIV/AIDS epidemic, which imposes a heavy burden on the healthcare system. These trends, combined with the inefficiencies of the fee-for-service model, exacerbate medical inflation, making healthcare increasingly unaffordable. The fee-for-service model encourages overutilisation and fragmented care and does not empower patients with their healthcare data, relegating them to a passive role in managing their health.

Aid for AIDS (AfA), a subsidiary of AfroCentric, has pioneered HIV disease management for over 25 years. AfA's unique value proposition revolves around a fully integrated and highly confidential disease management programme focusing on patient-centric interventions. The objective is to improve the quality of life and extend the lifespan of individuals living with HIV. AfA's approach has always aligned with value-based care principles, even before the formal adoption of such frameworks. Today, our quintuple aim framework underpins AfA's value-based contracting.

OUR RESEARCH-INFORMED, **VALUE-BASED CARE QUINTUPLE AIM**

- Improving the member experience of care
- Improving the health of populations
- Reducing costs of healthcare
- Improving the provider experience
- Advancing health equity, including access to care

We recognise that there are often trade-offs between these dimensions of care; for example, removing a co-payment improves access to care but may add to unnecessary healthcare costs. Our approach in applying this framework is to put our members at the centre and implement initiatives that place them in a better position overall.

To achieve this, our contracting with schemes is based on measurable and achievable targets, adjusted yearly to increase the programme's effectiveness while managing costs. Currently, we measure clinical outcomes through viral load suppression, medicine adherence, and hospital readmission rates. For example, research shows that individuals with suppressed viral loads live longer, healthier lives and have a lower risk of transmitting HIV.

AfA also employs geo-mapping to optimise the provider network and actively works to reduce out-of-pocket payments for beneficiaries, ensuring all members can access necessary care without financial barriers. Member and provider experiences are critical, measured through surveys, and factored into contracting. Initial results show reduced hospital readmissions, indicating improved clinical outcomes for beneficiaries. Additionally, improvements in viral load suppression are promising, with our schemes collectively reaching the 95% target, pointing to the effectiveness of AfA's value-based care approach and its potential for broader application across the healthcare system.

3 GOOD HEALTH AND WELL-BEING

These efforts contribute directly to **SDG 3.3**, which aims to end the epidemics of AIDS, tuberculosis, malaria, neglected tropical diseases, combat hepatitis, water-borne diseases, and other communicable diseases by 2030.

# PHARMACEUTICAL

WE SEEK TO PARTICIPATE THROUGHOUT THE PHARMACEUTICAL VALUE CHAIN TO **REDUCE MEDICINE AND RELATED COSTS AND IMPROVE ACCESS TO AFFORDABLE, QUALITY HEALTHCARE.**

| |
|---|
| Initiatives such as changing couriers, consolidating deliveries, and self-drive have resulted in **significant savings and increased delivery efficiency.** |
| Positioning ourselves as a **key partner for the government in the NHI** environment and recently **honoured at the BHF Titanium Awards,** AfroCentric, through Pharmacy Direct, has demonstrated significant success in driving access to care with **17% growth in NDoH script volumes** despite challenges, such as a decline in price per script over the period. |
| Activo Health has experienced **significant margin erosion** despite continued growth in the external pharmaceutical market. |
| Scriptpharm's strategic initiatives have led to **substantial savings** for client schemes, with R36.6 million saved in the chronic and HIV space through a capitation agreement in the 2023 benefit year and an additional R26.8 million saved on out-of-hospital oncology medicines. The **pharmacy network has also expanded** to 3 241 pharmacies this year, up from 3 034 in the previous year. |

## Our businesses

Pharmacy Direct
Caring, Reliable & Affordable

Pharmacy Direct distributes and delivers medicine to urban and rural areas for private and public patients.

activo health
caring for you

Activo Health is a pharmaceutical manufacturer specialising in importing, marketing and distributing pharmaceutical products and trading in all pharmaceutical industry sectors.

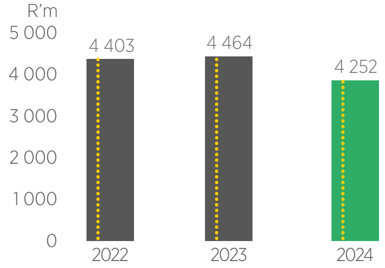
curasana
wholesaler & distributor

Curasana is a speciality pharmaceutical wholesaler and distributor that procures and supplies pharmaceutical products to Pharmacy Direct and other major wholesalers in Gauteng and distributes on behalf of Activo Health.

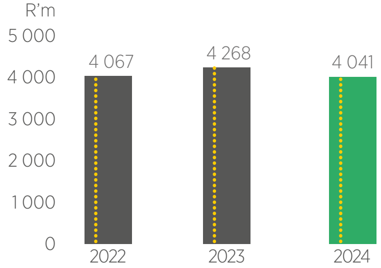
SCRIPTPHARM

Scriptpharm is a registered managed care organisation that manages chronic, oncology and HIV medicine through various arrangements, such as capitation and savings share models. Scriptpharm is a collaborative partner in the broader AfroCentric Group to ensure that all parts of the medicine journey are managed effectively and efficiently to mitigate cost risks. This management includes contracting, overseeing, and maintaining a vast network of pharmacies.

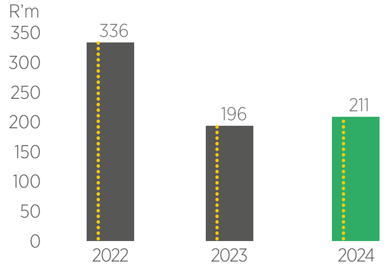
**Revenue**



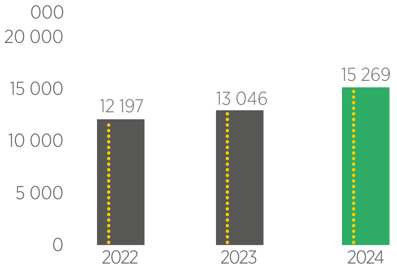

**Operating costs**



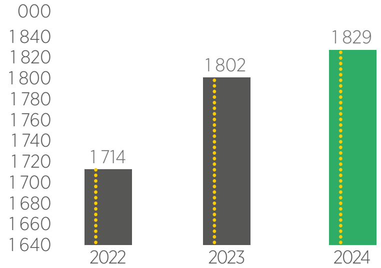

**Operating profit**




**DoH script growth**




**Private script movement**




## Overview

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

See our **purpose-in-action** case study at the end of this cluster review to see how our subsidiary, Pharmacy Direct, contributes to achieving this goal.

## Our performance

The pharmaceutical cluster's trading environment remains highly competitive, building on the challenging conditions experienced in 2023. The strategies and projects initiated in the prior year, focusing on increasing revenue, such as projects to return non-adherent patients and introducing new products, have yielded positive results. However, the overall revenue for the cluster has declined by 13%. This was mainly impacted by the reduction in revenue due to the Group's decision to close its operations in procuring hospital surgical consumables through its subsidiary, MMed.

Despite implementing cost-reduction strategies, such as savings on clinical costs by digitising various processes and projects to optimise courier costs, the cluster's operating profit has declined by 2%. This decline was negatively affected by reduced profitability on the NDoH contract due to the reduced price per script for the renewed contract.

We continue to focus on improving our overall financial performance by implementing strategies relating to new business development, introducing new products, implementing cost-reduction initiatives and enhancing efficient working capital management practices to address overstock and understock challenges.

### Importing and marketing pharmaceutical products

Activo Health specialises in importing and marketing pharmaceutical products across all sectors of the pharmaceutical industry. The company has faced typical challenges in the generic pharmaceutical market, including intense competition and the resulting difficulty in price reductions, which has led to margin compression. We have maintained tight control over expenses and working capital management. However, we experienced stock write-offs, particularly in our oncology product line, and are carefully evaluating this therapeutic area to identify opportunities for improved stock management in the future.

In terms of the private market, we have seen significant sales growth year on year, reflecting continued growth faster than the market. The company has successfully diversified its customer base, balancing courier pharmacy sales within the AfroCentric Group with a strong presence in the private market. This diversification, along with a healthy product pipeline, positions Activo Health for continued growth.

Product launches are crucial for the company's growth strategy, helping to offset the challenges of price competition in the generic pharmaceutical market. Activo Health launched 15 new products this year, showcasing its commitment to continued growth.

The strategic focus of the business will remain on enhancing overall performance, introducing new products, and implementing effective working capital management practices. Activo continually reviews its business structures to ensure it is optimally positioned to achieve expected future returns on investment.

### Buying and distributing pharmaceutical products

Positioning itself as a key partner in the NHI environment, AfroCentric is committed to enhancing access to quality healthcare. The Group's strategic initiatives aim to streamline healthcare delivery and reduce costs, aligning with the government's objectives under the NHI framework. This alignment is evidenced by our involvement in government's CCMDD programme through Pharmacy Direct. By being the majority service provider, working across five provinces, AfroCentric demonstrates its capability and commitment to supporting government initiatives and ensuring the provision of affordable, quality healthcare to all South Africans. In this regard, Pharmacy Direct was recently honoured at the ninth annual BHF Titanium Awards, an award for excellence in creating access to quality healthcare.

As we build on this success, we continually seek ways to optimise efficiencies through e-scripting, especially given the steady growth in prescriptions amid a decline in the price per script. Additionally, the increase in three-month supply scripts has presented challenges. The NDoH permitted this change to enhance medication access for vulnerable patients, aiming for more efficient and patient-friendly distribution while saving patients on transportation fees. While beneficial for patients, this transition has resulted in fewer repeat scripts to be serviced, resulting in fewer deliveries and, consequently, reduced fees, as we receive a fee per parcel. To ensure sustained profitability, we have implemented various strategies to manage costs effectively. Through these measures, we aim to maintain optimal profit levels while continuing to provide high-quality service to patients.

Pharmacy Direct and Curasana – the private business – have focused on increasing script volumes and containing costs. Changing couriers and consolidating deliveries in the scheduling department in the prior year has revealed significant savings in courier expenses. The self-drive initiatives have enhanced delivery sequences, increasing daily deliveries. The business has achieved a 99% success rate in real-time deliveries. The private business is also undertaking new initiatives to enhance the member experience, improve member adherence, and increase affordability.

### Managing medicine

Scriptpharm manages chronic, oncology, and HIV medicine through arrangements with specific schemes, whereby Scriptpharm incentivises efficiency, cost control, and preventative care. The business has delivered a strong financial performance, demonstrating resilience and growth despite lower-than-expected membership numbers from some of our client schemes. We have executed effectively and efficiently across all our clients, maintaining our underwriting margin and generating revenue from oncology contracts. With the continued growth experienced this year, Scriptpharm maintains the largest pharmacy network in South Africa.

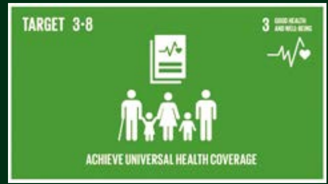
## Outlook

We will focus on ensuring Activo is optimally positioned for a promising return on investment in the foreseeable future. Pharmacy Direct and Curasana will focus on strategic co-branding efforts to solidify their position in the market and foster stronger connections with their stakeholders, with an additional emphasis on new business development.

Scriptpharm's primary focus will remain on identifying opportunities that enable us to provide our client schemes with the most cost-effective medicine solutions. We are dedicated to minimising the impact of out-of-pocket expenses for all categories of medicine on our members.

Through proactive strategies and a customer-centric approach, we are determined to overcome challenges, improve our offerings, and ensure our clients receive the best pharmaceutical solutions. We aim to continue building strong relationships with our partners and customers while delivering exceptional value and service in the industry.

## PURPOSE IN ACTION – ADVANCING HEALTHCARE THROUGH INNOVATION




Pharmacy Direct's mission aligns with AfroCentric's purpose of enhancing the quality of life for all stakeholders. By transforming healthcare to be more affordable and accessible, the business is actively contributing to achieving the indicators under SDG 3 and South Africa's Health Goal 8 of the NDP: Universal healthcare coverage.

Pharmacy Direct is pioneering the implementation of a combination of robotic systems in South Africa, setting a new standard in medication management. In 2021, the business introduced state-of-the-art robots that utilise advanced algorithms and precision engineering to dispense medications accurately and efficiently. This revolutionary approach significantly reduces the risk of medication errors, optimises medication storage, and enhances productivity. Consequently, the time from script receipt to medication delivery has been drastically reduced, ensuring patients receive their medications promptly. This initiative directly supports **SDG 3.8** by improving access to safe, effective, quality, and affordable essential medicines.

Additionally, through a partnership with the DoH, the public division has played a pivotal role in the CCMDD programme, providing care for up to 2.3 million patients and increasing ease and access to essential medicines – again, aligning with **SDG 3.8**.

Moreover, adherence to therapeutic regimes is crucial for positive patient outcomes, and Pharmacy Direct's innovative approach addresses some of the most significant barriers to medication adherence:

**COST:** BY ELIMINATING DELIVERY AND ADMIN FEES AND OFFERING COMPETITIVE DISPENSING FEES, PHARMACY DIRECT MAKES MEDICATIONS MORE AFFORDABLE

**ACCESS:** DELIVERIES ARE MADE ACROSS ALL NINE PROVINCES, INCLUDING MAIN CENTRES, TOWNSHIPS, SUBURBS, AND OUTLYING AREAS, ENSURING WIDE ACCESSIBILITY

**EDUCATION AND AWARENESS:** WITH 150 CLINICALLY TRAINED STAFF, PHARMACY DIRECT PROVIDES PERSONALISED PHARMACIST SUPPORT, EMPOWERING PATIENTS WITH THE KNOWLEDGE NEEDED FOR EFFECTIVE MEDICATION MANAGEMENT

Pharmacy Direct's innovative approach and strategic partnerships embody AfroCentric's mission to enhance the quality of life and make healthcare more accessible and affordable, driving positive change in the healthcare landscape. Through their commitment to SDG 3 indicators and South Africa's NDP Health Goal 8, Pharmacy Direct ensures that healthcare services are more efficient and accessible.

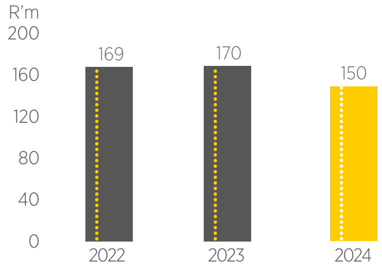
# CORPORATE SOLUTIONS

The Corporate Solutions cluster specialises in providing integrated employee health and wellness solutions, including occupational health, primary healthcare clinics, employee assistance programmes, wellness screenings, gap cover, health insurance, and bespoke health administration solutions.

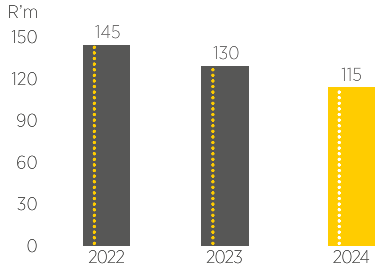
The services we render under this umbrella are provided by a seamlessly integrated cluster of AfroCentric subsidiaries – each a tried-and-tested specialist in their fields. Our clients benefit from dealing with a single entity for a streamlined, simplified experience.

The Corporate Solutions cluster experienced one of its best years in terms of new sales volumes. Despite this achievement, the business faced significant challenges, including pricing pressures, increased servicing costs, and higher claims ratios. As a result, the overall profits remained flat compared to the previous year, even though favourable conditions were expected to positively impact the bottom line.

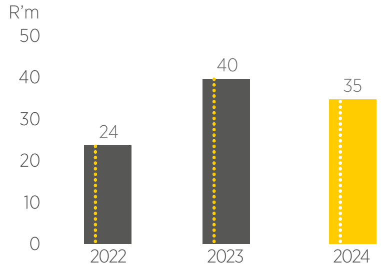
**Revenue**




**Operating costs**




**Operating profit**




## Our businesses

### AfroCentric Employee Health Solutions

Our occupational health services programme is designed to minimise the likelihood of employee injuries and illnesses in the work environment. Occupational Health Nurse Practitioners and Occupational Medical Practitioners at our onsite clinics provide services to assist clients in compliance with the relevant occupational health and safety legislation.

### AfroCentric Workcare

We provide onsite doctor- and nurse-based basic healthcare to organisations' employees, including chronic disease monitoring and referral, health education, and emergency medical services.

### AfroCentric HealthInsure

We offer gap cover, a short-term insurance product that provides an extra layer of financial protection for those who already have medical aid. It helps to cover certain shortfalls between what the medical aid scheme will pay and the rates charged by in-hospital medical specialists.

### AfroCentric Wellness

We take expert care of the company's wellness needs by implementing tailored health and wellness programmes comprised of health risk assessments, corporate nursing, staff lifestyle programmes, executive wellness and employee assistance programmes.

### AfroCentric Integrated Health Administrators

Bespoke low-cost administration services are rendered to a niche market of medical schemes, health insurance, and corporate clients locally and in a few select neighbouring jurisdictions.

### EssentialMED

We offer health insurance products that provide access to private healthcare for those who cannot afford to pay for comprehensive medical aid scheme coverage. By offering individuals and organisations affordable yet benefit-rich health insurance from a tried and trusted provider, we support the development of healthy and more productive employees and members of society.

## Overview

AfroCentric Corporate Solutions offers a range of health solutions with extensive benefits that support businesses and their employees in building confidence through holistic wellness programmes. The unique combination of complementary or standalone solutions can be structured around the client's specific needs and budget.

### Our value proposition

FLEXIBLE, TAILOR-MADE HEALTH SOLUTIONS FOR INDIVIDUALS AND BUSINESSES OF ALL SIZES

PROACTIVE AND PREVENTATIVE INTERVENTIONS THAT HAVE REAL MEASURABLE ROIs

FULLY INTEGRATED CARE THAT COMBINES WORK FITNESS AND CURATIVE HEALTH SERVICES

- High-quality, cost-effective care
- Regulatory and legal compliance assurance
- Beneficial pricing structures that remove duplication of costs
- Optimised productivity due to improved employee health and wellbeing

### Our products and solutions

- Gap cover
- Primary health insurance
- Wellness solutions
- Occupational health
- Onsite clinics

## Our performance

The health insurance business continued to lead in profit generation for the cluster and had yet another phenomenal year in terms of financial performance. This was achieved largely through double-digit growth in new policies sold to corporates enabled by the ever-growing support from specific key intermediary channels. While displaying a muted net growth trend overall, the retail book continued to enjoy richer profit margins due to better average premiums and lower claims ratios compared to the corporate book. The business is committed to monitoring the upward pressures on overall claims ratios as they returned to pre-COVID levels during the financial year.

The gap cover business also showed tremendous net growth, transitioning rapidly from predominantly retail to seeing new sales growth driven mainly by corporate clients.

However, despite exceptional growth, this business faced challenges as one of the leading new channels, the Sanlam Umbrella Fund, did not gain the expected traction during the year. Additionally, the insurance underwriting profits were impacted by significant pricing pressures on gross written premiums and increasing claims ratios in line with post-COVID market trends.

The Wellness business unit had a successful financial year, with an increase in new clients purchasing Wellness Screening Services and existing clients placing significantly more orders compared to the past two years. This growth was, however, accompanied by notably lower margins due to high price sensitivity among new clients and the need to allocate additional resources to retain existing contracts, impacting the business's profitability.

The occupational health and primary healthcare clinics business continued to face challenges, recording a trading loss, though it was reduced compared to the previous year. Notably, the only significant new business was in Healthcare Screening Services, provided through a partnership with the South African National AIDS Council's Private Sector Forum (formerly the South African Business Coalition on Health and AIDS) as part of a corporate social investment initiative in health and wellbeing.

The scheme administration business celebrated significant achievements by securing an extension and expansion of services for their primary medical scheme client in South Africa. Additionally, they won a contract to provide administration systems and services for a new medical scheme client in Botswana. While these new business awards required considerable personnel resources to onboard members and stabilise client services promptly, they are anticipated to positively impact revenue and profit margins in the medium to long term.

## Outlook

While currently constituting a small portion of Group revenue, the corporate solutions cluster has proved to be a valuable asset regarding the Group's overall strategic objectives. The cluster has emerged to be the leading business unit to integrate the AfroCentric and Sanlam products, providing the most product integration points and innovative client value propositions.

It is therefore essential to note that while the contribution of this cluster may, initially, not be measured in notable revenue contributions, it is fast becoming the key enabler for the growth of various AfroCentric and Sanlam entities. In the ensuing year, it is set to launch notable products and solutions under the Sanlam Health brand.

# OUR SOCIAL PERFORMANCE

**Related SDGs**

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

**Related material matters**

- Access to healthcare and medicine
- Employee wellbeing, acquisition, talent management and retention
- Member satisfaction for clients
- Business continuity and business model adaptation
- Legal, regulatory and compliance management
- Economic, transformation, political and societal risk
- Digital transformation and resilience

**206**

UNEMPLOYED YOUTH PARTICIPATED IN LEARNERSHIP AND INTERNSHIP PROGRAMMES

(2023: 202 unemployed youth)

**3 927**

EMPLOYEES* PARTICIPATED IN ONLINE COURSES

(2023: 3 802 employees*)

**R2.8 M**

INVESTED TOWARDS DEVELOPING UNEMPLOYED LEARNERS WITH DISABILITIES

(2023: R2.6 million invested)

* *These are SA employees and not the total group including Namibia and Mauritius.*

## HUMAN CAPITAL

### Our people philosophy

Our organisation is founded on the core philosophy of transformation and empowerment. We are dedicated to building a diverse workforce supported by an inclusive culture. Our human-centric practices and policies align leaders and employees with business purposes, enabling us to attract, develop, and retain a diverse, skilled, and talented workforce. This facilitates a high-performance culture that supports the achievement of our strategic objectives.

As the Group continues to navigate through critical transformation and post-acquisition integration, we are further aligning the business by strengthening our value-driven culture and refining our organisational design and capabilities.

At AfroCentric, we strongly emphasise grounding our employees and leaders in accountability. We take immense pride in our core values, which define our identity and daily conduct. Our commitment is to foster an environment that supports all employees, nurturing their mental, emotional, physical, social, and spiritual wellbeing.

### Diversity and inclusion

Transformation remains a critical strategic enabler for AfroCentric to achieve our vision of enabling sustainable healthcare. Thus, transformation creates a solid basis for driving sustainability for all our stakeholders. In addition, transformation is viewed as an opportunity to enable business growth while positively contributing to the economy.

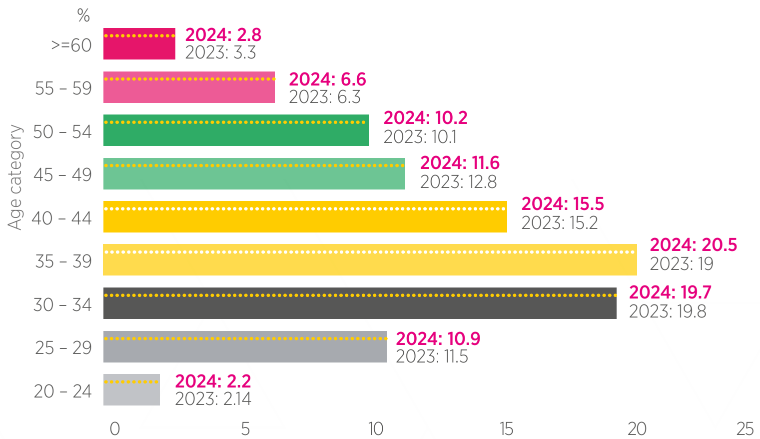
The diversity of our workforce facilitates enhanced innovation, better decision-making and collaboration of talent from varying backgrounds and experiences.

We have a zero-tolerance approach to any form of discrimination or prejudicial behaviour based on age, culture, race, gender, disability, or other forms of discrimination. Our enhanced prevention and elimination of harassment policy further embeds an inclusive business culture free of intimidation and discriminatory practices.

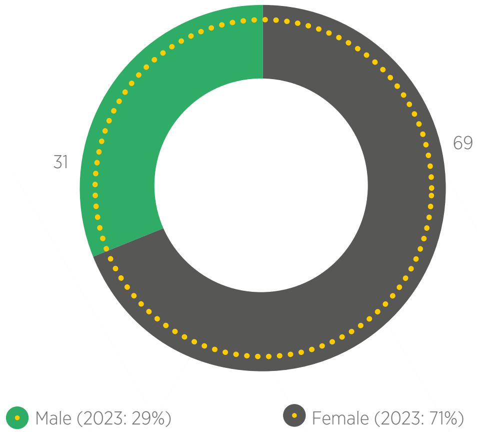
Based on 4 999 active permanent employees across entities (2023: 4 637), 69% are female, and 31% are male (2023: 71% female and 29% male).

| Occupation level | 2024* Male | 2024* Female | 2024* Black | 2024* White | 2024* Foreign | 2024* Total | 2024* % | 2023* Male | 2023* Female | 2023* Black | 2023* White | 2023* Foreign | 2023* Total | 2023* % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total | 1 573 | 3 539 | 4 378 | 700 | 34 | 5 112 | 100 | 1 413 | 3 362 | 4 010 | 730 | 35 | 4 775 | 100 |
| Full-time equivalent | 1 573 | 3 539 | 4 378 | 700 | 34 | 5 112 | 100 | 1 413 | 3 362 | 4 010 | 730 | 35 | 4 775 | 100 |
| **Per employee category** | | | | | | | | | | | | | | |
| Permanent | 1 531 | 3 468 | 4 275 | 693 | 31 | 4 999 | 98 | 1 352 | 3 285 | 3 890 | 714 | 33 | 4 637 | 97 |
| Temporary | 42 | 71 | 103 | 7 | 3 | 113 | 2 | 61 | 77 | 120 | 16 | 2 | 138 | 3 |
| Full time | 1 573 | 3 539 | 4 378 | 700 | 34 | 5 112 | 100 | 1 413 | 3 362 | 4 010 | 730 | 35 | 4 775 | 100 |

## Age range (%)




## Gender (%)




## Union members (%)

In line with their constitutional rights, we uphold our employees' right to freedom of association and collective bargaining, the protection of employee representatives, and the right to be a trade union member.

| | 2023/2024 | 2022/2023 |
|---|---|---|
| NEHAWU | 2 017 | 1 848 |
| SALU | 365 | 356 |
| Total | 2 382 | 2 204 |

* *These are SA employees and not the total group including Namibia and Mauritius.*

## Staff movement

In the past year, AfroCentric has seen an increase in directors from previously disadvantaged groups, a significant pragmatic step to improve top management-level transformation.

| | 2023/2024* | | | | | | | 2022/2023* | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Occupation level | Male | Female | Black | White | Foreign | Total | % | Male | Female | Black | White | Foreign | Total | % |
| Top management | 3 | 0 | 2 | 1 | 0 | 3 | 0.4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior management | 5 | 1 | 4 | 2 | 0 | 6 | 0.8 | 4 | 3 | 7 | 0 | 0 | 7 | 1 |
| Professionally qualified | 20 | 43 | 52 | 10 | 1 | 63 | 8.3 | 19 | 45 | 42 | 21 | 1 | 64 | 8.8 |
| Skilled | 141 | 266 | 382 | 25 | 0 | 407 | 53.8 | 115 | 322 | 395 | 41 | 1 | 437 | 60.4 |
| Semiskilled | 113 | 163 | 270 | 6 | 0 | 276 | 36.5 | 62 | 151 | 206 | 7 | 0 | 213 | 29.4 |
| Unskilled | 0 | 1 | 1 | 0 | 0 | 1 | 0.1 | 3 | 0 | 3 | 0 | 0 | 3 | 0.4 |
| Grand total | 282 | 474 | 711 | 44 | 1 | 756 | 100 | 203 | 521 | 653 | 69 | 2 | 724 | 100 |
| | 37.3% | 62.7% | 94% | 5.8% | 0.1% | 100% | | 28% | 72% | 90.2% | 9.5% | 0.3% | 100% | |

As part of our efforts to drive diversity and transformation, there was a 3.85% improvement in previously disadvantaged groups' recruitment overall during 2024 compared to 2023. Despite the ongoing war on talent, we attracted an additional 63 employees at the professionally qualified occupational level. This is crucial to our succession strategy to create a talent pool for the next level.

### New employee hires and turnover

#### By gender

| | Male | Female | Total* |
|---|---|---|---|
| Total number of new employees | 282 | 474 | 756 |
| New employee hire rate | 37.3% | 62.7% | 100% |
| Total employee turnover | 4.4% | 10.4% | 14.8% |
| New employee turnover rate | 0.9% | 1.6% | 2.5% |

#### By age

| | Under 30 | 30 – 50 | Over 50 | Total* |
|---|---|---|---|---|
| Total number of new employees | 214 | 517 | 25 | 756 |
| New employee hire rate | 28.3% | 68.4% | 3.3% | 100% |
| Total employee turnover | 18.3% | 14.8% | 12% | 14.8% |
| New employee turnover rate | 0.8% | 1.6% | 0.1% | 2.5% |

* *These are SA employees and not the total group including Namibia and Mauritius.*

#### By race

| | African | Indian/ Asian | Coloured | White | Foreign | Total* |
|---|---|---|---|---|---|---|
| Total number of new employees | 554 | 37 | 120 | 44 | 1 | 756 |
| New employee hire rate | 73.3% | 4.9% | 15.9% | 5.8% | 0.1% | 100% |
| Total employee turnover | 8.9% | 0.6% | 3.4% | 1.9% | 0% | 14.8% |
| New employee turnover rate | 1.8% | 0.5% | 0.1% | 0.1% | 0% | 2.5% |

## Our culture journey – refreshing and re-connecting to a values-driven culture

Our culture journey has spanned almost six years. Over this time, our business's culture has consistently been one of its most vital success factors. We have sustained a workforce of engaged and productive employees supported by committed leadership and grounded by a robust set of organisational values.

The Group has grown considerably. Some of these changes include changes in leadership roles, partnering with new subsidiaries and diversifying our distribution services offering, among others. The growth across the Group presents an opportunity to re-evaluate our organisational values as we seek to align with the Sanlam Group.

# Employee experience

We have designed our employee experience programmes and activities to align with the organisation's purpose and establish practices that help our employees thrive. Our focus for the year has been on achieving the following key outcomes:

## Employee wellbeing

We understand the importance of employee wellbeing in contributing to our organisation's overall success and health. It can enhance employee engagement and foster a high-performance culture. Therefore, we prioritise creating positive employee experiences. Our goal is to further improve this through our comprehensive and personalised employee wellness programme.

A holistic wellness strategy and approach encompassing psychological, financial, organisational, physical and social wellness has been implemented.

In addition to the medical aid provided to staff, we introduced an affordable primary health insurance option to support our employees in lower-income brackets. This initiative caters to the pressing need for quality, affordable medical coverage that is straightforward and easily accessible. Employees earning below a specified threshold may also be eligible for up to 50% subsidy.

During the year, 3 031 clinic consultations were undertaken at our various offices, with employees utilising the services for health checks, medication administration and family planning.

1 103 individual cases were opened and managed in the period under review. The individual utilisation rate of 21.0% was above the sector average of 4.5%, with 794 individual employees and 72 dependents accessing the services.

Our analysis from our EAP indicated that stress, family issues, bereavement, legal advice, and anxiety were the critical services accessed by staff. Continuing the trend from 2023, our wellness programme revealed that financial stress was a top concern, along with a new risk – a high percentage of employees are at risk for cardiovascular diseases.

Over the past year, the wellness department has implemented a comprehensive wellness intervention strategy to enhance the overall wellbeing of the Company's employees. The Mental Health Programme established a think tank and hosted round table sessions to address mental health issues, alongside a resilience programme and regular communiqués to promote mental wellbeing. The health programme included webinars on men's and women's health, a Movember Shavathon event, and a breast cancer webinar, complemented by a series of communiqués and a Monthly Walkathon to encourage physical wellness.

In the realm of health risk management, the department reviewed the absenteeism, incapacity, and ill-health policy. The women's empowerment programme featured a variety of webinars, the launch of mommy rooms, and fireside conversations to support and empower female employees and new parents. Financial wellness was addressed through coaching clinics, retirement planning seminars, benefits roadshows, and webinars, focusing on providing employees with the knowledge and tools to manage their financial health.

Team alignment and health were fostered through arts programmes, integration sessions, and team leader engagements, while governance saw a review of several key policies and the automation of the return-to-work form. These initiatives reflect the department's dedication to creating a supportive environment that caters to the workforce's diverse needs, ultimately contributing to a more engaged and productive team.

Workplace health and safety are central to our human capital priorities. Beyond meeting regulatory requirements, we view health and safety as a foundational responsibility. As the workplace evolves, we regularly update our health and safety protocols. Through consistent training, safety assessments, and open communication, we aim to maintain an environment where our team can thrive safely and confidently.

| | July 2023 to June 2024 | July 2022 to June 2023 |
|---|---|---|
| Fatalities | 0 | 0 |
| Lost day cases | 15 | 49.5 |
| Restricted duty cases | 0 | 0 |
| Medical treatment cases | 25 | 13 |
| Hours worked | 9 316 964 | 8 589 572 |
| **TRIR*** | 0.86 | 1.46 |

* *Total recordable incidences rate (TRIR).*

## Partnerships that enhance our employee experience

AfroCentric has partnered with a reputable financial services partner to create a banking proposition for all staff, including home loans, vehicle finance, investments, and solar/capital assistance. We place importance on ensuring our employees not only have access to financial services but also can negotiate reduced fees and additional benefits.

## Recognition programme

Our Ignite Recognition initiative aims to acknowledge and recognise employees, teams, and leaders for living the Group's values and purpose and reward excellence when employees go above and beyond. The recognition programme is leader-led, thus enabled and supported by the Group's leaders.

The programme also recognises the positive difference we make to the communities in which we live and operate. It further strives to drive the Group strategy by leveraging our full AfroCentric potential by recognising out-of-the-ordinary collaboration, integration, and innovative initiatives.

Our first Ignite Awards ceremony was held on 21 February 2024 in Johannesburg, where we celebrated our employees' incredible talents and achievements.

With over 200 nominations received, we have seen remarkable interest and participation since the launch of this initiative.

The various categories awarded included:

- Shaping our future: Driving the strategy by leveraging our full AfroCentric potential by collaborating, integrating and innovating
- AfroCentric Citizen: Living our purpose and values – transforming lives for our customers, clients, people and partners
- Community Citizen: These teams exemplify the AfroCentric Group's commitment to making a positive difference in the communities we live and operate in

## Work arrangements that are fit for our business

We introduced a new working arrangements policy as the Group positions itself as a hybrid workplace. Alternatives such as fully remote roles and hybrid roles form part of our new ways of work as we strive to attract and retain the best talent in the healthcare industry. The policy allows staff to choose from various modalities within the context of operational requirements.

## Employee listening strategy

In continually investing in employer-employee relations to improve employee experience and engagement, our listening strategy, a deliberately planned and orchestrated approach to obtaining relevant insights from or about employees, has yielded positive, impactful interventions.

For nearly five years, our Voice of the Employee survey has been instrumental in guiding our initiatives. Following the successful completion of the Sanlam transaction, we recognise the critical importance of effective integration post-acquisition.

AfroCentric successfully conducted its inaugural pulse survey, achieving a satisfactory pulse score of 81%. The survey highlighted critical focus areas, notably leadership, management and career development, where targeted interventions are being considered. The flight risk indicator stood at 11%, which reflects the transitional uncertainties associated with our ongoing strategic refresh.

Looking ahead to 2025, our pulse surveys will be refined to better align with AfroCentric's unique context, building on the Sanlam Group framework utilised this year. Additionally, a comprehensive culture review will be conducted through the Sanlam Culture Barrett Survey in the second quarter of 2025.

## Top Employer 2023/2024

After AfroCentric's first measurement, we are proud to announce that we have attained the status of one of South Africa's Top Employers, as designated by the globally recognised Top Employers Institute.

The Top Employers Institute's rigorous certification process evaluates organisations based on their performance in crucial human capital domains, including people strategy, work environment, talent acquisition, learning, diversity, equity and inclusion, wellbeing and more.

The Top Employers Institute Certification Programme has certified and recognised over 2 300 Top Employers in 121 countries/regions, positively impacting the lives of over 12 million employees globally.

## Online learning

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

**642** ONLINE COURSES WERE UNDERTAKEN BY

**3 927** EMPLOYEES

(2023: 844 courses undertaken by 3 802 employees)

## Skills development

Sector Education and Training Authority and industry-funded learnership initiatives were implemented and prioritised across the Group.

AfroCentric Health partners with Business Beyond Boundaries and Gauteng City College, hosting 142 unemployed learners with disabilities offsite and onsite (2023: 161 learners).

**R2.8 million**

INVESTED TOWARDS DEVELOPING UNEMPLOYED LEARNERS WITH DISABILITIES

(2023: R2.6 million invested)

## Internships

These programmes help candidates gain valuable work experience after obtaining a qualification.

**24 TVET** AND

**25** OTHER LEARNERS PARTICIPATED IN INTERNSHIP PROGRAMMES

## Learnerships

These programmes help candidates earn qualifications and gain valuable work experience.

**120** EMPLOYEES AND

**157**

UNEMPLOYED YOUTH PARTICIPATED IN LEARNERSHIP PROGRAMMES

(2023: 114 employees and 202 unemployed youth)

**142**

LEARNERSHIPS CATERED TO PEOPLE WITH DISABILITIES, AND 15 LEARNERSHIPS FORMED PART OF OUR NEW EMPLOYEE VALUE PROPOSITION, ENABLING EMPLOYEE'S CHILDREN TO PARTICIPATE IN LEARNERSHIP

## Bursaries

WE OFFERED STUDY ASSISTANCE TO 15 EMPLOYEES TO THE VALUE OF

**R1.18 million**

| Qualification levels | Qualification name | Number of students |
|---|---|---|
| **Higher Certificates** | Higher Certificate in Criminal Justice and Forensic Investigations | 1 |
| | Higher Certificate in Project Management | 1 |
| **Advanced Diplomas and Bachelor's Degrees** | Advanced Diploma in Business Management | 1 |
| | Advanced Diploma in Management | 1 |
| | Bachelor of Arts Forensic Science and Technology | 1 |
| | Bachelor of Business Administration | 1 |
| | Bachelor of Commerce in Human Resource Management | 1 |
| | Bachelor of Commerce In Financial Management | 1 |
| | Bachelor of Commerce in Accountancy | 1 |
| | Occupational Certificate: Learning and Development Advisor | 1 |
| **Post Graduate Diplomas** | Post Graduate Diploma in Accounting Sciences | 1 |
| | Post Graduate Diploma in Business Management | 1 |
| **Master's Degrees** | Master of Business Administration | 1 |
| | Master of Business Administration in Healthcare Management Programme | 2 |

**AfroCentric's commitment to healthcare education and workforce development**

Nelson Mandela wisely said, "Education is the most powerful weapon you can use to change the world." In the spirit of Mandela Month, our CEO, Gerald van Wyk, and several of our Exco colleagues visited the bright young minds who are part of the AfroCentric bursary programme at North-West University's Potchefstroom campus. These students, studying medicine, nursing, and pharmaceutical studies, were selected not only for their academic merit but also for their determination to shape the future of South African healthcare.

Providing financial support is just one aspect of our bursary programme. Equally important is ensuring the wellbeing of our bursary recipients through regular check-ins and ongoing engagement to help them navigate academic and personal challenges. This holistic approach ensures that they feel supported and valued.

By supporting these future healthcare professionals, we are addressing the skills shortage and ensuring a sustainable and empowered workforce ready to lead and innovate. This commitment aligns with **SDG 3.c**, which aims to substantially increase health financing and the recruitment, development, training, and retention of the health workforce in developing countries. This is the spirit of Madiba, this is the spirit of South Africa.

## Leadership development

Through our accredited Learning and Performance Academy, we promote a learning culture and provide opportunities for leaders to participate in our team leader or line manager curriculums.

**33**

TEAM LEADERS AND OPERATIONAL MANAGERS STUDIED THE INTERNAL LEADERSHIP DEVELOPMENT CURRICULUMS

(2023: 41)

**34**

EMPLOYEES PARTICIPATED IN A NATIONAL CERTIFICATE IN GENERIC MANAGEMENT NQF 5

(2023: nil)

**34**

EMPLOYEES ARE PARTICIPATING IN A FURTHER EDUCATION AND TRAINING CERTIFICATE: GENERIC MANAGEMENT NQF 4 LEARNERSHIP

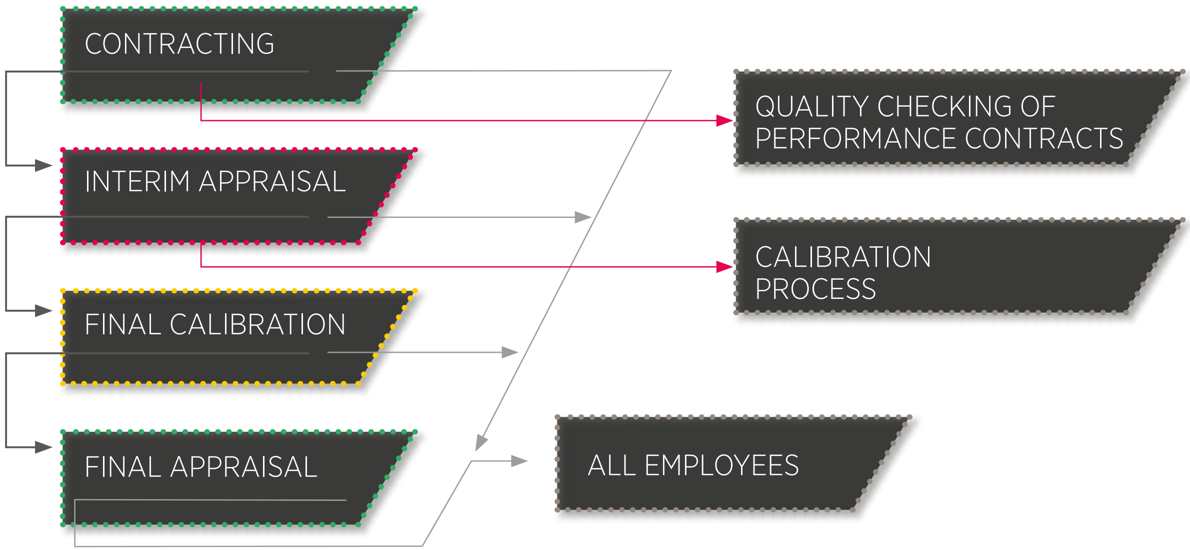
(2023: 39)

## Performance management

AfroCentric uses a balanced scorecard (BSC) approach for performance management. The BSC provides management with the tools to drive competitive success. It translates the organisation's strategy into performance measures that provide the framework for a strategic measurement and management system.

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

### Continuous conversations, feedback and development




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

Our performance management system aims to enable:

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

## TRANSFORMATION AND B-BBEE

As the most transformed health-related business listed in South Africa, we are committed to corporate citizenship, driving transformation and upholding our social licence to operate. The Group invests in healthcare-related companies, and our contribution to healthcare extends beyond our products and services. Our social impact starts within the Group and extends to the suppliers and communities we directly impact, as well as the broader society affected by our health management initiatives. We value diversity, equity and inclusion and aim to create an environment where differences are valued, as demonstrated by our diverse workforce and supply chain.

### B-BBEE creates opportunity while mitigating operational risk

EMPOWERING STAFF THROUGH SKILLS DEVELOPMENT, SUPPORTING COMPETITIVE ADVANTAGE AND RETENTION

IMPACTING THE BROADER COMMUNITY THROUGH SOCIOECONOMIC ACTIVITY, CONTRIBUTING TO OPERATING ENVIRONMENT STABILITY

EMPOWERING SUPPLIERS AND SMALL BUSINESSES THROUGH PREFERENTIAL PROCUREMENT AND ENTERPRISE AND SUPPLIER DEVELOPMENT TO EXPAND THE SUPPLY CHAIN

**The Group achieved a level 1 B-BBEE contributor status**

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

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

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

## ELEMENT WEIGHTING

| ELEMENT WEIGHTING | Weighting | 2024 | 2023 | 2022 |
|---|---|---|---|---|
| Equity ownership | 25.00 | 24.93 | 25.00 | 25.00 |
| Management control | 19.00 | 14.71 | 13.93 | 14.01 |
| Skills development | 20.00 | 13.33 | 20.25 | 14.47 |
| Enterprise and supplier development | (+5 bonus points) | 44.19 | 35.90 | 40.59 |
| SED | 40.00 | 5.00 | 5.00 | 5.00 |
| Total | (+4 bonus points) | 102.17 | 100.08 | 99.07 |
| B-BBEE level | 5.00 | Level 1 | Level 1 | Level 2 |
| AfroCentric Health Limited BEE Status | 109 | Level 1 | Level 1 | Level 1 |
| AfroCentric Investment Corporation Limited BEE Status | (+9 bonus points) | Level 1 | Level 1 | Level 2 |

## ACT OWNERSHIP PROFILE

| ACT OWNERSHIP PROFILE | 2024 | 2023 | 2022 |
|---|---|---|---|
| Black exercisable voting rights | 59.22 | 50.43 | 50.28 |
| Black exercisable voting rights by black females | 25.68 | 17.66 | 16.45 |
| Black entitlement to economic interest | 54.73 | 50.43 | 50.18 |
| Entitlement to economic interest by black women | 22.81 | 17.66 | 16.39 |
| Economic interest that flows through to black-designated groups | 3.86 | 6.95 | 11.63 |
| Involvement of ownership of the enterprise of black new entrants | 1.93 | 3.04 | 2.24 |

The 2024 B-BBEE certificate issued on 8 December 2023 is valid until 7 December 2024.



## SUPPORTING OUR COMMUNITIES

We recognise that the sustainability of AfroCentric is closely linked to the socioeconomic environments in which our businesses exist. Accordingly, our role as a socially responsible enterprise includes a strong focus on supporting broader communities, and we are dedicated to improving community life and access to economic opportunities.

### Bursaries

We continued investment in bursaries for students from previously disadvantaged groups, including six medical students (2023: four) and two more students pursuing their bachelor's in pharmaceuticals (2023: two). We also awarded bursaries to 10 nursing students. The total funding for the period for these bursaries was R5.2 million.

### South African Business Coalition on Health and AIDS (SABCOHA)

SABCOHA is a coalition of privately-owned companies and organisations committed to investing their resources to harness employee health and create healthier workplaces to impact workforces and host communities to promote sustained economic growth and wellbeing. We invested R1 million towards their mission during the year (2023: R2 million).

### Eluthandweni Maternity Health Services

Eluthandweni started as a birthing clinic and now, with the addition of a satellite branch in Alberton Mall, offers various services such as prenatal care, family planning, and child immunisation.

### Supporting maternal and child health through Eluthandweni Maternity Clinic

During the year, AfroCentric teamed up with Eluthandweni Maternity Clinic to launch a satellite branch in Alberton Mall. The new Eluthandweni Satellite Clinic in Alberton Mall builds on the success of the first clinic in Vosloorus, initiated by Sister Dolly Dube in the early 90s. Despite high global mortality rates, Eluthandweni has maintained a 0% mortality rate, aligning with **SDG 3.1** (reducing maternal mortality) and **3.2** (ending preventable deaths of newborns and children under five years of age).

Eluthandweni has evolved into a comprehensive facility offering round-the-clock services, including chronic condition screening and non-communicable disease testing, supporting **SDG 3.4** (reducing premature mortality from non-communicable diseases). It also serves as a pick-up point for chronic medications, improving accessibility and contributing to **SDG 3.8** (achieving universal health coverage).

Since 2015, AfroCentric has been instrumental in constructing clinic buildings and purchasing vehicles, including ambulances, to support the clinic's operations. By expanding the reach and capabilities of Eluthandweni, AfroCentric is helping to ensure that essential health services are accessible to more communities, reinforcing our commitment to advancing health and wellbeing. This partnership exemplifies the positive outcomes that can be achieved when dedicated healthcare providers and supportive organisations work together towards a common goal.

## HUMAN RIGHTS AND COMMUNITY DEVELOPMENT

As a purpose-driven Group, upholding human rights across our value chain is critical. In line with this objective, during the year:

- No operations were subject to human rights reviews or human rights impact assessments
- No violations of human rights were reported
- No issues were raised that indicated that the business was not supporting and respecting the protection of internationally proclaimed human rights
- There was no indication that the business was complicit in human rights abuses
- Whistleblowing reports are one of the sources used to determine conduct issues, and there were no issues raised regarding human rights abuses through this reporting channel
- We did not subscribe to forced or compulsory labour
- We did not employ individuals aged younger than 18
- No discrimination was identified concerning employment and occupation
- There were no material risk events reported pertaining to human rights breaches
- Whistleblowing reports and grievances do not indicate any failure in this regard

# OUR ENVIRONMENTAL PERFORMANCE

**Related SDGs**


**Related material matters**

- Climate change
- Access to healthcare and medicine

OUR TOTAL GHG INVENTORY AMOUNTED TO 16 303 $TCO_2E$, **REFLECTING A 5% INCREASE** FROM 2023. DESPITE THIS, WE ACHIEVED NOTABLE REDUCTIONS IN KEY AREAS, INCLUDING A **29% DECREASE IN DIRECT EMISSIONS**, LARGELY DUE TO REDUCED DIESEL CONSUMPTION THROUGH THE USE OF GENERATORS. HOWEVER, **INDIRECT EMISSIONS, PARTICULARLY FROM TRANSPORTATION AND EMPLOYEE COMMUTING, ROSE** AS OPERATIONAL DYNAMICS CHANGED POST-PANDEMIC

WE ARE **TAKING STEPS TO TRANSITION TOWARDS RENEWABLE ENERGY SOURCES**, MARKING A SIGNIFICANT MOVE TOWARDS A GREENER ENERGY MIX, REDUCING RELIANCE ON NON-RENEWABLE SOURCES

OUR WASTE MANAGEMENT EFFORTS HAVE FOCUSED ON REDUCING ENVIRONMENTAL IMPACT WHILE CONTROLLING OPERATIONAL COSTS. ALTHOUGH **RECYCLING RATES DROPPED SLIGHTLY TO 22.4%**, WE CONTINUE TO REFINE OUR PROCESSES TO IMPROVE WASTE MANAGEMENT EFFICIENCY

Our purpose is to enhance the quality of life of our stakeholders. To achieve this aim, we recognise that the health of our natural environment is critical.

## CLIMATE CHANGE

Climate change is humanity's most significant health threat. The Intergovernmental Panel on Climate Change has concluded that to avert catastrophic health impacts and prevent millions of climate change-related deaths, the world must limit temperature rise to 1.5°C.

To mitigate our direct environmental impacts, we aim to continuously improve our performance by diversifying and reducing our use of natural resources and preventing pollution.

### GHG emissions

The following table provides a detailed overview of Medscheme's 2024 GHG inventory, including the percentage contribution of each category and sub-category to the total GHG inventory and the percentage change from 2023. The scope of the 2024 assessment includes 26 office clusters distributed across the country.

This report does not provide the emissions information in the format required by the South African Department of Forestry, Fisheries and the Environment, per the National GHG Emission Reporting Regulations. This is because it was established in the previous reporting year that the Medscheme operations are below the Department's reporting thresholds for listed activities. Combustion of diesel in back-up generators is one of the most likely listed activities for reporting. The reporting threshold is based on the total installed capacity (10 MWth) of back-up diesel generators in the South African office clusters over which Medscheme owns or has operational control.

The calculated total GHG inventory for FY2024 amounted to 16 303 $tCO_2e$, which resulted in a 5% increase compared to FY2023. Direct (Category 1) GHG emissions for FY2024 amount to 574 $tCO_2e$, which was a reduction of 29% compared to the previous year. The significant decrease in emissions was largely driven by reductions in diesel consumption for generators and electricity use. The reduction in diesel use was largely due to the reconfiguration of infrastructure reticulation in some buildings.

Indirect emissions amounted to 15 729 $tCO_2e$ in the reporting year, representing a 7% increase from the previous year. However, emissions from purchased electricity (Category 2) reduced significantly by 30% compared to the previous reporting period.

A notable increase in emissions from transportation activities (Category 3) reflects a change in operational dynamics. This increase can be explained by the significant increase in employees from FY2023 to FY2024, where the total number of employees increased from approximately 2 287 to 4 715. This increase can also be attributed to a rise in employees working from the office again after being able to work from home due to the COVID-19 pandemic.

| EMISSION CATEGORY | Emission source | FY2024 emissions | FY2023 emissions | Contribution | Percentage change |
|---|---|---|---|---|---|
| **Category 1**<br>Direct GHG emissions and removals) | Diesel used in generators | **443** | 772 | 2.77% | (43%) |
| | Petrol used in vehicles | **91** | 29 | 0.56% | 211% |
| | LPG | **2** | 3 | 0.02% | (7%) |
| | Refrigerant gases (R410A, R134A, R600A) | **29** | 4 | 0.18% | 625% |
| | R22 | **7** | 5 | 0.05% | 40% |
| Total direct emissions | | **574** | 813 | 3.58% | (29%) |
| **Category 2**<br>Indirect GHG emissions from imported energy | Purchased electricity | **5 084** | 7 226 | 31.74% | (30%) |
| **Category 3**<br>Indirect GHG emissions from transportation | Fuel- and energy-related activities | **1 440** | 1 116 | 8.99% | 29% |
| | Business Travel | **1 408** | 830 | 8.79% | 70% |
| | Employee commuting | **7 511** | 5 260 | 46.89% | 43% |
| **Category 4**<br>Indirect GHG emissions from products used by the organisation | Water | **43** | 44 | 0.27% | (2%) |
| | Food | **124** | 111 | 0.77% | 11% |
| | Stationary | **27** | 0.31 | 0.17% | 100% |
| **Category 6**<br>Indirect GHG emissions from other sources | Waste | **90** | 79 | 0.56% | 14% |
| **TOTAL INDIRECT EMISSIONS (CATEGORIES 2, 3, 4 AND 6)** | | **15 729** | 14 668 | 96.48% | 7.23% |
| **TOTAL EMISSIONS** | | **16 303** | 15 481 | 100% | 5% |

**Emission category mapping between ISO 14064-1:2006 and SANS 14064-1:2021**

| SANS 14064-1:2021 | ISO 14064-1:2006 | GHG protocol | Description |
|---|---|---|---|
| **1. DIRECT GHG EMISSIONS AND REMOVALS** | Direct GHG emissions and removals | Scope 1 | Direct emissions |
| **2. INDIRECT GHG EMISSIONS FROM IMPORTED ENERGY EMISSIONS** | Energy indirect GHG | Scope 2 | Energy indirect emissions |
| **3. INDIRECT GHG EMISSIONS FROM TRANSPORTATION** | Other indirect GHG emissions | Scope 3(3) | Fuel and energy-related activities |
| | | Scope 3(4) | Upstream transportation and distribution |
| | | Scope 3(6) | Business travel |
| | | Scope 3(7) | Employee commuting |
| | | Scope 3(9) | Downstream transportation and distribution |
| **4. INDIRECT GHG EMISSIONS FROM PRODUCTS USED BY THE ORGANISATION** | | Scope 3(1) | Purchased goods and services |
| | | Scope 3(2) | Capital goods |
| **5. INDIRECT GHG EMISSIONS ASSOCIATED WITH THE USE OF PRODUCTS FROM THE ORGANISATION** | | Scope 3(10) | Processing of sold products |
| | | Scope 3(11) | Use of sold products |
| | | Scope 3(12) | End-of-life treatment of sold products |
| **6. INDIRECT GHG EMISSIONS FROM OTHER SOURCES** | | Scope 3(5) | Waste generated in operations |
| | | Scope 3(8) | Upstream leased assets |
| | | Scope 3(13) | Downstream leased assets |
| | | Scope 3(14) | Franchises |
| | | Scope 3(15) | Investments |

## Energy mix

While our current energy composition is anchored in non-renewable sources, as we chart our path forward, we are committed to transitioning towards utilising more renewable sources, aligning ourselves with global sustainability standards and playing our role in mitigating the impacts of climate change.

We have started using solar power solutions for some of our buildings, including those we lease. Two leased buildings are scheduled to have solar solutions installed in the first half of the 2025 financial year, which will be grid-tied installations, and the landlords have agreed to assist with these implementations. The other two owned buildings will be considered in the latter part of the financial year.

# Water

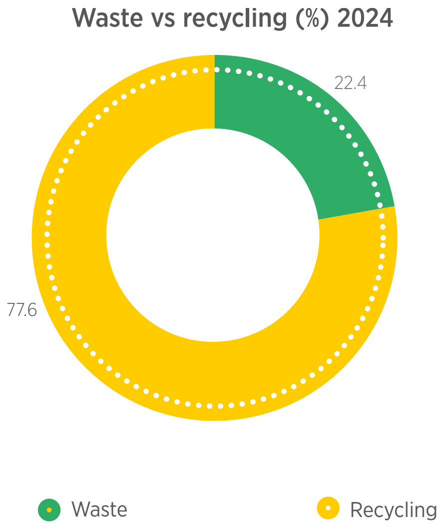
We recognise that water is a finite resource, and within our context, many of our operations are located in water-stressed areas. Therefore, managing our water consumption is a moral obligation that helps mitigate operational, regulatory and reputational risks relating to water use while reducing operating costs.

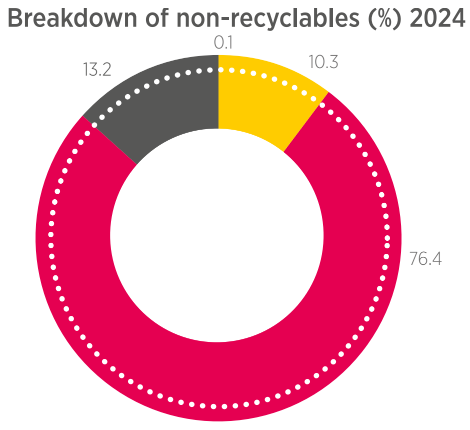
| WATER (KL) | 2024 | 2023 |
|---|---|---|
| Withdrawal (municipal) | **30 573** | 31 751 |
| Groundwater (borehole) withdrawals | **nil** | nil |
| Recycled water (greywater) | **nil** | nil |
| Total water consumption from water-stressed areas | **30 573** | 31 751 |
| Total water consumption | **30 573** | 31 751 |
| Water intensity ratio (Kl/m²) | **257.48** | 251.246 |

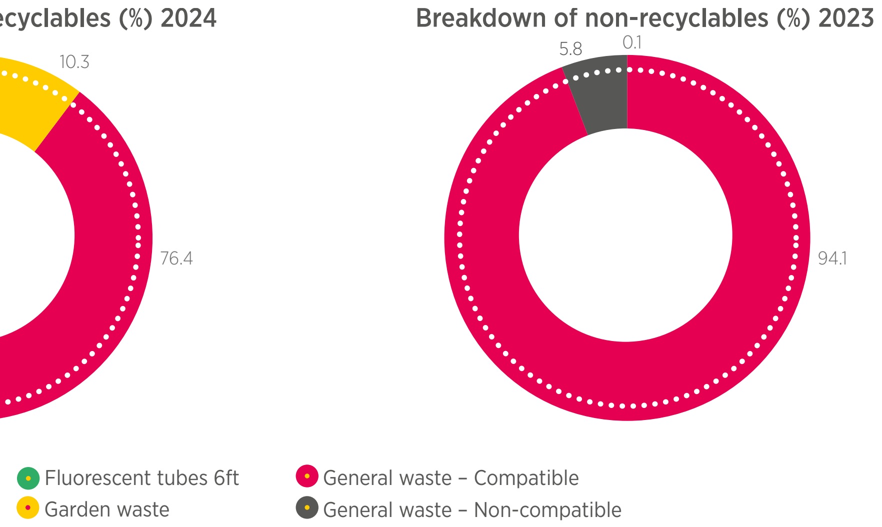
A borehole project was concluded in January 2023 and feeds buildings in the Group's office park, namely Blocks A, B and C, with the intention to add Block D as well. This borehole is working; however, some refinements are still being undertaken. Therefore, the contribution of this system will not be included in this reporting cycle.

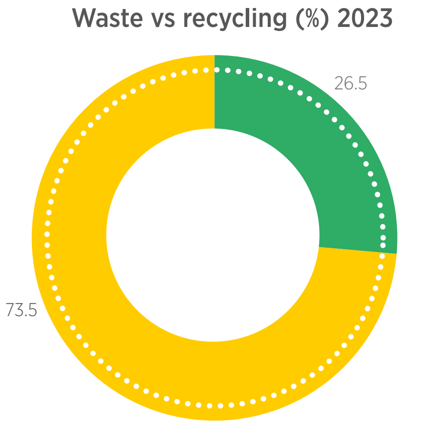
## Pollution and waste

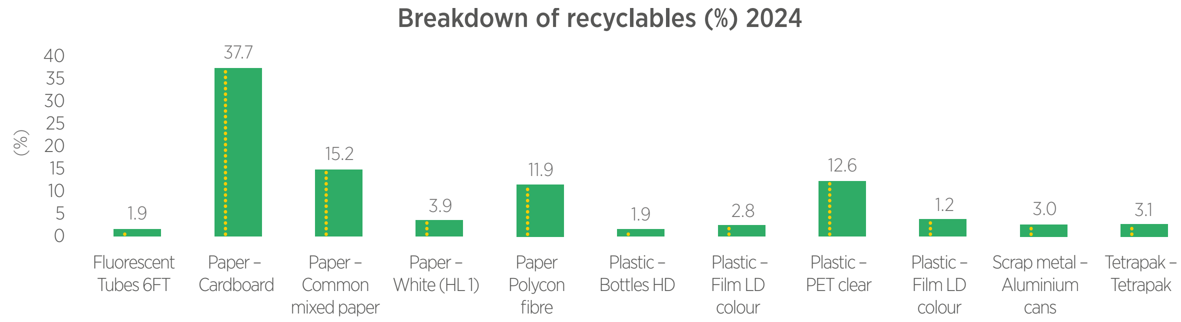
We strive to reduce our impact on the natural environment through effective waste management, which can also reduce operational and capital costs through improved efficiencies. In contrast, a failure to manage waste can result in reputational damage and increase potential financial and legal liability costs.



# CORPORATE GOVERNANCE REPORT

# CORPORATE GOVERNANCE REPORT

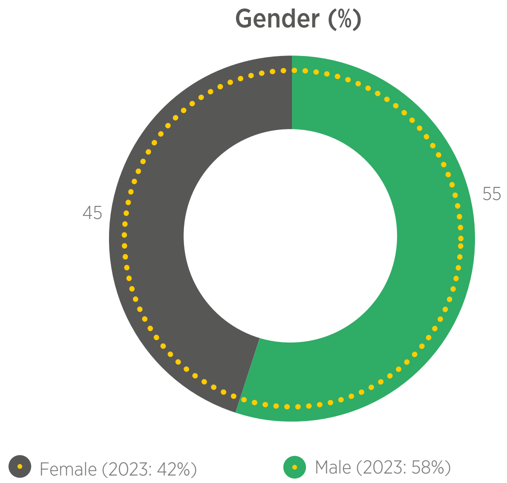
The AfroCentric Board embraces its responsibility to ensure that the fundamental principles of sound corporate governance enshrined in the prescripts are observed and institutionalised throughout the Group. Primary among these are the Companies Act, the JSE Listings Requirements, the POPIA, the Group Memorandum of Incorporation (MOI) and the King IV™ Code of Corporate Governance. The King IV™ principles are entrenched in our policies, procedures and internal control mechanisms. These enable the Group to be managed ethically and operate within acceptable risk parameters complemented by its charters and policies. Our governance philosophy is grounded in our value system, purpose and vision.

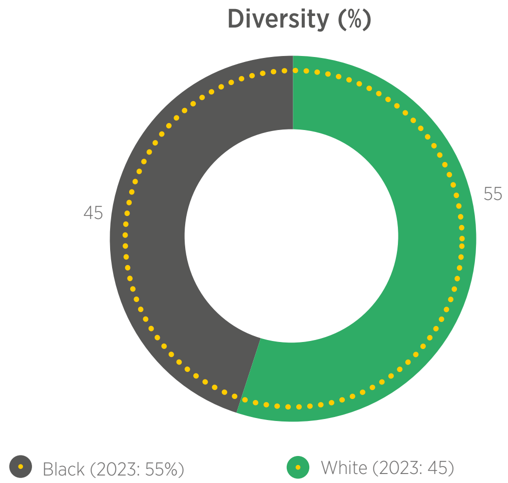
## OVERVIEW OF CRITICAL CORPORATE GOVERNANCE PRACTICES

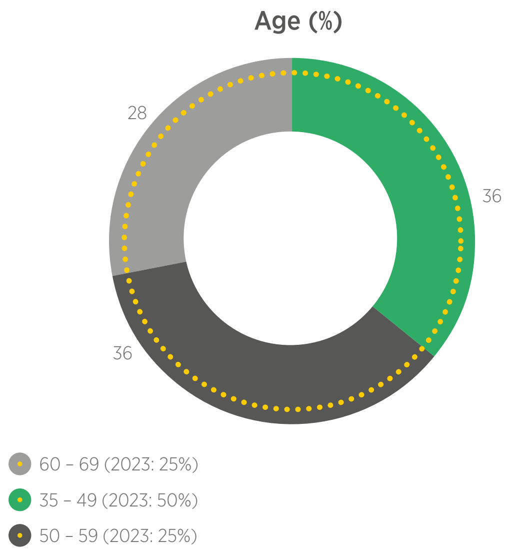
| | |
|---|---|
| EMPOWERING STAFF THROUGH SKILLS DEVELOPMENT, SUPPORTING COMPETITIVE ADVANTAGE AND RETENTION | PROACTIVE STAKEHOLDER ENGAGEMENT PROGRAMME |
| RISK APPETITE SET AND MONITORED | RISK MANAGEMENT THROUGH AN ERM FRAMEWORK |
| ANNUAL REVIEW OF BOARD LEADERSHIP STRUCTURE | SUCCESSION PLANNING AND ROTATION |
| COMBINED ASSURANCE APPROACH | STRONG LEAD INDEPENDENT DIRECTOR |
| ANNUAL BOARD AND COMMITTEE EVALUATIONS | ‘OVERBOARDING’ (DIRECTORS’ EXTERNAL COMMITMENTS) POLICY AND PROVISIONS |
| BOARD-APPROVED POLICY ON INDEPENDENT PROFESSIONAL ADVICE | NO VOTING RIGHTS CEILINGS |
| MOI INCLUDES PROVISIONS FOR THE PROTECTION OF SHAREHOLDER RIGHTS AND THE EQUITABLE TREATMENT OF SHAREHOLDERS | SHAREHOLDERS’ RIGHT TO CALL SPECIAL MEETINGS |
| SAFEGUARDS ARE IN PLACE TO MONITOR TRANSACTIONS BETWEEN THE COMPANY AND OUR SIGNIFICANT SHAREHOLDERS | RELATED-PARTY TRANSACTIONS MONITORED AND TRANSPARENTLY DISCLOSED |
| APPROVED MALUS AND CLAWBACK POLICY IN PLACE | NO SUPERMAJORITY PROVISIONS IN GOVERNING DOCUMENTS |

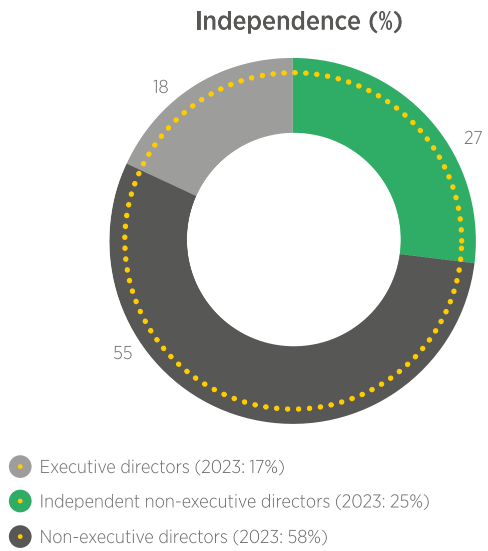
## BOARD DIVERSITY

To ensure AfroCentric's Board reflects South Africa's demographics and practices of good governance, we employ qualified directors from diverse backgrounds. Diversity criteria include gender, age, ethnicity, geographic background, and meeting the Board's requirements for skills and qualifications.

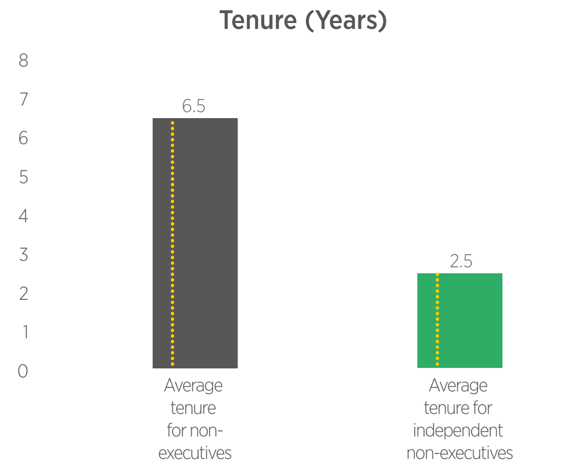



The Nomination Committee oversees the assessment of directors' independence. The assessment process was constructed drawing from the guidelines of King IV™, the Companies Act, and the constitutional documents of the Board. The results from the questionnaires were analysed to identify the specific issues related to improving the Board's performance and to identify possible training requirements/action steps. In 2024, the Board concluded that all Non-executive Directors continued to be independent in character, demonstrated behaviour, and contribution to Board deliberations and judgement.



# BOARD OF DIRECTORS

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

## Non-executive Directors

NC

**DR ANNA MOKGOKONG (67)**

*Chairman*
**Qualifications:** DCom (HC), MbChB, BSc
**Appointed:** 10 June 2010
**Expertise:** Business development, governance, health, investor relations, leadership and strategy

NC IC

**JOE MADUNGANDABA (66)**

*Deputy Chairman*
**Qualifications:** MDP, CPA(SA)
**Appointed:** 10 June 2010
**Expertise:** Business development, finance, human resources, investor relations and strategy

IC SEC

**DR NKATEKO MUNISI (58)**

**Qualifications:** MBChB
**Appointed:** 7 December 2015
**Expertise:** Business development and health and safety management

IC NC

**KANYISA MKHIZE (40)**

**Qualifications:** MBA, BBusSci(Hons)
**Appointed:** 20 June 2022
**Expertise:** Business leadership and strategy

**PAUL HANRATTY (63)**

**Qualifications:** BBusSc (Hons), FIA
**Appointed:** 15 June 2023
**Expertise:** Business leadership and strategy

IC

**MARINDA DIPPENAAR (43)**

**Qualifications:** BCompt (Hons), CA(SA)
**Appointed:** 15 June 2023
**Expertise:** Business development, investment, mergers and acquisitions

## Independent Non-executive Directors

IC ARC

**BRUNO FERNANDES (56)**

*Lead Independent Director*
**Qualifications:** BCom (Hons) (InvM), BAcc, BCom, CA(SA)
**Appointed:** 23 November 2018
**Expertise:** Accounting, advisory-related services, corporate governance and oversight, finance, risk management, and mergers and acquisitions

SEC ARC

**MMABOSHADI CHAUKE (45)**

**Qualifications:** BAcc (CTA), BCom, CA(SA)
**Appointed:** 1 June 2020
**Expertise:** Leadership, strategy, sustainability, corporate governance, compliance, accounting, risk management, finance and auditing.

RC ARC

**ALICE LE ROUX (50)**

**Qualifications:** BComp (Hons), BAcc, CA(SA)
**Appointed:** 25 May 2020
Expertise: Accounting, risk management, governance, finance and auditing

## Executive Directors

**GERALD VAN WYK (40)**

*Group CEO*
**Qualifications:** BCom Risk Management, Senior Management Development Programme, General Management Programme
**Appointed:** 1 November 2023
**Expertise:** Business development, business leadership and strategy
**Committees:** Invitee to committees

**HANNES BOONZAAIER (50)**

*Group CFO*
**Qualification:** CA(SA)
**Appointed:** 1 August 2015
**Expertise:** Finance and investment banking, accounting, risk management, and auditing
**Committees:** Invitee to committees

NC Nomination Committee
RC Remuneration Committee
IC Investment Committee
SEC Social and Ethics Committee
ARC Audit and Risk Committee
ICT Information and Communication Technology Steering Committee

# COMBINED BOARD SKILL SET

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

## Our directors' experience

| |
|---|
| **Strategy** |
| **Healthcare** |
| **Finance, accounting, auditing and advisory** |
| **Leadership** |
| **Business development** |
| **Corporate governance, legal and compliance** |
| **Investor relations** |
| **Human resources** |
| **Mergers and acquisitions** |
| **Risk management** |

## A competitive advantage for the Board

We see our current Board skill set as a competitive advantage with coverage in multiple sectors. We also believe our skilled management team complements the Board's proficiency.

Our Board members are well versed in the requisite responsibilities and exposure to ESG and sustainability governance, to the extent that ESG forms a critical performance area in the Group Scorecard, upon which management is appraised. The Board delegates oversight of ESG to the Audit and Risk Committee and the Social and Ethics Committee. During the year under review, the Board committed to enhancing its ESG initiatives and reporting framework. To that end, for the 2025 financial year, the Board committed to:

- Developing the systems and processes required to enable it to quantify the impact of its operations on ESG factors
- Developing and implementing measurable targets for each ESG element

# EXECUTIVE COMMITTEE

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

The Executive Committee is responsible for making recommendations to the Board regarding the Group's policies and strategies and monitoring their implementation according to the Board's directives. From time to time, Executive Directors are invited to Board or Board sub-committee meetings regarding matters relevant to their areas of responsibility.

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

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

### GERALD VAN WYK (40)

*Group CEO*

BCom Risk Management (UNISA), Senior Management Development Programme (University of Stellenbosch), General Management Programme (Harvard Business School)

### HANNES BOONZAAIER (50)

*Group CFO*

CA(SA)

### SANDILE MBELE (48)

*Group Executive: Corporate Solutions*

MBA – Strategic Management Practice, Research Dissertation: Continual Business Strategy Regeneration (University of KwaZulu-Natal), Post Graduate Diploma in Business Management (University of KwaZulu-Natal), BTech Chemical Engineering (ML Sultan Technikon)

### AKLAAQ MAHMOOD (59)

*Group Executive: Group Diversified and Africa*

MBA (University of Stellenbosch), BAcc (University of South Africa)

### ANDREW SCHWULST (59)

*CEO: Medscheme*

MBA (Bond University), BCom Accounting and Finance (University of Cape Town)

### MUJEEB BRAY (51)

*COO: Medscheme*

BCom Business Administration and Management, General (University of Western Cape), Leadership Advance Programme (University of Cape Town), High Performance Peak Programme (London Business School), CEO Programme (Said Business School - University of Oxford)

### SATISH ANTONY (40)

*Executive Manager: Medscheme – Actuarial*

BCom (Honours) Actuarial Science (University of Stellenbosch), MBA Executive Management, BCom (Honours) Actuarial Science (University of Stellenbosch), MBA Executive Management (University of Cape Town, Fellow of the Institute & Faculty of Actuaries - UK)

### ELNARIE HENDRICKS (54)

*Interim CEO AfroCentric Distribution Services*

MBA (Henley Business School), PGDip Management (Henley Business School), Programme for Management Development (GIBS), High Performance Management (IMD Switzerland), Regulatory Examination 5 (Moonstone)

### THIRUSHEN PILLAY (37)

*Acting CEO: Pharma Cluster*

MBA (GIBS Business School), Postgraduate Diploma in Accounting (University of Cape Town), BBusSci (University of Cape Town), Chartered Global Management Accountant (CGMA)

### ASHLEY SINGH (42)

*CIO: Health and Corporate*

MBA (Henley Business School), BSc Computer Science (Natal University), PGDIP (Honours) Leadership (Stellenbosch Business School, Agile Leadership Harvard Certification)

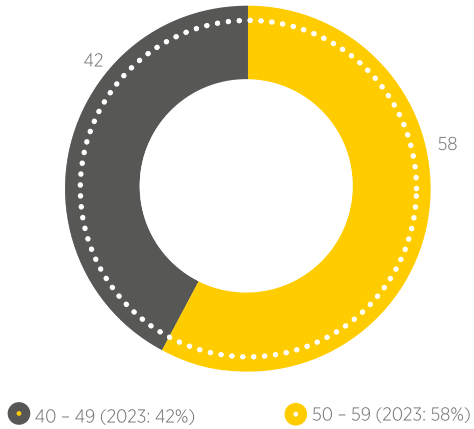
### GARY ALLEN (60)

*Executive: AfroCentric, Sanlam Integration*

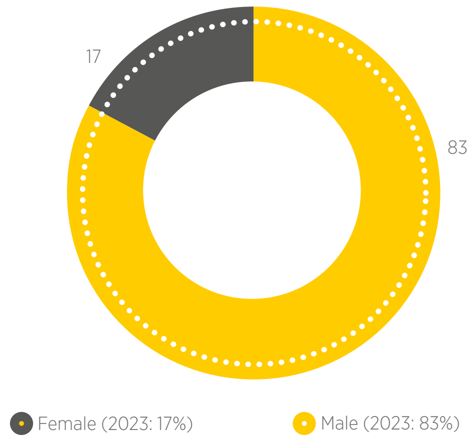
BBusSci (Honours) Marketing, BCom (Honours) Finance (University of Cape Town)

## Executive committee diversity

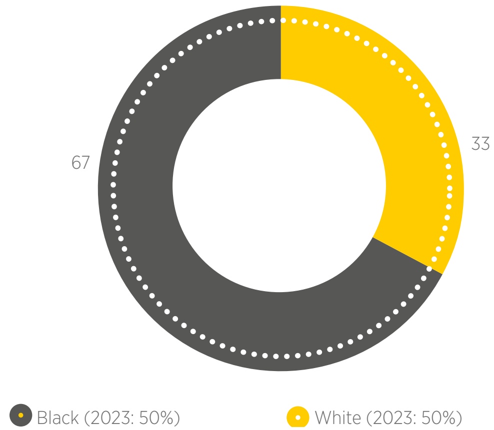
Age (%)




Gender (%)




Diversity (%)




## BOARD DELIBERATIONS 2024

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

### Board succession and structure

The Board has established its committees to assist with the balance of power and effectively fulfilling its responsibilities.

The Board has focused on its committees, specifically their roles and responsibilities, functions, scope of authority, and composition. To this end, the Board approved revised terms of reference for the Nominations Committee and Social and Ethics Committee and, for the 2025 financial year, will continue its review of the terms of reference of the remaining committees to ensure alignment with prevailing corporate governance principles and practices.

In addition to the above, while preserving institutional knowledge within the Remuneration Committee and the Social and Ethics Committee, the Board has bolstered the functioning of these committees through the appointment of new members.

#### Related strategic lever

### Risk and strategic review

- Risk review and adjustment to ratings and tolerance levels
- Strategic review and related projects within the current context
- Considered operating and financial updates
- Linked our risks to materiality factors to ensure assessment of those factors that would affect the organisation's ability to create value. The organisation will continue to assess the materiality issues at least annually

#### Related strategic levers

## AfroCentric/Sanlam collaboration

Determining the best opportunities/growth initiatives to create a value chain of healthcare enterprises that maximises the purchasing power of citizens' healthcare spend. During the period, the Board evaluated and identified the opportunities presented by the Sanlam transaction for unlocking future synergies and collaboration.

### Related strategic lever

## Transformation

- Monitored initiatives to ensure that we achieved a Level 1 B-BBEE status, along with a continual focus on enhancing organisational transformation at every level of the business
- AfroCentric Health (RF) (Proprietary) Limited, the Group's main operating subsidiary, retained its Level 1 B-BBEE rating
- AfroCentric Investment Corporation Limited attained a Level 1 B-BBEE rating, effective December 2023

### Related strategic lever

## Legal compliance

- Approved the compliance framework to ensure that appropriate processes were in place concerning legal compliance

### Related strategic lever

## ESG

Focused on deepening ESG integration and expanding disclosure in line with those matters that were deemed material.

### Related strategic lever

## AFS and integrated reporting

- Ensured that the appropriate financial procedures were in place
- Approved the interim dividends, having considered the solvency and liquidity status of the Company, as required by the Companies Act 71 of 2008 and the JSE Limited Listing Requirements
- Approved the Integrated Report 2024

### Related strategic lever

## Socioeconomic/corporate social investment

- Considered the Group's contribution to society through ESD and corporate social investment initiatives, including its bursary programme and contributions to organisations such as Eluthandweni Maternity Health Services and SABCOHA (refer to page 81 for more information).

### Related strategic levers

## Our strategic focus areas

- Collaboration with Sanlam
- Client-facing strategy
- Primary health insurance
- Leadership, culture and values

AfroCentric aspires to become a leading diversified global healthcare investment company and ensure our clients and stakeholders benefit from our growth. AfroCentric's Board adopts an integrated approach to managing the Group to ensure the governance structure actively identifies, responds to and communicates material issues impacting its ability to create value. Corporate governance provides the Board with a framework that supports transparency, sustainability, fairness and ethical conduct. One of the key principles of King IV™ is establishing a unitary board, which reflects a balance of power, with no individuals yielding unfettered power on the Board.

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

The Board's application of King IV™ can be viewed at http://www.afrocentric.za.com/inv-reporting.php

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

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

# THE BOARD OF DIRECTORS

The Board's powers and responsibilities are defined in the Board Charter, which is annually reviewed and approved.

The Board Charter aligns with the JSE Listings Requirements, the Companies Act and King IV™ and can be viewed at http://www.afrocentric.za.com/inv-reporting.php

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

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

## Board and committee meetings

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

## BOARD

### Chairman: Dr Anna Mokgokong

- The Board is the highest governing authority of the Group and is responsible for corporate governance and setting strategic direction
- The Board formulates the Group's strategy in line with the organisational vision and values and ensures all business decisions and judgements are made with reasonable care, skill and diligence
- The roles of the Chairperson and the CEO are not held by the same person; they are separate. A non-executive Chairperson leads the Board.
- In addition, an Independent Lead Non-executive Director has been appointed to ensure independence
- The operational management of the Group is the responsibility of the CEO

## AUDIT AND RISK COMMITTEE

### Chairperson: Bruno Fernandes

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

## INVESTMENT COMMITTEE

### Chairperson: Joe Madungandaba

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

## SOCIAL AND ETHICS COMMITTEE

### Chairperson: Dr Nkateko Munisi

- Monitors anti-corruption and employment equity policies
- Monitors all executive actions related to the Group's standing as a responsible corporate citizen
- Monitors the Group's Code of Ethics and investigates, resolves and reviews any matters that may contravene the Code of Ethics
- Monitors and assesses management implementation of the ESG Framework and all related disclosures around the Group's compliance with environmental and sustainability governance

## REMUNERATION COMMITTEE

### Chairperson: Alice le Roux*

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

* *In respect of the year under review, Joe Madungandaba served as the chairperson of the remuneration committee.*

## NOMINATION COMMITTEE

### Chairperson: Dr Anna Mokgokong

- Responsible for nomination, election, succession planning and Board appointments
- Oversees the development of a formal induction programme for new directors
- Evaluates the Board and examines the skills and characteristics required of Board candidates. The evaluation also includes assessing Board-level ESG skills and recommendations on requisite skills

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

## MEETING ATTENDANCE

| MEMBER | Board | Audit and Risk | ICT Steering | Investment | Social and Ethics | Remuneration | Nomination |
|---|---|---|---|---|---|---|---|
| **Dr Anna Mokgokong**<br>*Chairman and Non-executive Director* | 5/5 | N/A | N/A | N/A | N/A | N/A | 3/3 |
| **Joe Madungandaba**<br>*Deputy Chairman and Non-executive Director*<br>* *Resigned as a member and chairperson of the Rem Committee on 29 July 2024.* | 5/5 | N/A | N/A | 4/5 | N/A | 4/5 | 3/3 |
| **Gerald van Wyk**<br>*Group CEO and Executive Director* | 5/5 | 4/5 | 4/4 | 5/5 | 4/4 | 5/5 | 3/3 |
| **Hannes Boonzaaier**<br>*Group CFO and Executive Director* | 5/5 | 5/5 | 4/4 | 5/5 | 4/4 | N/A | N/A |
| ***Ahmed Banderker**<br>*Group CEO and Executive Director*<br>* *Resigned 31 October 2023* | 1/1 | 0/1 | 1/2 | 3/3 | 2/2 | 1/1 | 1/1 |
| **Willem Britz***<br>*Non-executive Director*<br>* *Resigned 2 February 2024* | 1/2 | N/A | N/A | N/A | N/A | N/A | N/A |
| **Mmaboshadi Chauke**<br>*Independent Non-executive Director*<br>* *Appointed a member of Social and Ethics Committee on 30 July 2024.* | 5/5 | 5/5 | N/A | N/A | N/A | N/A | N/A |
| **Marinda Dippenaar**<br>*Non-executive Director* | 5/5 | 3/4 | N/A | 3/3 | N/A | N/A | N/A |
| **Bruno Fernandes**<br>*Lead Independent Non-executive Director* | 5/5 | 5/5 | N/A | 5/5 | N/A | N/A | N/A |
| **Paul Hanratty**<br>*Non-executive Director* | 5/5 | N/A | N/A | N/A | N/A | N/A | N/A |
| **Alice le Roux**<br>*Independent Non-executive Director*<br>* *Appointed a member and chairperson of the Remuneration Committee on 29 July 2024.* | 5/5 | 4/5 | N/A | N/A | N/A | N/A | N/A |
| **Kanyisa Mkhize**<br>*Non-executive Director* | 5/5 | N/A | N/A | 4/4 | 1/1 | N/A | 3/3 |
| **Dr Nkateko Munisi**<br>*Non-executive Director* | 5/5 | N/A | N/A | 5/5 | 4/4 | N/A | N/A |

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

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

The Board comprises the following committees:

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

### Board composition

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

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

### Appointment and retirement of directors

In line with the Group's MOI, one-third of directors are required to retire by rotation at the AGM and may offer themselves for re-election. Being eligible for re-election, directors offer themselves for reappointment. Directors appointed during the year must have their appointments ratified at the following AGM.

### Board effectiveness

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

### Directors' remuneration

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

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

Further information on directors' remuneration appears on page 89 of the Group 2024 AFS (supplementary information).

### Company Secretary

Lebohang Mpumlwana is the Group Company Secretary. The Board is satisfied that she possesses the requisite qualifications and experience to perform her duties as the repository of governance knowledge, advice and assurance for corporate integrity. The Group Company Secretary is independent of the Board and is not a director of the Group. She is responsible for the efficient administration of the Company, particularly ensuring compliance with statutory and regulatory requirements.

All directors have access to the Group Company Secretary. She supports the Board and its sub-committees in all governance, risk, compliance, and legal matters. Along with the Chairperson, the Group Company Secretary regularly reviews the Board and AfroCentric's governance processes to ensure they are fit for purpose. She also recommends or develops initiatives to strengthen AfroCentric's governance.

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

## Board committees and attendance

The Board established and delegated specific roles and responsibilities to sub-committees with effect from 8 January 2024. Each committee's roles, responsibilities and membership follow their Board-approved charter. The directors have delegated particular responsibilities to committees to assist the boards of AfroCentric Investment Corporation Limited and the major subsidiary, AfroCentric Health (RF) (Pty) Ltd, in meeting their oversight responsibilities. However, delegating authority does not absolve the Board or its directors of their fiduciary duties. The directors confirm that the committees have functioned within their charters during the financial year. The Board and committee charters embrace the principles of King IV™.

The Board relies on the sub-committees of AHL and trusts them to function and perform as intended and update the Board on any material matters.

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

## AUDIT AND RISK COMMITTEE

This committee is chaired by and comprises only Independent Non-executive Directors. The Group CFO, Group CEO and the Chief Audit Executive are permanent invitees to the meetings of the Audit and Risk Committee.

### The role of the committee

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

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

### Composition

| MEMBER | Number of meetings | Meeting attendance (%) |
|---|---|---|
| **Bruno Fernandes** Lead Independent Non-executive Director (Chairperson) | 5/5 | 100 |
| **Alice le Roux** Independent Non-executive Director | 4/5 | 80 |
| **Mmaboshadi Chauke** Independent Non-executive Director | 5/5 | 100 |
| **INVITEES** | | |
| **Deon Marshall** Sanlam representative | | |
| **Marinda Dippenaar** Non-executive Director | | |
| **Hannes Boonzaaier** Group CFO and Executive Director | | |
| **Gerald van Wyk*** Group CEO and Executive Director | | |
| **Ahmed Banderker**** Group CEO and Executive Director | | |
| **Andrew Schwulst** CEO Medscheme | | |

*Gerald Van Wyk attends the committee in his ex-officio capacity and is a permanent invitee as the Group CEO.*
** *Resigned 31 October 2023.*
*These meetings are held up to the end of the financial year and do not include meetings after year-end.*

INDEPENDENCE OF COMMITTEE

**100%**

### Key matters of focus

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

## ICT STEERING COMMITTEE

### The role of the committee

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

### Key matters of focus

- Reviewed and recommended the digital ICT strategy
- Ensured the alignment of the business and technical project management functions

### Composition

| MEMBER | Number of meetings | Meeting attendance (%) |
|---|---|---|
| **Theo Mabaso** ICT Steering Committee (External Chairperson) | 4/4 | 100 |
| **Gerald Van Wyk** Group CEO and Executive Director | 3/4 | 75 |
| **Hannes Boonzaaier** Group CFO and Executive Director | 4/4 | 100 |
| **Avsharn Bachoo**** Group CIO | 2/3 | 67 |
| **Ahmed Banderker*** Group CEO and Executive Director | 2/2 | 100 |
| **Ashley Singh***** CIO Health and Corporate | 2/2 | 100 |

* *Resigned 31 October 2023.*
** *Resigned 30 April 2024.*
****Ashley Singh was appointed as the Acting CIO with effect from 20 February 2024.*
*The ICT Steering Committee is an internal management committee.*

## INVESTMENT COMMITTEE

### The role of the committee

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

### Key matters of focus

- Considered the viability of capital projects and/or acquisitions and/or disposals and their potential effect on the Group's cash flow and overall strategy
- Managed capital allocation within the Group
- Reviewed and recommended the Group's dividend policy for Board approval

### Composition

| MEMBER | Number of meetings | Meeting attendance (%) |
|---|---|---|
| **Joe Madungandaba** Non-executive Director (Chairperson) | 3/4 | 75 |
| **Dr Nkateko Munisi** Non-executive Director | 4/4 | 100 |
| **Bruno Fernandes** Lead Independent Non-executive Director | 4/4 | 100 |
| **Ahmed Banderker*** Group CEO and Executive Director | 3/3 | 100 |
| **Kanyisa Mkhize**** Non-executive Director | 2/2 | 100 |
| **Marinda Dippenaar**** Non-executive Director | 2/2 | 100 |
| **INVITEES** | | |
| **Andrew Schwulst** CEO Medscheme | | |
| **Gerald van Wyk** Group CEO and Executive Director | | |
| **Hannes Boonzaaier** Group CFO and Executive Director | | |

* *Resigned 31 October 2023.*
** *Kanyisa Mkhize and Marinda Dippenaar were appointed as members of the committee on 14 September 2023.*

## NOMINATION COMMITTEE

### The role of the committee

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

### Composition

| MEMBER | Number of meetings | Meeting attendance (%) |
|---|---|---|
| **Dr Anna Mokgokong** Non-executive Director (Chairperson) | 3/3 | 100 |
| **Gerald van Wyk** Group CEO and Executive Director | 3/3 | 100 |
| **Joe Madungandaba** Non-executive Director | 3/3 | 100 |
| **Kanyisa Mkhize** Non-executive Director | 3/3 | 100 |
| **Ahmed Banderker*** Group CEO and Executive Director | 1/1 | 100 |

* *Resigned 31 October 2023.*

### Key matters of focus

- Provided recommendations to the Board on appointing the Group CEO and key executive roles within Medscheme, including providing recommendations on the composition of the Board and the balance between Executive and Non-executive Directors appointed to the Board
- Ensured succession plans were in place, particularly for the Chairperson and Group CEO positions
- Liaised with the Board in the preparation of the committee's report to shareholders, as required
- Revised the committee's terms of reference to align with King IV™

## REMUNERATION COMMITTEE

### The role of the committee

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

### Composition

| MEMBER | Number of meetings | Meeting attendance (%) |
|---|---|---|
| **Alice le Roux*** Independent Non-executive Director (Chairperson) | N/A | N/A |
| **Joe Madungandaba*** Non-executive Director (Chairperson) | 4/5 | 80 |
| **Ahmed Banderker**** Group CEO and Executive Director | 1/1 | 100 |
| **Robert Goff***** African Rainbow Capital Representative | 4/4 | 100 |
| **INVITEES** | | |
| **Gerald van Wyk** Group CEO and Executive Director | | |
| **Ronnie Wa-Mundalamo** Independent External Member | | |

* *Joe resigned, and Alice was appointed as the member and Chairperson of the Remuneration Committee effective 30 July 2024.*
** *Resigned 31 October 2023.*
*** *Appointed as a member 14 September 2023.*

### Key matters of focus

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

## SOCIAL AND ETHICS COMMITTEE

### The role of the committee

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

### Composition

| MEMBER | Number of meetings | Meeting attendance (%) |
|---|---|---|
| **Dr Nkateko Munisi** Non-executive Director (Chairperson) | 4/4 | 100 |
| **Mmaboshadi Chauke*** Independent Non-executive Director | N/A | N/A |
| **Aklaaq Mahmood** Executive Director: AfroCentric Diversified Investments | 4/4 | 100 |
| **Ahmed Banderker**** Group CEO and Executive Director | 2/2 | 100 |
| **Tebogo Makoe***** Executive Director: Human Capital and Transformation | 3/4 | 75 |
| **INVITEES** | | |
| **Gerald van Wyk** Group CEO and Executive Director | | |
| **Hannes Boonzaaier** Group CFO and Executive Director | | |

* *Appointed as the member of the Social and Ethics Committee effective 30 July 2024*
** *Resigned 31 October 2023*
*** *Resigned 30 August 2024*

## Key matters of focus

- Ensured Group compliance with the B-BBEE Act
- Reviewed the Company's environmental, health and public safety performance, including the impact of the Group's activities, products and services
- Ensuring the Group works toward ESG objectives
- Reviewed results of the Employee Climate Survey that examined the Company's standing in terms of the International Labour Organization's Protocol on decent work and working conditions, its employment relationships (such as treatment of unions and labour disputes), skills development, the promotion of equality, and prevention of unfair discrimination (including policies and interventions)
- Oversaw stakeholder engagement
- Monitored ethical standards within the Company. The committee confirms that no material breaches occurred
- Led initiatives to combat corruption, including FWA, internally and for our client schemes
- Revised the committee's terms of reference to align with King IV™.

# GOVERNANCE POLICIES, PROCEDURES AND PROCESSES

## Compliance

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

- **Group compliance universe:** The legislative compliance universe was reviewed, monitored and reported. A critical framework that facilitates a compliance environment is our approved compliance universe containing applicable legislation. The legislation is categorised according to significance, namely core/primary, secondary and topical.
- **POPIA:** We complied with legislative requirements and the General Data Protection Regulation. The AfroCentric Group adopted a three-step approach to track progress and manage this project effectively. Firstly, discover as much information as possible; secondly, conduct workshops or interviews to assess the AfroCentric Group's compliance with POPIA; and thirdly, document findings by drafting and delivering responses on the gap analysis report, including actions required to ensure compliance.
- There were no significant **ESG-related** incidents during the year, including incidents of legal non-compliance (whether under investigation, pending finalisation, or finalised) and directives, compliance notices, warnings or investigations, and any public controversies. Likewise, the Group incurred no fines, settlements, or penalties relating to ESG incidents or breaches.

## Ethical behaviour

The Social and Ethics Committee remains the oversight committee for matters of ethics. AfroCentric is fully committed to applying and complying with the highest ethical standards and has a zero-tolerance policy on any issues relating to unethical conduct.

Internal mechanisms for seeking advice regarding ethical and lawful behaviour and organisational integrity and reporting concerns about unethical or unlawful behaviour and lack of organisational integrity include the Declaration of Conflicts of Interest and acceptance of the Code of Conduct – manually and digitally recorded. Our forensic department is also a source or mechanism for advice on such matters.

Whistleblower is the independent fraud and ethics hotline service provider to AfroCentric. Directors, employees, suppliers and other parties can report fraud, corruption, misconduct, illegal activities, or unethical behaviour without fear of reprisal or victimisation. There were no whistleblowing reports in 2024.

We recognise our responsibility to increase awareness around anti-bribery and anti-corruption principles throughout the value chain. 852 employees and three business partners received training on our anti-corruption policies and procedures during the year.

There were zero incidents of corruption confirmed related to this year and previous years.

We incurred no monetary losses due to legal proceedings (including fines) associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice or violations of other related industry laws or regulations.

## Conflicts of interest

### Declaration of interest

The Group has policies in place to manage potential conflicts of interest. Directors sign a declaration stating that they are unaware of any undeclared conflicts of interest due to their interest in, or association with, any other company. In addition, directors disclose interests in contracts and related-party transactions for the Board to assess whether such transactions are conducted on arm's length commercial terms. In such instances, the directors in question will recuse themselves from deliberations. All information acquired by directors while performing their duties, which is not disclosed publicly, is treated as confidential. Directors may not use or appear to use such information for personal advantage or the advantage of third parties.

## Dealings in shares

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

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

## Business continuity planning

The COVID-19 pandemic highlighted the importance of business continuity management. We ensure our IT systems are stable and available, and we use stress-testing scenarios and modelling potential economic outcomes to determine strategic direction and whether changes to the business continuity plans are necessary.

## Combined assurance

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

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

FIRST LINE OF DEFENCE

**Business unit management**

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

SECOND LINE OF DEFENCE

**Risk management and compliance functions**

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

THIRD LINE OF DEFENCE

**Internal and external audits**

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

## Internal controls

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

Disclosure standards increased significantly, and internal governance structures and roles were reviewed and, where necessary, improved to reflect best practices. This occurred at Board and management levels. An internal audit charter governs the internal audit function. The charter is reviewed and approved by the Audit and Risk Committee annually.

### Internal audit

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

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

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

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

The Chief Audit Executive reports functionally to the Chairperson of the Group Audit and Risk Committee and administratively to the Group CEO (dotted line, with day-to-day administration delegated to the Group CFO).

The internal audit team is fully capacitated with 23 professionals who collectively possess the knowledge, skills, experience, tenure and other competencies to effectively and competently fulfil its mandate. When required, specialist skills and additional resources are obtained from third parties.

All audit engagements follow the Standards for Professional Practice of Internal Auditing and Code of Ethics, as contained in the International Professional Practices Framework. The audits are conducted by using and integrating skills available within the team, along with an effective risk-based planning approach and audit tools that facilitate the delivery of the Annual Internal Audit Plan.

Internal audit provides assurance to the Audit and Risk Committee regarding management's assertions concerning achievements of objectives, effectiveness and efficiency of operations, reliability of financial information and compliance with laws and regulations.

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

AfroCentric's internal audit was rated as "Generally Conforms" by the three previously completed QAR reviews performed by the Institute of Internal Auditors (and accredited services providers). This is the best possible rating based on the rating convention. The evaluator concluded that the relevant structures, policies and procedures of the activity, and the processes by which they are applied, comply with the requirements of the individual standard or element of the Code of Ethics in all material respects.

## Information and security governance

IT governance is defined in King IV™ as the effective and efficient management of IT resources to facilitate the achievement of corporate objectives. It informs and aligns decision-making for IT planning, policy and operations to meet business objectives and manage risks appropriately.

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

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

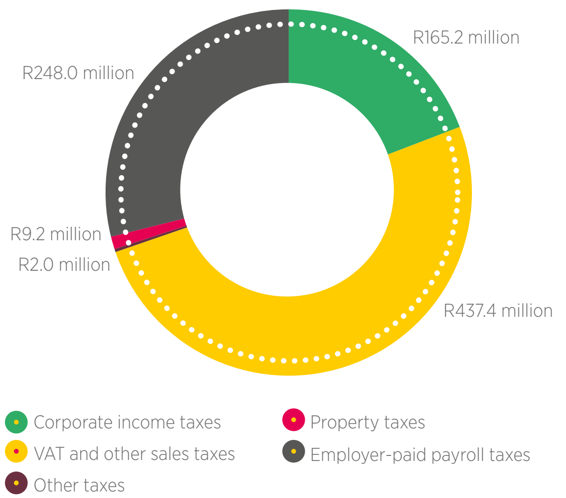
During the year, two penetration tests were conducted by external providers to inform our processes and mitigate the risks identified. As a result, we experienced zero breaches concerning consumer privacy data. Furthermore, the Group has an appointed information officer according to the Information Regulation Guidelines to comply with the requirements and ensure consumer data protection.

# TAX TRANSPARENCY

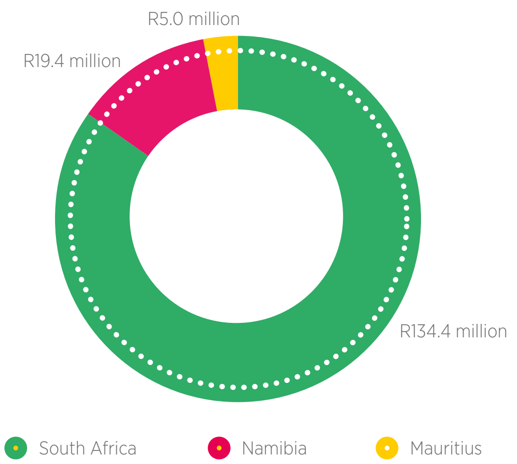
## Global tax disclosure

AfroCentric values ethical financial practices, and, as an integral part of this ethos, we are committed to maintaining full tax transparency. This is fundamental to fostering trust with our stakeholders, promoting corporate responsibility, and positively impacting the communities we serve. By ensuring a transparent and open approach to our tax obligations, AfroCentric adheres to international standards and leads by example in promoting financial integrity and accountability.

### Total tax breakdown




### Corporate income tax breakdown per region




## AfroCentric's tax exposure and gap disclosure

### Exposure to specific tax jurisdictions

AfroCentric's operating subsidiaries are located in South Africa, Namibia and Mauritius. As part of our commitment to transparency, we aim to openly communicate our operations in areas recognised for their corporate tax rate, tax transparency, and tax haven status.

None of our tax jurisdictions have a high scope for corporate tax abuse due to their tax transparency or tax haven status.

### Estimated tax gap

The tax gap represents the difference between our estimated effective tax rate and the estimated statutory tax rate:

ESTIMATED EFFECTIVE TAX RATE:

**64.16%***

* *30.32% excluding impairment of goodwill.*

ESTIMATED STATUTORY TAX RATE:

**27.00%**

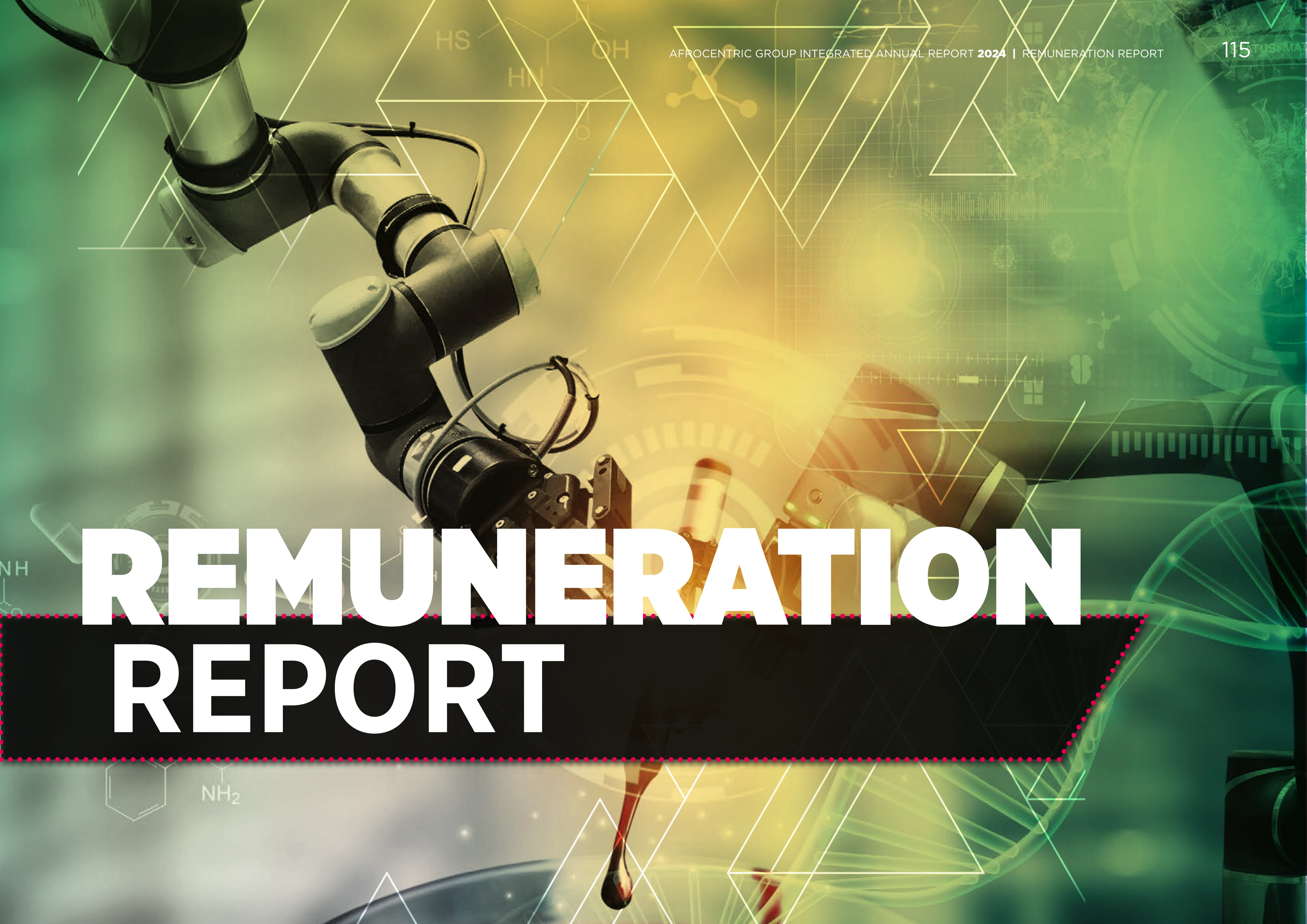
RESULTING TAX GAP:

**37.16%***

**3.32% excluding impairment of goodwill.*

This tax gap can be attributed to various factors, including the utilisation of permissible incentives, tax credits, disallowed expenditure, and differences arising from the geographic mix of our profits.

At AfroCentric, consistent transparency builds trust. We remain steadfast in our commitment to provide accurate, understandable, and detailed financial information to our stakeholders.



# REMUNERATION REPORT

# REMUNERATION REPORT

## BACKGROUND STATEMENT

### Remuneration Committee Chairperson's report

On behalf of the Remuneration Committee (the committee), I am pleased to present AfroCentric's remuneration report for the financial year ended June 2024. This report supplements the information provided in the corporate governance report on pages 87 to 106. In addition, this report highlights the committee's focus areas for the year, outlines relevant policies and practices, and addresses the Group's performance and corresponding remuneration outcomes.

### The past year in focus

The 2023/24 year in AfroCentric has been significantly shaped by the acquisition of a controlling shareholding in the Company by Sanlam at the end of May 2023.

This development has brought both opportunities and challenges to the Human Capital function due to the agreement and intent to drive alignment and integration on talent and reward policies and practices. This has been approached in a planned and systematic manner, with careful consideration given to the financial costs of policy integration and due recognition of the benefits arising from aligning talent and employee development practices. The AfroCentric Human Capital function is relatively mature, with established policies for many facets of the talent management cycle. Thus, the alignment has often been a two-way street of sharing practices and amending them when in the interests of the Company, staff and shareholders.

The committee has, amongst others, considered and supported the following key talent management activities:

- Alignment with the Sanlam talent review process. Their methodology complemented the existing AfroCentric framework, and the revised process enables key talent from both companies to be visible to the other, thereby creating an expanded talent pool and enhanced talent mobility for both organisations
- The adoption of the Sanlam annual performance cycle and rating scale is due to be implemented in January 2025. This will be invaluable when executing strategies, activities and practices designed to drive growth in both companies
- Sanlam and AfroCentric are both reviewing and refreshing their approach to employee assessment practices, and there has been positive sharing of frameworks and ideas. This will create a common language between the two organisations, again assisting with the talent mobility process
- The AfroCentric organisational design processes, including grading and job evaluation, are gradually being aligned with those in Sanlam. Sanlam has best-in-class practices that will serve AfroCentric well
- During the year, there has been a significant focus on the utilisation of engagement and diversity and inclusion surveys, both recommended and utilised by Sanlam. Results have been shared with the committee, and we have been encouraged by how employees have engaged with the surveys and the action plans designed to drive forward the high-performance and caring culture unique to AfroCentric
- Alignment concerning remuneration governance has been another key area of focus for the committee, which I touch upon in more detail later and on which the committee has spent considerable time

Over and above activities concerned with Sanlam, there have been several reward, talent and diversity initiatives to which the committee has applied its mind:

- Regarding the long-term incentive (LTI) scheme, AfroCentric's new LTI plan for the Group was introduced during 2022/2023. In the period under review, the committee awarded 12 995 532 shares with performance conditions for the November 2023 award cycle
- The annual salary increase process within AfroCentric includes wage negotiations with the two recognised unions in the Group: NEHAWU and SALU. Increases awarded to employees will be in place for July 2024 to March 2025 (nine months), after which period the Group will align to Sanlam's salary increase cycle from 1 April to 31 March
- The committee evaluated the overall performance of the Group in line with the BSC approved by the committee in 2023. The award of an annual short-term incentive (STI) pool is directly linked to performance against key measures within the scorecard. The committee reviewed the achievement against the stretch financial and strategic targets and determined that based on a scorecard outcome of 2.53 out of a maximum of 5, with 5 representing out-performance, a reduced bonus pool was merited to reward and retain top performers
- Significant attention has been paid to wellness initiatives designed to support and encourage staff during a year of transition and renewal. The Company's EAP is well utilised by staff and is a valuable resource to employees and their families

- The committee has been encouraged by some of the diversity indicators shared with us. Female representation in the management levels (middle management and upwards) has increased over the 23/24 year from 43.79% to 44.42%. Over the same period, there has been an overall 2.5% increase in representation of African, Indian and Coloured (AIC) incumbents in management (middle management and upwards).

## Changes to the remuneration and related policies for the 2024 financial year

In keeping with our philosophy of ensuring fair and responsible remuneration, the committee continuously reviews the Group's remuneration policies and practices to ensure they remain relevant and responsive to organisational imperatives. While there are no material changes to reward and benefit practices, we are pleased that our commitment to significantly strengthen the overall governance of the policy and its implementation has been delivered. Management has leveraged the governance experience and frameworks of Sanlam, who have been happy to share their expertise.

## Focus areas

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

| 2024 focus areas (July to December) | 2025 focus areas |
|---|---|
| Continued focus on Sanlam alignment process and leveraging relevant best practice people practices to drive successful integration and unlock business value.<br><br>Remuneration governance to remain top of mind with a greater focus on approval frameworks given the larger Sanlam Group structure AfroCentric is now part of. | Initiatives to drive culture transformation will support the Company's strategy refresh.<br><br>Adoption of Sanlam values (Care, Integrity, Innovation, Collaboration) as a key part of this.<br><br>Introduction of additional reward policies that enhance remuneration governance. Consideration will be given to a minimum shareholding requirement (MSR) for those participating in the LTI. |

## Shareholder engagement and voting

### Shareholder voting results

| RESOLUTION | November 2023 | November 2022 |
|---|---|---|
| Ordinary resolution on non-binding advisory vote on remuneration policy | 99.67% | 99.78% |
| Ordinary resolution on non-binding advisory vote on implementation report | 50.26% | 99.78% |
| Special resolution of Non-executive Directors' fees | 100% | 98.78% |
| Special resolution of general authority to repurchase shares | 100% | 99.78% |

The remuneration policy and implementation report were presented for shareholder voting at the AGM held on 9 November 2023. 99.67% of our shareholders endorsed the policy, and the implementation report received an in-favour vote of 50.26%. This latter vote prompted a constructive engagement with the Sanlam Group who had voted against the implementation report for reasons that were shared with us.

As required by the Companies Act and King IV™, the above resolutions will be tabled for shareholder voting at the AGM, details of which can be found in the Notice of AGM (page 122).

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

## Appreciation

As the newly appointed Chairperson of the Remuneration Committee, I would like to offer my sincere thanks to Joe Madungandaba, who has led the committee admirably for many years. Notably, Joe has presided over the Remuneration Committee during a recent and key period of transition and renewal. His wisdom and expertise have enabled the committee to deliver on its mandate.

Joe has articulated his gratitude to his fellow committee members for their contributions and support during his tenure: "It has been a privilege to have served with such a competent and thoughtful team of people. Together, we have worked hard to ensure the Company's capacity to attract and retain key and diverse talent over this period has gained momentum, and I am satisfied that the committee's decisions have strengthened the overall value proposition. I am confident in my assertion that the committee has responsibly and professionally discharged its obligations."

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

**Alice le Roux**

Remuneration Committee Chairperson

8 October 2024

# REMUNERATION OVERSIGHT AND POLICIES

## Remuneration governance

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

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

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

## Remuneration policy design principles

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

### Remuneration objectives

**TALENT MOTIVATION AND ENGAGEMENT**
Ensures strategic alignment with organisational and individual objectives, thus keeping employees engaged.

**TALENT ATTRACTION AND RETENTION**
Manages high-calibre talent for the achievement of strategic objectives.

**LEVERAGING THE TOTAL REWARD OFFERING AND ENHANCING OUR EMPLOYEE VALUE PROPOSITION**
Balances financial and non-financial rewards for a holistic reward mix that is sustainable.

### Remuneration principles

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

| | |
|---|---|
| PAY FOR PERFORMANCE | Pay-for-performance methodology, linking executive reward to business performance. This allows for differentiated increases based on the individual's contribution and performance. |
| PARITY AND EQUITY | Ensure external parity is maintained, market relevance is achieved, balanced internal equity is ensured, and pay adjustments are affordable for the organisation. |
| TALENT ATTRACTION AND RETENTION | Ensure a remuneration mix that will attract the best talent in the market and retain top talent in the organisation. |
| PERFORMANCE INCENTIVES | Align executives to shareholder interests by linking STIs and LTIs to performance indicators not limited to financial indicators. |
| FAIR AND RESPONSIBLE PAY | Internal equity: Ensuring all our employees are appropriately and fairly rewarded for their contributions, irrespective of gender, race, age, ethnicity, religion or sexual orientation. |

## Pay for performance

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

### Strategic objective: Maximise shareholder value and returns

**Strategic aspiration: Operating profit (EBIT) target as agreed with the Board from time to time**

**The pillars of the BSC support the delivery of our strategic objectives**

| Strategic impact | |
|---|---|
| • Sanlam-aligned scheme<br>• Client value proposition<br>• New target operating model<br>• Fix technology platforms and automate key functions<br>• Medscheme operating model: Focus on customer experience aspects that are linked to scheme objectives<br>• Optimise human capital | FINANCIAL (50% weighting)<br>ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) AND RISK MANAGEMENT (10% weighting)<br>LEADERSHIP, CULTURE AND TRANSFORMATION (10% weighting)<br>CLIENT PERCEPTION AND GROWTH (12.5% weighting)<br>STRATEGIC INITIATIVES (17.5 % weighting) |

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

### Remuneration arrangements for other employees

Recognising the need to remunerate executive management fairly and responsibly in the context of the overall remuneration, we awarded higher increases to bargaining unit employees compared to executive levels (5.59%). Increases in respect of the bargaining unit are negotiated annually with NEHAWU and SALU, the recognised labour unions, considering various internal and external factors such as affordability, market conditions and benchmark information. Remchannel Salary Survey formed the basis for market benchmark information to facilitate the remuneration review.

### Differences in remuneration policy for executives compared to other employees

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

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

General staff are eligible to participate in a performance-based bonus scheme.

## Remuneration model

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

### Guaranteed pay

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

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

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

## Variable pay

Variable pay relates to additional financial compensation in the form of STIs and LTIs aligned with the Group's performance, strategy and value creation.

| STI scheme | LTI scheme |
|---|---|
| Performance-based Group annual incentive schemes<br>• Management strategic incentive scheme<br>• Management performance bonus scheme<br>• Performance-based bonus for all general staff<br>• Actuarial incentive scheme<br>• Other sales incentive schemes (self-funding) | Share scheme designed to incentivise the delivery of long-term strategic goals aligned with shareholder expectations |
| **Purpose** | **Purpose** |
| • To motivate employees, management and executives to achieve short-term strategic, financial and non-financial objectives<br>• To reward Company, business unit and individual performance<br>• To recognise, motivate, attract and retain | To retain, motivate and reward executives and senior management or individuals who influence the long-term sustainability, value creation and strategic objectives of the Group on a basis that aligns their interests with those of the Group's shareholders |
| **Mechanics** | **Mechanics** |
| • Executive Committee members, general management[2], senior management[3] and management[4] at corporate and business unit level, as well as general staff<br>• The STI consists of Group and individual performance targets<br>• Group targets on a BSC basis are set each year and cascaded<br>• Business unit targets are set in line with the approved business plans<br>• Individual targets are recorded in the performance contract with reference to the role's requirements<br>• Performance below the threshold results in a zero score, and the individual will not be eligible for an STI award<br>• Hurdle for payment of any STI is the achievement of EBIT targets; however, a sliding scale is applicable at the Remuneration Committee's discretion upon achieving all other key performance area targets<br>• The committee approves any payments in respect of performance-based STIs<br>• Other STIs, such as general staff performance bonuses or commissions, are paid quarterly or monthly as per the respective set of rules | • Vesting share scheme<br>• Executive Committee members, general and senior management at Group and business unit levels<br>• The LTI scheme consists of an forfeitable share plan (FSP) subject to performance vesting conditions in year three after the award<br>• Governing resides with the committee, which considers annual awards for eligible employees<br>• Annual awards are linked directly to the role as well as long-term individual performance and potential<br>• Share value is determined by volume- weighted average price measured 30 days prior to the award date<br>• Group performance targets include financial (50%), ESG and risk management (10%), leadership, culture and transformation (10%), client perception and growth (10%), and strategic Initiatives (20%) |
| **Maximum opportunity** | **Maximum opportunity** |
| • Stretch performance percentage of 150% of on-target quantum, or 14th cheque, depending on the scheme in which the employee participates<br>• Participation is limited to one scheme only | • The employee's job grade determines the maximum allocation |
| **Number of participants** | **Number of participants** |
| • 540 for management; 3 320 for general staff | • 118 |

[2] *General management is defined as positions at grade levels E1 to E3 on the Paterson grading scale.*
[3] *Senior management is defined as positions at grade levels D3 and D5 on the Paterson grading scale.*
[4] *Management is defined as positions at grade level D2 on the Paterson grading scale.*

## STI schemes

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

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

### Management strategic incentive scheme

The annual strategic management incentive scheme focuses on the executive team and tier two managers, who report directly to the executives and employees selected for value contribution and scarce and critical skills. This applies to employees whose roles directly impact the Group's strategic imperatives.

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

ON-TARGET % X BUSINESS MULTIPLIER X INDIVIDUAL PERFORMANCE MULTIPLIER

**On-target %**
Determined by employee's level/job grade

| LEVEL | On-target % of annual CTC |
|---|---|
| Group CEO | 50% |
| Group CFO | 45% |
| Group executives | 40% |

**Group performance multiplier**
Group performance is measured against targets set annually in advance

**Financial target (EBIT)**

**Governance**

**Transformation**

**Strategic Company objectives**

**Individual performance multiplier**
Determined by employee's performance score

| PERFORMANCE RATING | IP multiplier |
|---|---|
| Above stretch | 150% |
| Stretch | 125% |
| On-target | 100% |
| Below target | 50% |
| Missed targets | 0% |

### Group performance

While the performance conditions for the STI bonus were not achieved for the year ending June 2024, management recommended a discretionary reduced bonus pool relative to the Group's overall 2.53 performance score on a 5-point rating scale.

### Management performance bonus scheme

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

### Bargaining unit performance-based bonus

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

### STIs on termination of employment

There is no automatic entitlement to annual STIs on termination, but it may be considered at the committee's discretion, considering performance measures during the period. Any such payment will be pro-rated to service. The governing rules require active employment on the date of payment. No bonus will be payable unless otherwise justified by special conditions.

## LTI scheme

AfroCentric introduced a new FSP LTI scheme in November 2022, following Board approval. The Remuneration Committee approves the allocations for all participants.

## Malus and clawback

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

### Vesting share scheme

| | |
|---|---|
| AWARD MECHANISM | Linked to job grade and allocated by the committee. The committee has discretion within a range per job grade with a maximum number of shares set per grade, aligned with shareholder expectations. |
| VESTING | Cliff vesting three years from the date of award subject to satisfaction of performance conditions. |
| PARTICIPATION | Individual participation is reviewed annually by the committee to ensure alignment with the strategic objectives of the Group, and consideration is given to:<br>• Individual long-term performance (over three years)<br>• Scarce and critical skills, particularly at other levels<br>• Strategic importance of the role<br>• Potential or talent of the employee (in particular ability, attitude, aspiration) |
| CONDITIONS | Share award is conditional to the retention period, provided the employee is eligible. |
| PERFORMANCE CONDITIONS | Long-term business performance criteria set for the relevant award cycle. |

### Remuneration mix

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

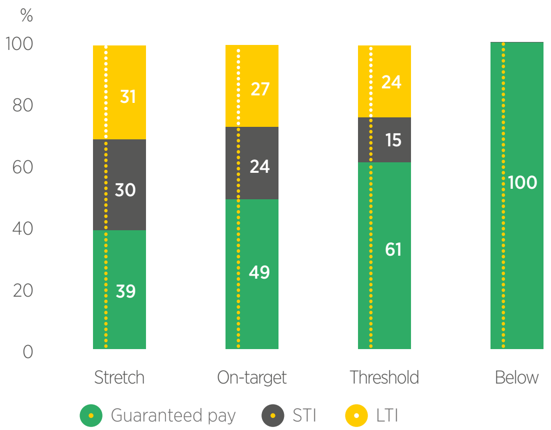
The chart below represents the potential mix of guaranteed pay, STI and LTI for the Group CEO at below, on-target and stretch levels. The below target assumes no variable incentive payments.

## Remuneration processes

### Service contracts and notice periods

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

**Executive management remuneration (%)**




## Non-executive Directors' remuneration

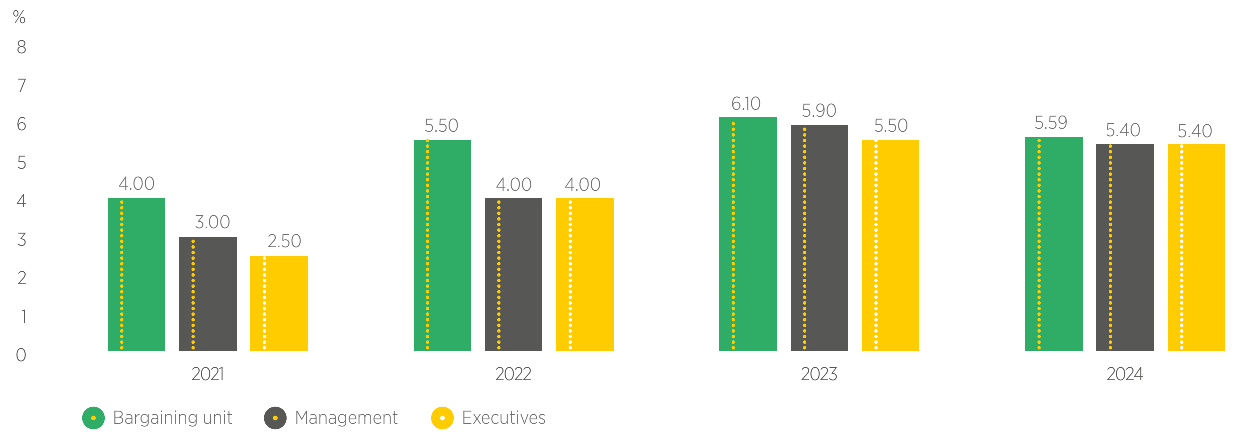
The table below sets out the remuneration principles applied by the Group for the 2024 financial year for Non-executive Directors. These principles also apply for the 2025 financial year and form the underlying basis for the fees tabled for approval at the November 2024 AGM.

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

## IMPLEMENTATION REPORT

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

**Guaranteed pay – base pay increase (%)**



# Total remuneration outcomes

## Single figure remuneration (R'000)

| EXECUTIVE DIRECTORS | Guaranteed pay | | | | Variable pay | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Base pay | | Benefits and allowances | | STI and Retention Awards | | LTI | | Total remuneration | |
| | 2024 | 2023 | 2024 | 2023 | 2024* | 2023 | 2024 | 2023 | 2024 | 2023 |
| G van Wyk | 3 935 751 | – | 394 582 | – | 1 522 623 | – | 3 525 001 | – | 9 377 958 | – |
| A Banderker | 1 752 609 | 5 261 969 | 174 615 | 516 761 | – | 20 252 268 | – | 1 515 000 | 1 927 224 | 27 545 998 |
| H Boonzaaier | 3 817 565 | 3 618 654 | 370 136 | 351 367 | 1 094 560 | 5 080 000 | – | 1 010 000 | 5 282 261 | 10 060 021 |
| TOTAL | 9 505 925 | 8 880 623 | 939 333 | 868 128 | 2 617 183 | 25 332 268 | 3 525 001 | 2 525 000 | 16 587 443 | 37 606 019 |

### STI performance outcomes

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

Performance below the threshold does not attract STI payments, where the threshold for financial targets is 100% of the target.

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

* *STI was approved after the release of the Annual Financial Statements, but before the publication of the Integrated Annual Report*

### Management strategic incentive scheme

| | Business multiplier | Outcome | | Comments |
|---|---|---|---|---|
| Weighting – 50% | Finance (revenue, expenses, EBIT and return on invested capital (ROIC)) | 2.2 out of 5 | Target partially met | Marginal performance by both the medical scheme administration, risk management and technology and pharmaceutical clusters in the second half contributed to the Group scoring below target.<br><br>The Group acquired new businesses in 2021 and 2022 that have not yielded satisfactory results towards ROIC performance measured annually on a three-year rolling basis. |
| Weighting – 10% | ESG and risk management | 3.6 out of 5 | Target partially exceeded | Primary healthcare insurance principal policies grew by 26% year-on-year as at the end of June 2024.<br><br>The Group set a target to improve total emissions related to GHG, which was achieved.<br><br>During the year, the Group finalised the Risk Appetite and Tolerance Statement, introduced the Risk Appetite and Tolerance dashboard reporting, and refreshed the Strategic Risk Register. |
| Weighting – 10% | Leadership, culture and transformation | 3.6 out of 5 | Target partially exceeded | AHL and Pharmacy Direct maintained a level 1 B-BBEE rating.<br><br>The Group achieved a higher-than-expected diversification of the leadership succession pool: 58% vs. 50%.<br><br>A 77% employee survey participation rate was achieved.<br><br>Group culture change/Transition guidelines remain a work in progress. |
| Weighting – 12.5% | Client perception and growth | 1.54 out of 5 | Target not met | The growth in membership on both schemes has not come through Sanlam channels yet, and the desired membership level targets were only achieved at 50%.<br><br>Although the NDoH volumes grew significantly, the criteria was for the private medicine market to grow. |
| Weighting – 17.5% | Strategic initiatives | 2.95 out of 5 | Target partially met | While the Group achieved specific key strategic targets, the overall outcome fell short of the target. |
| **Total net weighted score** | | **2.53 out of 5** | **Target partially met** | |

## Individual remuneration outcomes

### Gerald Van Wyk (Group CEO)

| | 2024 (R) | 2023 (R) |
|---|---|---|
| Salary | 3 935 751 | – |
| Medical aid | 98 701 | – |
| Retirement benefits | 212 832 | – |
| Other employee benefits | 83 049 | – |
| **TOTAL GUARANTEED PAY** | 4 330 333 | – |
| **STI#** | 1 522 623 | – |
| **Value of awarded shares** | 3 525 001 | – |
| **Total variable pay** | 5 047 624 | – |
| **TOTAL REMUNERATION** | 9 377 958 | – |

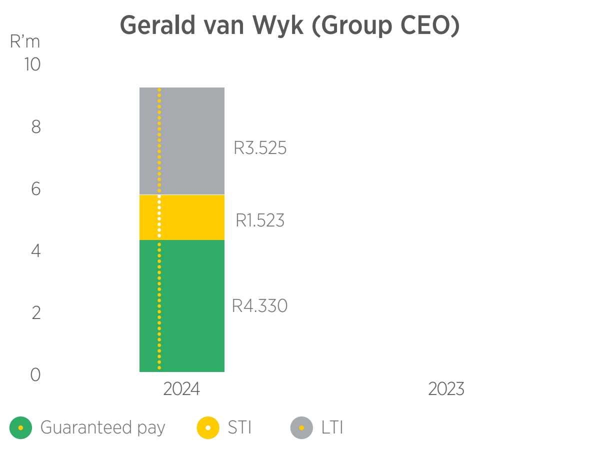
### Ahmed Banderker (Group CEO)*

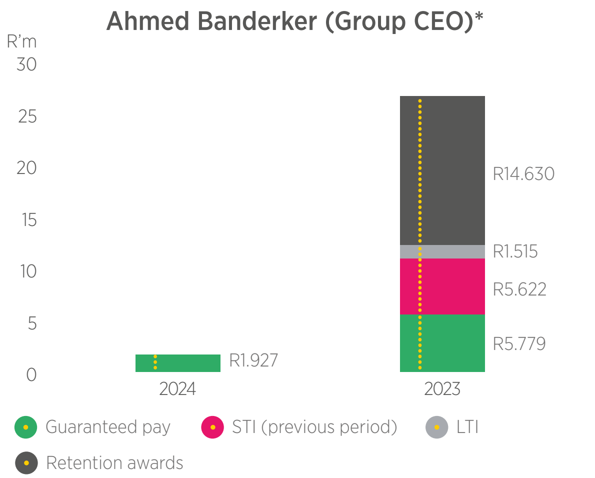
| | 2024 (R) | 2023 (R) |
|---|---|---|
| Salary | 1 752 609 | 5 261 969 |
| Medical aid | 23 829 | 60 200 |
| Retirement benefits | 117 175 | 351 526 |
| Other employee benefits | 33 611 | 105 036 |
| **TOTAL GUARANTEED PAY** | 1 927 224 | 5 778 730 |
| Increase in guaranteed pay | 5.5% | 4.0% |
| **STI (previous period)**** | – | 5 621 868 |
| **Retention awards**** | – | 14 630 400 |
| **Value of awarded shares** | – | 1 515 000 |
| **Total variable pay** | – | 21 767 268 |
| **TOTAL REMUNERATION** | 1 927 224 | 27 545 999 |

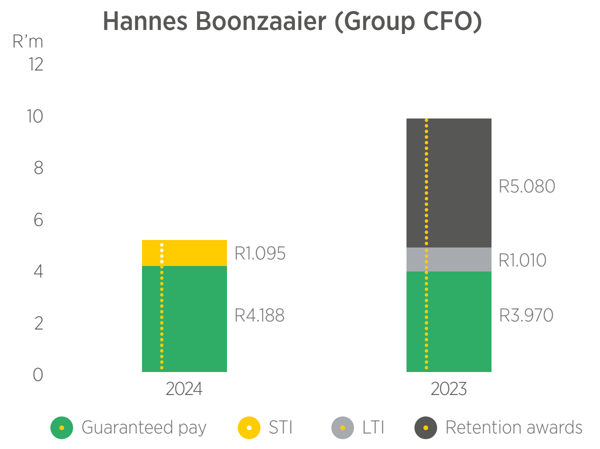
### Hannes Boonzaaier (Group CFO)

| | 2024 (R) | 2023 (R) |
|---|---|---|
| Salary | 3 817 565 | 3 618 654 |
| Medical aid | 63 368 | 57 320 |
| Retirement benefits | 238 851 | 226 399 |
| Other employee benefits | 67 917 | 67 648 |
| **TOTAL GUARANTEED PAY** | 4 187 701 | 3 970 022 |
| Increase in guaranteed pay | 5.5% | 4.0% |
| **STI#** | 1 094 560 | – |
| **Retention awards**** | – | 5 080 000 |
| **Value of awarded shares** | – | 1 010 000 |
| **Total variable pay** | 1 094 560 | 6 090 000 |
| **TOTAL REMUNERATION** | 5 282 261 | 10 060 022 |

* *Resigned 31 October 2023.*
** *During 2022, the Remco appointed external consultants to benchmarking the CEO and CFO rewards which demonstrated shortcomings specifically relating to LTI awards. Given that backdating of share awards is not possible, the cash payments were then made in the various categories to rectify the shortcomings.*
# *STI was approved after the release of the Annual Financial Statements, but before the publication of the Integrated Annual Report.*



## Non-executive Directors' 2024 remuneration

The table below sets out the proposed fees for the period 1 January 2025 to 31 December 2025. This proposal will be tabled at the AGM in November 2024.

| | Position | Current (2024) | Proposed (2025) | Recommended Increase (%) |
|---|---|---|---|---|
| **MAIN BOARD (ANNUALISED RETAINER FEE*)** | Chairman | **1 578 867** | 1 665 705 | 5.5% |
| | Deputy Chairman | **1 439 086** | 1 518 236 | 5.5% |
| | Lead Independent Director | **729 049** | 769 147 | 5.5% |
| | Member | **334 103** | 352 479 | 5.5% |
| **SUBSIDIARY BOARD/COMMITTEE (PER MEETING FEE)** | Chairman | **26 149** | 27 587 | 5.5% |
| | Member | **19 248** | 20 307 | 5.5% |
| **AUDIT AND RISK COMMITTEE (PER ANNUM FEE*)** | Chairman | **279 446** | 294 816 | 5.5% |
| | Member | **143 774** | 151 682 | 5.5% |
| **REMUNERATION COMMITTEE (PER ANNUM FEE*)** | Chairman | **145 233** | 153 221 | 5.5% |
| | Member | **79 028** | 83 375 | 5.5% |
| **NOMINATION COMMITTEE (PER ANNUM FEE*)** | Chairman | **145 233** | 153 221 | 5.5% |
| | Member | **79 028** | 83 375 | 5.5% |
| **SOCIAL AND ETHICS COMMITTEE (PER ANNUM FEE*)** | Chairman | **134 722** | 142 132 | 5.5% |
| | Member | **78 262** | 82 566 | 5.5% |
| **INVESTMENT COMMITTEE (PER ANNUM FEE*)** | Chairman | **209 966** | 221 514 | 5.5% |
| | Member | **115 500** | 121 853 | 5.5% |
| **ICT STEERING COMMITTEE (PER ANNUM FEE*)** | Member | **77 001** | 81 236 | 5.5% |
| **SPECIAL AD HOC BOARD/COMMITTEE MEETING (PER MEETING FEE)** | Member | **N/A** | 20 307 | N/A |

* *The amounts are based on 4 pre-scheduled quarterly meetings. In practice the fees are payable on a per meeting basis, based on attendance.*

## Payments made to Non-executive Directors

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

| NAME OF DIRECTOR | Directors fees | Nomination Committee | Audit and Risk Committee | Investment Committee | Remuneration Committee | Social and Ethics Committee | Pharma Cluster Audit Committee | ADS Board Meeting | Medscheme Board Meeting | Pharma Cluster Board Meeting | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Dr ATM Mokgokong | 1 765 261 | 81 521 | – | – | – | – | – | – | – | – | **1 846 782** |
| MJ Madungandaba | 1 608 978 | 44 359 | – | 178 221 | 121 286 | – | – | 79 792 | 28 640 | 30 071 | **2 091 347** |
| JB Fernandes | 326 148 | – | 678 655 | 140 250 | – | – | 102 106 | – | – | – | **1 247 159** |
| Dr ND Munisi | 326 148 | – | – | 138 875 | – | 134 142 | – | – | – | – | **599 165** |
| AM le Roux | 375 070 | – | 360 206 | – | – | – | – | – | – | – | **735 276** |
| M Chauke | 326 148 | – | 349 167 | – | – | – | – | – | – | – | **675 315** |
| M Dippenaar | 352 664 | – | 106 119 | 55 875 | – | – | – | – | – | – | **514 658** |
| WH Britz | 297 706 | – | – | – | – | – | – | – | – | – | **297 706** |
| K Mkhize | – | – | – | – | – | – | – | – | – | – | **–** |
| PB Hanratty | – | – | – | – | – | – | – | – | – | – | **–** |
| | 5 763 666 | 125 880 | 1 221 354 | 400 471 | 121 286 | 134 142 | 102 106 | 79 792 | 28 640 | 30 071 | **8 007 408** |

## Termination of office payments

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

## Statement regarding compliance with the remuneration policy

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

## Advisory vote on the implementation report

The implementation report, as it appears above, is subject to an advisory vote by shareholders at the 2024 AGM. Accordingly, shareholders are requested to cast an advisory vote on the remuneration policy's implementation for 2024.

## Approval of the remuneration report by the Board

The Board approved the remuneration report on 8 October 2024.

# SHAREHOLDER INFORMATION

# NOTICE OF ANNUAL GENERAL MEETING (AGM)

**Notice of the 18th AGM of shareholders to be held on 7 November 2024 at 10:00**

**AfroCentric Investment Corporation Limited**
(Incorporated in the Republic of South Africa)
(Registration number: 1988/000570/06)
JSE Share code: ACT
ISIN: ZAE 000078416
(AfroCentric or the Company)

## Important notice to shareholders

All terms defined in the 2024 Annual Financial Statements (AFS) to which this Notice of AGM is attached shall bear the same meanings when used in this Notice of AGM.

Notice is hereby given that the 18th AGM of shareholders for the year ended 30 June 2024 will be held virtually on 7 November 2024 at 10:00 to conduct such business as may lawfully be dealt with at the AGM and to consider, and if deemed fit, to pass with or without modification, the special and ordinary resolutions set out hereunder in the manner required by the Act, as read with the JSE Limited (**JSE**) Listings Requirements, as amended from time to time (**Listings Requirements**).

Shareholders can follow the AGM remotely via a live audio webcast on our website at https://www.corpcam.com/AfroCentricAGM2024.

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

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

If you are in any doubt as to any action you should take, please immediately consult your banker, stockbroker, legal adviser, accountant, or other professional adviser.

1. If you have disposed of all your AfroCentric shares, this document should be handed to the purchaser of such shares or to the stockbroker, banker, or other agent through whom such disposal was effected.
2. Shareholders attending the AGM of the Company on 7 November 2024 at 10:00 are requested to ensure registration of attendance upon arrival.

   *Kindly note that in terms of section 63(1) of the Act, any person attending or participating in the AGM must present reasonably satisfactory identification, and the person presiding at the AGM must be reasonably satisfied that the right of any person to participate in and vote (whether as a shareholder or as a proxy for a shareholder) has been reasonably verified. Suitable forms of identification will include the presentation of valid identity documents, driver's licences and passports.*
3. The record date for shareholders to receive notice of the AGM is Friday, 27 September 2024 (**the notice record date**).
4. The record date of the AGM for shareholders to participate in and vote at the AGM is Friday, 1 November 2024 (**the voting record date**).
5. The last date to trade to be eligible to participate in and vote at the AGM is Tuesday, 29 October 2024.

## Salient dates:

Please take note of the following important dates:

| | 2024 |
|---|---|
| Record date to determine which shareholders of the Company are entitled to receive notice of the AGM (**the notice record date**) | Friday, 27 September |
| Integrated Report and Notice of AGM to be posted | Wednesday, 9 October |
| The last date to trade to be eligible to participate in and vote at the AGM | Tuesday, 29 October |
| Record date to determine which shareholders of the Company are entitled to participate in and vote at the AGM (**the voting record date**) | Friday, 1 November |
| Last day for lodging forms of proxy by 10h00 | Tuesday, 5 November |
| Date of the AGM at 10h00 | Thursday, 7 November |
| Results of the AGM published on SENS* | Thursday, 7 November |

* *For administrative purposes, please lodge forms of proxy with the transfer secretary by 10h00 on Tuesday, 5 November 2024. However, if forms of proxy are not delivered to the transfer secretary by this time, they may be submitted electronically to the Chairman of the AGM at any time prior to the relevant resolutions being voted on.*

## Voting and proxies:

A member entitled to attend and vote at the AGM can appoint a proxy or proxies to attend, speak and vote in their stead. A proxy need not be a member of the Company. A form of proxy is distributed with this Notice of AGM for convenience.

Proxy forms should be delivered to the Company's transfer secretaries **by no later than 10h00** on 5 November 2024 by email: proxy@computershare.co.za or by hand at the following address: **Computershare Investor Services Proprietary Limited**

(Registration number 2004/003647/07)

15 Biermann Avenue
Rosebank, 2196

## Agenda:

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

## Presentation of audited AFS

The audited consolidated AFS of the Company and the Group, including the reports of the directors, Group Audit and Risk Committee and the independent auditors for the year ended 30 June 2024, will be presented to shareholders as required in terms of section 30(3)(d) of the Act. The complete set of audited consolidated AFS, the directors' report, and the independent auditors' report are set out on pages 13 – 17 of the 2024 AFS. The Audit and Risk Committee report is on pages 3 – 5 of the 2024 AFS. The Integrated Report is also available on the Company's website: http://www.afrocentric.za.com/inv-reporting.php

## Resignation of directors

Shareholders were informed that Mr Willem Britz, Non-executive Director, resigned from the Board effective 2 February 2024. On behalf of the Board, the Chairman thanks Mr Britz for his invaluable contribution to the Group and wishes him well in his future endeavours.

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

# Ordinary resolutions

## Ordinary resolution number 1

### Re-election of directors

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

Dr ATM Mokgokong
Dr ND Munisi
Ms K Mkhize

### Ordinary resolution number 1.1

Re-election of Dr ATM Mokgokong as a Non-executive Director

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

### Ordinary resolution number 1.2

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

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

### Ordinary resolution number 1.3

Re-election of Ms K Mkhize as a Non-executive Director

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

Brief résumés for these directors are available on page 98 of this report.

*For resolutions 1.1 to 1.3 to be passed, votes in favour must represent at least 50% +1 of all votes cast and/or exercised at the meeting.*

## Ordinary resolution number 2

### Appointment of Group Audit and Risk Committee members

"**RESOLVED** that an Audit and Risk Committee, comprising Independent Non-executive Directors, as provided in section 94(4) of the Act, set out below, be and are hereby appointed in terms of section 94(2) of the Act to hold office until the next AGM and to perform the duties and responsibilities stipulated in section 94(7) of the Act and King IV™.

The Board has assessed the performance of the Group Audit and Risk Committee members standing for election and has found them suitable for appointment."

Brief résumés for these directors are available on page 98 of this report.

### Ordinary resolution number 2.1

"**RESOLVED** that Mr JB Fernandes is elected as a member and chairperson of the Audit and Risk Committee."

### Ordinary resolution number 2.2

"**RESOLVED** that Ms AM le Roux is re-elected as an Audit and Risk Committee member."

### Ordinary resolution number 2.3

"**RESOLVED** that Ms M Chauke is re-elected as an Audit and Risk Committee member."

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

## Ordinary resolution number 3

### Appointment of the independent auditor and designated audit partner

The Group Audit and Risk Committee has assessed KPMG's performance, independence and suitability and has nominated them for appointment as independent auditors of the Group to hold office until the next AGM.

"**RESOLVED** that KPMG be appointed as the independent auditor of the Group for the ensuing year, with the designated audit partner being Mr Zola Beseti."

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

## Ordinary resolution number 4

### General authority to issue shares for cash

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

1. The general authority shall be valid until the Company's next AGM provided that it shall not extend beyond fifteen months from the date of the passing of this ordinary resolution (whichever period is shorter).
2. The allotment and issue of the shares must be made to public shareholders as defined in the Listings Requirements and not to related parties.
3. The shares that are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue.
4. The number of shares issued for cash in aggregate under this authority shall not exceed 25 232 647 shares, being 3% (three percent) of the Company's listed equity securities as at the date of this Notice of AGM, excluding treasury shares.
5. Any shares issued under this authority during the period contemplated in paragraph 1 above must be deducted from the number in paragraph 4 above.
6. In the event of a sub-division or consolidation of issued shares during the period contemplated in paragraph 1 above, the existing authority must be adjusted accordingly to represent the same allocation ratio.
7. The maximum discount at which ordinary shares may be issued is 10% (ten percent) of the weighted average traded price of those shares measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the securities. The JSE must be consulted for a ruling if the Company's securities have not traded in such a 30-business day period.
8. After the Company has issued shares for cash which represent, on a cumulative basis within a financial year, 5% (five percent) or more of the number of shares in issue prior to that issue, the Company shall publish an announcement containing details of inter alia the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 (thirty) business days prior to the date that the price of the issue was agreed in writing between the issuer and the party subscribing for the shares and in respect of options and convertible securities, the effects of the issue on the statement of financial position, NAV per share, net tangible asset value per share, the statement of profit or loss and other comprehensive income, earnings per share and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, or in respect of an issue of shares, an explanation, including supporting documents (if any) regarding the intended use of the funds. This information shall be published when the Company has issued securities or any other announcements that may be required in terms of the Listings Requirements, which may be applicable from time to time.

9. Related parties (as defined in section 10 of the Listings Requirements) may participate in a general issue of shares for cash through a bookbuild process provided:

   (i) related parties may only participate at a maximum bid price at which they are prepared to take-up shares or at book close price. In the event of a maximum bid price and the book closes at a higher price the relevant related party will be 'out of the book; and will not be allocated shares;

   (ii) shares must be allocated equitably 'in the book' through the bookbuild process and the measures to be applied must be disclosed in the SENS announcement launching the bookbuild."

Reason for and effect
The reason and effect of this ordinary resolution number 4 is to seek a general authority and approval for the directors to allot and issue ordinary shares in the authorised but unissued share capital of the Company (excluding shares issued pursuant to the Company's share incentive scheme), up to 3% (three percent) (25 232 647 shares) of the number of ordinary shares of the Company in issue at the date of passing of this resolution, to enable the Company to take advantage of business opportunities that might arise in the future.

*For resolution number 4 to be passed, votes in favour must represent at least 75% of all votes cast and/or exercised at the meeting.*

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

## Ordinary resolution number 5

### Approval of the remuneration policy

"**RESOLVED** that by a non-binding advisory vote, the Company's remuneration policy, as set out in the remuneration report on pages 116 – 123 of the 2024 Integrated Annual Report, be and is hereby endorsed."

Reason for and effect
King IV™ recommends that a company's remuneration policy be tabled for a non-binding advisory vote by shareholders at each AGM.

This enables shareholders to express their views on the remuneration policies adopted. Ordinary resolution 5 is of an advisory nature only, and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration arrangements.

However, the Board will consider the outcome of the vote when determining amendments to the Company's remuneration policy.

*For resolution number 5 to be passed, votes in favour must represent at least 50% +1 of all votes cast and/or exercised at the meeting.*

## Ordinary resolution number 6

### Approval of the remuneration implementation report

"**RESOLVED** that by a non-binding advisory vote, the Company's remuneration implementation report as set out on pages 123 – 128 of the 2024 Integrated Annual Report be and is hereby endorsed."

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

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

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

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

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

## Ordinary resolution number 7

### Authorise directors and/or Company Secretary

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

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

# Special resolutions

## Special resolution number 1

### 1.1 Approval of Non-executive Directors' fees

Approval in terms of section 66 of the Act is required to authorise the Company to remunerate directors for their services. Furthermore, in terms of the King IV™ and as read with the Listings Requirements, remuneration payable to Non-executive Directors should be approved by shareholders in advance or within the previous two years. Executive directors of the Company (or any Sanlam group company) do not receive any fees for their services rendered as directors of the Company.

"**RESOLVED** as a special resolution in terms of the Act that the remuneration of Non-executive Directors for the period 1 January 2025 until 31 December 2025 be and is hereby approved as follows:

| | Position | Current (2024) | Proposed (2025) | Recommended Increase (%) |
|---|---|---|---|---|
| **MAIN BOARD (ANNUALISED RETAINER FEE*)** | Chairman | **1 578 867** | 1 665 705 | 5.5% |
| | Deputy Chairman | **1 439 086** | 1 518 236 | 5.5% |
| | Lead Independent Director | **729 049** | 769 147 | 5.5% |
| | Member | **334 103** | 352 479 | 5.5% |
| **SUBSIDIARY BOARD/ COMMITTEE (PER MEETING FEE)** | Chairman | **26 149** | 27 587 | 5.5% |
| | Member | **19 248** | 20 307 | 5.5% |
| **AUDIT AND RISK COMMITTEE (PER ANNUM FEE*)** | Chairman | **279 446** | 294 816 | 5.5% |
| | Member | **143 774** | 151 682 | 5.5% |
| **REMUNERATION COMMITTEE (PER ANNUM FEE*)** | Chairman | **145 233** | 153 221 | 5.5% |
| | Member | **79 028** | 83 375 | 5.5% |
| **NOMINATION COMMITTEE (PER ANNUM FEE*)** | Chairman | **145 233** | 153 221 | 5.5% |
| | Member | **79 028** | 83 375 | 5.5% |
| **SOCIAL AND ETHICS COMMITTEE (PER ANNUM FEE*)** | Chairman | **134 722** | 142 132 | 5.5% |
| | Member | **78 262** | 82 566 | 5.5% |
| **INVESTMENT COMMITTEE (PER ANNUM FEE*)** | Chairman | **209 966** | 221 514 | 5.5% |
| | Member | **115 500** | 121 853 | 5.5% |
| **ICT STEERING COMMITTEE (PER ANNUM FEE*)** | Member | **77 001** | 81 236 | 5.5% |
| **SPECIAL AD HOC BOARD/COMMITTEE MEETING (PER MEETING FEE)** | Member | **N/A** | 20 307 | N/A |

* *The amounts are based on 4 pre-scheduled quarterly meetings. In practice, the fees are payable on a per meeting basis, based on attendance.*

Reason for and effect
The reason and effect of this special resolution number 1.1 is to approve the remuneration of Non-executive Directors for the next 12 months, payable quarterly in arrears, with effect from 1 January 2025 until 31 December 2025."

"**RESOLVED** as a special resolution in terms of the Act that the remuneration of Non-executives Directors, forming part of the Audit and Risk Committee, be and is hereby approved as follows:

### 1.2 Approval of Special Ad Hoc Fees for the Audit and Risk Committee Members

| Audit and risk committee (special ad hoc meeting fee) | Proposed 2024* |
|---|---|
| Chairman | **60 921** |
| Member | **60 921** |

* *Fees are calculated at the per meeting fee of R20 307 based on three special ad hoc meetings in 2024.*

Reason for and effect
The reason and effect of this special resolution number 1.2 is to approve the remuneration of the Audit and Risk Committee members for special ad hoc meetings convened in 2024. In addition to the quarterly Audit and Risk Committee meeting for the finalisation of the audited financial statements and the integrated annual report, the Audit and Risk Committee had three special ad hoc meetings in 2024. In respect of the period between 1 January 2024 and 31 December 2024, the Company does not hold a mandate to remunerate Non-executive Directors for special ad hoc meetings. It is proposed that the members of the Audit and Risk Committee be remunerated for the three special ad hoc meetings held in 2024, at the special ad hoc per meeting fee proposed under special resolution 1.1. The payment will be made by 31 December 2024."

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

## Special resolution number 2

### General authority to repurchase shares

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

1. Any repurchase of shares must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty.
2. At any point, the Company may appoint only one agent to effect any repurchases on its behalf.
3. The number of shares that may be repurchased pursuant to this authority in any financial year may not in the aggregate exceed 5% (five percent) of the Company's issued share capital as at the date of passing of this general resolution or 10% (ten percent) of the Company's issued share capital in the case of an acquisition of shares in the Company by a wholly owned subsidiary of the Company.

4. Repurchases of shares may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the shares for the 5 (five) business days immediately preceding the date on which the transaction was effected.

5. The Company or a wholly owned subsidiary of the Company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements unless there is a repurchase programme in place, which programme has been submitted to the JSE in writing and executed by an independent third party, as contemplated in terms of paragraph 5.72(h) of the Listings Requirements.

6. After the Company or a wholly owned subsidiary of the Company has acquired shares that constitute, on a cumulative basis, 3% (three percent) of the initial number of shares in issue (at the time that authority from shareholders for the repurchase is granted) of the relevant class of shares and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, the Company shall publish an announcement on SENS containing full details of the repurchase.

7. The Board have passed a resolution authorising the repurchase. The Company has passed the solvency and liquidity test contained in section 4 of the Act. Since the test was done, there have been no material changes to the Company's financial position.

### Reason for and effect

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

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

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

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

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

1. The Company and the Group will be able to pay their debts in the ordinary course of business.

2. The consolidated assets of the Company and the Group will be in excess of the liabilities of the Company and the Group; the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited Group AFS.

3. The share capital and reserves of the Company and of the Group are adequate for ordinary purposes.

4. The working capital of the Company and the Group will be adequate for ordinary business.

### Disclosures required in terms of paragraph 11.26 of the Listings Requirements:

The following additional information, some of which may appear elsewhere in this Notice of AGM, is provided in terms of the Listing Requirements for purposes of the special resolution:

Major shareholders – page 12 of the 2024 AFS

Company's share capital – page 82 of the 2024 AFS

### Directors' responsibility statement

The directors, whose names are given on page 7 of the 2024 AFS, collectively and individually accept full responsibility for the accuracy of the information pertaining to the special resolution number 2 and certify that to the best of their knowledge and belief, there are no facts that have been omitted that would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the aforementioned special resolution contains all the information required by the JSE.

### Material change

Other than the facts and developments reported in the 2024 AFS, there have been no material changes in the financial or trading position of the Company or its subsidiaries since the Company's financial year-end and the signature date of this Integrated Annual Report.

## Special resolution number 3

### Financial assistance to a related or inter-related company or companies

"**RESOLVED** that, in terms of section 45(3)(a)(ii) of the Act, as a general approval, the Board of the Company be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance (financial assistance will herein have the meaning attributed to it in section 45(1) of the Act) that the Board of the Company may deem fit to any company or corporation that is related or inter-related (related or inter-related will herein have the meaning attributed to it in section 2 of the Act) to the Company, on the terms and conditions and for amounts that the Board of the Company may determine, provided that the aforementioned approval shall be valid until the date of the next AGM of the Company."

### Reason for and effect

The reason and effect of this special resolution number 3 is to grant the Board the authority to authorise the Company to provide financial assistance as contemplated in section 45 of the Act to a related or inter-related company or corporation.

*For special resolution number 3 to be passed, votes in favour of the resolution must represent at least 75% of all votes cast and/or exercised at the meeting.*

## Special resolution number 4

### Financial assistance for the subscription of shares to related or inter-related companies

"**RESOLVED** that, in terms of section 44(3)(a)(ii) of the Act, as a general approval, the Board of the Company be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance (financial assistance will herein have the meaning attributed to it in sections 44(1) and 44(2) of the Act) that the Board of the Company may deem fit to any company or corporation that is related or inter-related to the Company (related or inter-related will herein have the meaning attributed to it in section 2 of the Act) and/or to any financier who provides funding by subscribing for preference shares or other securities in the Company or any company or corporation that is related or inter-related to the Company, on the terms and conditions and for amounts that the Board of the Company may determine for the purpose of, or in connection with the subscription of any option, or any shares or other securities, issued or to be issued by the Company or a related or inter-related company or corporation, or for the purchase of any shares or securities of the Company or a related or inter-related company or corporation, provided that the aforementioned approval shall be valid for two years or until the date of the next AGM of the Company."

### Reason for and effect

The reason and effect of special resolution number 4 is to grant the directors the authority, in terms of section 44(3)(a)(ii) of the Act, to provide financial assistance to any company or corporation that is related or inter-related to the Company and/or to any financier for the purpose of or in connection with the subscription or purchase of options, shares or other securities in the Company or any related or inter-related company or corporation.

This means that the Company is authorised, inter alia, to grant loans to its subsidiaries and to guarantee and furnish security for the debt of its subsidiaries where any such financial assistance is directly or indirectly related to a party subscribing for options, shares or securities, in the Company or its subsidiaries.

A typical example of where the Company may rely on this authority is when a subsidiary raises funds by way of issuing preference shares, and the third-party funder requires the Company to furnish security, by way of a guarantee or otherwise, for the obligations of its subsidiary to the third-party funder arising from the issue of the preference shares. The Company has no immediate plans to use this authority and is simply obtaining the same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

*For special resolution number 4 to be passed, votes in favour of the resolution must represent at least 75% of all votes cast and/or exercised at the meeting.*

## Impact of special resolutions 3 and 4

In terms of and pursuant to the provisions of sections 44 and 45 of the Act, the directors of the Company confirm that the Board will satisfy itself, after considering all reasonably foreseeable financial circumstances of the Company, that immediately after providing any financial assistance as contemplated in special resolution numbers 3 and 4 above:

- The assets of the Company (fairly valued) will equal or exceed the liabilities of the Company (fairly valued) (taking into consideration the reasonably foreseeable contingent assets and liabilities of the Company)
- The Company will be able to pay its debts as they become due in the ordinary course of business for 12 months
- The terms under which any financial assistance is proposed to be provided will be fair and reasonable to the Company
- All relevant conditions and restrictions (if any) relating to the granting of financial assistance by the Company as contained in the Company's MOI have been met

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

### Identification, voting and proxies

In terms of section 63 (1) of the Act, any person attending or participating in the AGM must present reasonably satisfactory identification. The person presiding at the AGM must be reasonably satisfied that the right of any person to participate in and vote (whether as a shareholder or as a proxy for a shareholder) has been reasonably verified. Suitable forms of identification will include the presentation of valid identity documents, driver's licences and passports.

The votes of shares held by share trusts classified as schedule 14 trusts in terms of the Listings Requirements will not be taken into account at the AGM for approval of any resolution proposed in terms of the Listings Requirements.

A form of proxy is attached for the convenience of any certificated or dematerialised AfroCentric shareholders with own-name registrations who cannot attend the AGM but wish to be represented thereat.

Forms of proxy and/or letters of representation may be presented at any time prior to the AGM and also at the AGM, but to enable the Company to ensure prior to the AGM that a quorum will be present at the AGM, it would be helpful if proxy forms and/or letters of representation could be delivered to the Company or the Company's transfer secretaries before 10h00 on 5 November 2024, being 48 hours prior to the AGM.

All beneficial owners of AfroCentric shares who have dematerialised their shares through a **Central Securities Depository Participant (CSDP)** or broker, other than those with own-name registration, and all beneficial owners of shares who hold certificated shares through a nominee, must provide their CSDP, broker or nominee with their voting instructions, in accordance with the agreement between the beneficial owner and the CSDP, broker or nominee as the case may be. Should such beneficial owners wish to attend the meeting in person, they must request their CSDP, broker or nominee to issue them with the appropriate letter of authority. If shareholders who have not dematerialised their shares or who have dematerialised their shares with own-name registration and who are entitled to attend and vote at the AGM do not deliver proxy forms to the transfer secretaries timeously, such shareholders will nevertheless, at any time prior to the commencement of the voting on the resolutions at the AGM be entitled to lodge the form of proxy in respect of the AGM, in accordance with the instructions therein with the Chairman of the AGM.

Each shareholder is entitled to appoint one or more proxies (who need not be shareholders of AfroCentric) to attend, speak and vote in their stead. On a show of hands, every shareholder who is present in person or by proxy shall have one vote, and on a poll, every shareholder present in person or by proxy shall have one vote for each share held.

AfroCentric does not accept responsibility and will not be held liable for any failure on the part of a CSDP or broker to notify such AfroCentric shareholders of the AGM.

By order of the Board

**Lebohang Mpumlwana**
*Group Company Secretary*

Roodepoort

8 October 2024

AfroCentric GROUP

**AfroCentric Investment Corporation Limited**
(Incorporated in the Republic of South Africa)
(Registration number: 1988/000570/06)
JSE Share code: ACT
ISIN: ZAE 000078416
(AfroCentric or the Company)

# FORM OF PROXY

## Certificated shareholders

For use by the holders of certificated shares and/or dematerialised shares held through a broker or CSDP who have selected own-name registration, registered as such at the close of business on the voting record date, at the AGM to be held virtually, on 7 November 2024 or any postponement or adjournment thereof.

Shareholders or their proxies may participate in the AGM by way of electronic participation and or submission of a written proxy. Further, shareholders are encouraged to submit their questions relating to the 2024 AGM Agenda in advance by email to the Company Secretary at Lebohang.Mpumlwana@Afrocentrichealth.com

*Note:*
*Forms of proxy are to be lodged with the transfer secretary by 10h00 on 5 November 2024; however, a form of proxy not delivered to the transfer secretary by this time may be submitted electronically to the Chairman of the AGM at any time prior to the commencement of the AGM.*

## Dematerialised shareholders

Dematerialised shareholders who have not selected own-name registration must not complete this form of proxy.

They must inform their broker or CSDP timeously of their intention to attend and vote at the AGM or be represented by proxy thereat for the broker or CSDP to issue them with the necessary letter of representation to do so or provide the broker or CSDP timeously with their voting instructions should they not wish to attend the AGM for the broker or CSDP to vote in accordance with their instructions at the AGM.

I/We (FULL NAMES IN BLOCK LETTERS PLEASE) ______________________________

of (address) (BLOCK LETTERS PLEASE) ______________________________

Telephone no: (WORK) (area code) ______________________________

Cell phone no: ______________________ Telephone no: (HOME) (area code) __________

Email address: ______________________________

being the holder/s of ______________________________ shares hereby appoint

1. ______________________________ or failing him/her

2. ______________________________ or failing him/her

3. the Chairman of the AGM

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

| | | For | Against | Abstain |
|---|---|---|---|---|
| **Ordinary resolutions** | | | | |
| **1** | **Re-election of directors** | | | |
| 1.1 | Dr ATM Mokgokong | | | |
| 1.2 | Dr ND Munisi | | | |
| 1.3 | Ms K Mkhize | | | |
| **2** | **Appointment of chairperson and Members to the Audit and Risk Committee** | | | |
| 2.1 | Mr JB Fernandes (Chairperson) | | | |
| 2.2 | Ms AM le Roux | | | |
| 2.3 | Ms M Chauke | | | |
| **3** | **Re-appointment of KPMG as independent auditors for the 2025 financial year** | | | |
| **4** | **Authorising the directors to issue shares for cash – limited to 3%** | | | |
| **5** | **Non-binding advisory vote on the Company's of Remuneration Policy** | | | |
| **6** | **Non-binding advisory vote on the Company's of Remuneration Implementation Report** | | | |
| **7** | **Authority of directors and/or Company Secretary** | | | |
| **Special resolutions** | | | | |
| **1.1** | **Approval of Non-Executive Directors'/External Committee Members' fees** | | | |
| **1.2** | **Approval of Audit and Risk Committee Special Ad Hoc Fees for 2024** | | | |
| **2.** | **General authority to repurchase shares** | | | |
| **3.** | **Financial assistance to a related or inter-related company or companies** | | | |
| **4.** | **Financial assistance for the subscription of shares to related or inter-related companies** | | | |

## Notes to form of proxy

### Please read the following notes and instructions carefully

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided. The person whose name appears first on this form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.

2. A proxy appointed by a shareholder in terms hereof may not delegate his authority to act on behalf of the shareholder to any other person.

3. A shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the AGM as he deems fit with respect to the entire shareholder's votes exercisable thereat.

4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. In addition to the foregoing, a shareholder may revoke the proxy appointment by:

   a) Cancelling it in writing or making a later inconsistent appointment of a proxy.

   b) Delivering a copy of the revocation instrument to the proxy and AfroCentric. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as at the later date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered in the required manner.

5. The Chairman of the AGM may reject or accept any form of proxy that is completed and/or received, otherwise than in accordance with these notes, provided that, in respect of acceptances, the Chairman is satisfied as to the manner in which the shareholder/s concerned wishes to vote.

6. Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder) to attend, speak and vote in place of that shareholder at the AGM.

7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by AfroCentric or the transfer secretaries or waived by the Chairman of the AGM.

8. Any alteration or correction made to this form of proxy must be initialled by the signatory/signatories.

9. Where there are joint holders of shares:

   a) Any one holder may sign this form of proxy.

   b) The vote of the senior (for that purpose, seniority will be determined by the order in which the names of shareholders appear on the register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of shares.

10. The form of proxy may be used at any adjournment or postponement of the AGM, including any postponement due to a lack of quorum, unless withdrawn by the shareholder.

11. Unlisted securities (if applicable) and shares held as treasury shares may not vote.

# ESG REPORTING INDEX

## JSE SUSTAINABILITY DISCLOSURE GUIDANCE

| CATEGORY | TOPIC | SUB-TOPIC | C/L | METRIC | MATERIAL AND RELEVANT | PAGE NUMBER IN THE REPORT | SECTION TITLE |
|---|---|---|---|---|---|---|---|
| **Governance** | **Board composition** | Board diversity and competence | C | Composition of the board and its committees by race; gender, membership of under-represented social groups, and stakeholder groups competencies relating to the risks, opportunities, and management of economic, environmental, and social issues. | YES<br>Unitary board | 97 | Board diversity<br>Combined Board skill set |
| | | Board independence | C | Composition of the board in relation to executive or non-executive; independence; tenure on the governance body; number of each individual's other significant positions and commitments, and the nature of the commitments. | YES<br>Unitary board | 97 | Board diversity – Independence and tenure |
| | | Remuneration practices | C | How performance criteria in the remuneration policies relate to the highest governance body and senior executives' objectives for economic, environmental, and social topics, as connected to the company's stated purpose, strategy and long-term value. | YES<br>Unitary board | 119 | Remuneration report |
| | **Ethical behaviour** | Anti-corruption | C | Total percentage of governance body members, employees and business partners who have received training on the organisation's anti-corruption policies and procedures, broken down by region. | YES<br>Tender business and public sector | 112 | Governance policies, procedures and processes – Ethical behaviour |
| | | | C | Total number and nature of incidents of corruption confirmed during the current year, related to this year and previous years. | YES<br>Tender business and public sector | 112 | Governance policies, procedures and processes – Ethical behaviour |
| | | | C | Description of the organisation's provision for whistleblowing, and the number and nature of issues raised through the whistleblowing facility, and how these were resolved. | YES<br>Tender business and public sector | 112 | Governance policies, procedures and processes – Ethical behaviour |
| | | | L | Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture to combat corruption. | YES<br>Tender business and public sector | 112 | Social and Ethics Committee report |
| | | | L | A description of:<br>1. The internal and external mechanisms for seeking advice about ethical and lawful behaviour and organisational integrity, and for reporting concerns about unethical or unlawful behaviour and lack of organisational integrity.<br>2. The extent to which these mechanisms have been used, and the outcomes of processes using these mechanisms. | YES<br>Tender business and public sector | 112 | Governance policies, procedures and processes – Ethical behaviour |

Core C Leadership L

| CATEGORY | TOPIC | SUB-TOPIC | C/L | METRIC | MATERIAL AND RELEVANT | PAGE NUMBER IN THE REPORT | SECTION TITLE |
|---|---|---|---|---|---|---|---|
| **Governance (continued)** | **Ethical behaviour (continued)** | Lobbying and political contributions | C | Identify the significant issues that are the focus of the company's participation in public policy development and lobbying, including within any business association that the company is a member of; describe the company's strategy relevant to these areas of focus; and any differences between its lobbying positions and its purpose, stated policies, goals or other public positions. | YES<br>Regulated sector | 30 | Our stakeholders |
| | | | C | Total amount of political contributions made per political party | YES<br>Regulated sector | N/A | N/A |
| | | Monetary loss from unethical behaviour | C | Total amount of monetary losses as a result of legal proceedings (including fines) associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice or violations of other related industry laws or regulations. | YES<br>Regulated sector | 112 | Governance policies, procedures and processes – Ethical behaviour |
| | **Compliance and risk management** | Incidents | C | Number and nature of significant environmental, social and/or governance related incidents, including incidents of legal non-compliance (whether under investigation, pending finalisation, or finalised) and directives, compliance notices, warnings or investigations, and any public controversies. | YES<br>Regulated sector | 112 | Governance policies, procedures and processes – Compliance |
| | | Fines | C | Total number of fines, settlements and penalties paid in relation to ESG incidents or breaches, including individual and total cost of the fines, settlements and penalties paid in relation to ESG incidents or breaches. | YES<br>Regulated sector | 112 | Our material matters – Legal, Regulatory, and Compliance Management |
| | **Tax transparency** | Tax paid and estimated tax gap | C | The total global tax borne by the company, including corporate income taxes, property taxes, non-creditable VAT and other sales taxes, employer-paid payroll taxes and other taxes that constitute costs to the company, by category of taxes. | YES<br>Significant cost | 114 | Unpacking the value derived from our business model for our stakeholders |
| | | | C | Extent of exposure to countries and jurisdictions recognised for their corporate tax rate, tax transparency and tax haven status; estimated tax gap (gap between estimated effective tax rate and estimated statutory tax rate). | YES<br>Multiple countries | 114 | Global Tax Disclosure |

| CATEGORY | TOPIC | SUB-TOPIC | C/L | METRIC | MATERIAL AND RELEVANT | PAGE NUMBER IN THE REPORT | SECTION TITLE |
|---|---|---|---|---|---|---|---|
| **Social** | **Labour standards** | Diversity and inclusion | C | Percentage of employees per employee category, by race, gender, age, and other indicators of diversity | YES >6 000 employees | 82 | Diversity and Inclusion |
| | | | C | Number of reports of discrimination and harassment incidents, investigation status of reported incidents, and actions taken and the total amount of monetary losses as a result of legal proceedings associated with i) law violations and ii) employment discrimination | YES >6 000 employees | 90 | Social and Ethics Committee report* |
| | | Pay equality | C | Ratio of CEO's total annual compensation to median total annual compensation of all employees (excluding the CEO) | YES >6 000 employees | N/A | N/A |
| | | | L | Ratio of the basic salary and remuneration for each employee category by significant locations of operation for priority areas of equality, including by race, gender, and other relevant equality areas | YES >6 000 employees | N/A | N/A |
| | | Wage level | C | Ratios of standard entry-level wage by race and gender compared to local minimum wage for the sector | YES >6 000 employees | N/A | N/A |
| | | | L | Mean pay gap of basic salary and remuneration of full-time relevant employees based on gender (women to men) and indicators of race at a company level or by significant location of operation | YES >6 000 employees | N/A | N/A |
| | | Living wage | L | Current wages against an identified 'living wage' for employees and contractors in states and localities where the company is operating | Not material | N/A | N/A |
| | | Freedom of Association and Collective Bargaining | C | Percentage of active workforce covered under collective bargaining agreements | YES >6 000 employees | 82 | Union members |
| | | | L | An explanation of the assessment performed on suppliers for which the right to freedom of association and collective bargaining is at risk including measures taken by the organisation to address these risks. | Not material | N/A | N/A |
| | | Temporary workers | C | Ratio of temporary workers to permanent workers (and absolute numbers of each), broken down by gender and racial group. | YES >6 000 employees | N/A | N/A |
| | **Human rights and community development** | Human rights (see also supply chain below) | C | Total number and percentage of operations that have been subject to human rights reviews or human rights impact assessments, by country. | YES Nature of regulated operations | N/A | N/A |
| | | | C | Number and type of grievances reported with associated impacts related to a salient human right issue in the reporting period and an explanation of impacts. | YES Nature of regulated operations | N/A | N/A |

| CATEGORY | TOPIC | SUB-TOPIC | C/L | METRIC | MATERIAL AND RELEVANT | PAGE NUMBER IN THE REPORT | SECTION TITLE |
|---|---|---|---|---|---|---|---|
| **Social (continued)** | **Human rights and community development (continued)** | Skills for the future | C | Average hours of training per person that the organisation's employees have undertaken during the reporting period, by gender and employee category (total number of trainings provided to employees divided by the number of employees) | YES<br>>6 000 employees | N/A | N/A |
| | | | C | Average training and development expenditure per full time employee | YES<br>>6 000 employees | N/A | N/A |
| | | Employment and wealth creation | C | Total number and rate of new employee hires during the reporting period, by age group, gender, other indicators of diversity and region | YES<br>>6 000 employees | 83 | Staff movement |
| | | | C | Total number and rate of employee turnover during the reporting period, by age group, gender, other indicators of diversity and region | YES<br>>6 000 employees | 83 | Staff movement |
| | | | C | Direct economic value generated and distributed (EVG&D) – on an accrual basis, covering the basic components for the organisation's global operations, ideally split out by: i) Revenue ii) Operating Costs iii) Employee wages and benefits iv) Payments to providers of capital v) Payments to government vi) Community investment (including charitable giving, impact investment and other forms of social investment) | YES<br>Multiple stakeholders | 4 | Creating value though our purpose |
| | | | C | Description of significant identified indirect economic impacts of the organisation, including for example: number of jobs supported in supply or distribution chain; number of suppliers / enterprises supported from defined vulnerable groups; nature of economic development in areas of high poverty; availability of products and services for those on low incomes or previously disadvantaged; enhanced skills and knowledge in a professional community or geographic location | YES<br>Multiple stakeholders | N/A | N/A |
| | | | C | Proportion of procurement spending on suppliers local to the organisation's operations and/or from defined vulnerable groups | YES<br>Multiple stakeholders | 88 | Transformation and B-BBEE |
| | | | L | Qualitative disclosure describing the extent of significant infrastructure investment and services supported | No<br>Low capital base | N/A | N/A |
| | | | L | Financial assistance received from the government – Total monetary value of financial assistance received by the organisation from any government during the reporting period | No<br>Low capital base | N/A | N/A |

| CATEGORY | TOPIC | SUB-TOPIC | C/L | METRIC | MATERIAL AND RELEVANT | PAGE NUMBER IN THE REPORT | SECTION TITLE |
|---|---|---|---|---|---|---|---|
| **Social (continued)** | **Health & Safety** | Workplace health and safety | C | Number and rate of fatalities during reporting period across the organisation. The disclosure should include both employees and workers who are not employees but whose work and/or workplace is controlled by the organisation. | YES<br>>6 000 employees | 84 | Employee wellbeing |
| | | | C | Number of recordable work-related injuries, and number of work-related illnesses or health conditions arising from exposure to hazards at work, during the reporting period. The disclosure should include both employees and workers who are not employees but whose work and/ or workplace is controlled by the organisation. | YES<br>>6 000 employees | 84 | Employee wellbeing |
| | | | L | An explanation of how the organisation facilitates workers' access to non-occupational medical and healthcare services and the scope of access provided for employees and workers | YES<br>>6 000 employees | 84 | Employee wellbeing |
| | **Customer responsibility** | High-risk products and services | L | Description of products and services that present specific risks to individuals, communities or the environment; an outline of the nature of these risks, and the measures taken to mitigate these. | TO BE ASSESSED*<br>Risk profile of products/ services | N/A | N/A |
| | | | C | Number and nature of any product recalls | YES<br>Pharmaceutical cluster | 43 | Overview of our material matters - Business continuity and business model adaptation |
| | | Product innovation | C | Total costs related to research and development aimed at enhancing social or environmental attributes of products and services | YES<br>Healthcare innovation | N/A | N/A |
| | | | L | Percentage of revenue from products and services designed to deliver specific social or environmental benefits or to address specific sustainability challenges; if the company applies a taxonomy or benchmark to label their activities as sustainable, they should report on the benchmark used and how they meet the criteria of the benchmark | YES<br>Healthcare impact | N/A | N/A |
| | | Consumer data and privacy | C | A description of the mechanisms and steps taken to ensure privacy of consumer data | YES<br>4.0 million lives under management | 46 | Our material matters – Cybersecurity and information security |
| | | | C | Number and types of breaches YES reported in relation to consumer data privacy | YES<br>4.0 million lives under management | 46 | Our material matters – Cybersecurity and information security |
| | **Supply Chain** | Supply Chain (Social) | C | Report wherever material across the value chain, mechanisms aimed at enhancing management of social issues (codes, policies, prevention, and treatment) | TO BE ASSESSED*<br>Risk profile of supply chain | N/A | N/A |
| | | | C | An explanation of suppliers considered to have significant risk for incidents of child labour, forced or compulsory labour. Such risks could emerge in relation to type of operation (such as manufacturing plant) and type of supplier; or countries or geographic areas with operations and suppliers considered at risk. | TO BE ASSESSED*<br>Risk profile of supply chain | N/A | N/A |
| | | | L | % Of products certified by external agencies, % of traceable origin | TO BE ASSESSED*<br>Risk profile of supply chain | N/A | N/A |

| CATEGORY | TOPIC | SUB-TOPIC | C/L | METRIC | MATERIAL AND RELEVANT | PAGE NUMBER IN THE REPORT | SECTION TITLE |
|---|---|---|---|---|---|---|---|
| **Environmental** | **Climate change** | GHG Emissions | C | For all relevant GHG (e.g., carbon dioxide, methane, nitrous oxide, F-gases etc.), report in metric tonnes of carbon dioxide equivalent ($tCO_2e$) GHG Protocol Scope 1 and Scope 2 emissions. | YES<br>Number of employees and logistics | 91 | Environmental performance |
| | | | L | Estimate and report material upstream and downstream (GHG Protocol Scope 3) emissions where appropriate. | YES<br>Number of employees and logistics | 91 | Environmental performance |
| | | Energy mix | C | Total energy use and share of energy usage by generation type noting use of energy from renewable non-fossil sources, (namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas). | YES<br>Number of employees and logistics | 93 | Energy mix |
| | | Science-based targets | L | Define and report progress against time-bound short, medium, and long- term science-based GHG emissions targets (see also the Narrative Disclosure on Metrics, Targets and Performance) that are in line with the goals of the Paris Agreement and Glasgow Climate Pact. This includes reducing global carbon dioxide emissions by 45% by 2030 relative to the 2010 level, and to net zero around mid-century, based on the best available scientific knowledge and equity, considering common but differentiated responsibilities and respective capabilities, and in the context of sustainable development and efforts to eradicate poverty. Science-based emissions reduction targets should be informed by recognised scientific methodologies and verified through approved processes and should as a minimum be consistent with relevant host country/ies Nationally Determined Contribution. | No<br>Not high impact | N/A | N/A |
| | | Just transition | C | Existence and nature of a 'just transition plan' that commits to stakeholder engagement with workers and communities (see the JSE Climate Disclosure Guidance for further detail) | No<br>Transition plans not high impact | N/A | N/A |
| | | | L | Number of engagements undertaken with affected parties by group and geography | No<br>Transition plans not high impact | N/A | N/A |
| | | | L | Number of workers in the past year retrained, retrenched, and/or compensated due to implementation of the decarbonisation plan | No<br>Transition plans not high impact | N/A | N/A |
| | | | L | Nature of climate-related lobbying activities, and those of relevant associations and membership groups, and their alignment with the objectives of the Paris Agreement and Glasgow Climate Pact | No<br>Transition plans not high impact | N/A | N/A |
| | | | L | Nature of provision for delivery of the transition plan within executive remuneration | TO BE ASSESSED* to transition plan | N/A | N/A |

| CATEGORY | TOPIC | SUB-TOPIC | C/L | METRIC | MATERIAL AND RELEVANT | PAGE NUMBER IN THE REPORT | SECTION TITLE |
|---|---|---|---|---|---|---|---|
| **Environmental (continued)** | **Climate change (continued)** | | L | Nature of provision for impacts on workers and communities within climate scenario plans | No<br>Transition plans not high impact | N/A | N/A |
| | | | L | Level of capital or expenditure deployed toward climate adaptation and climate mitigation projects. | TO BE ASSESSED*<br>to transition plan | N/A | * |
| | **Water security** | Water usage | C | Total amount of fresh water consumed | YES<br>Number of employees and logistics | 93 | Water |
| | | | C | Fresh water consumption intensity (water use / sales) | YES*<br>Number of employees and logistics | 93 | Water |
| | | | L | Report for operations where material, mega litres of water withdrawn, mega litres of water consumed and the percentage of each in regions with high or extremely high baseline water stress according to WRI Aqueduct water risk atlas tool | No<br>Not integral to operations | N/A | N/A |
| | **Pollution and waste** | Solid waste | C | Total solid waste generation (non- recycled) | YES<br>Number of employees and logistics | 94 | Pollution and waste |
| | | | C | Total hazardous waste generation | No<br>Hazardous waste not evident | N/A | N/A |
| | | | L | Total waste recycled | YES<br>Number of employees and logistics | 94 | Pollution and waste |
| | | | C | Waste intensity (total waste / sales) | YES<br>Number of employees and logistics | N/A | N/A |
| | | Single use plastic | L | Report wherever material along the value chain: estimated metric tonnes of single-use plastic consumed and share (%) of single-use plastic weight of total plastic weight | TO BE ASSESSED*<br>For courier/logistics | N/A | N/A |
| | | Atmospheric pollution | C | Report wherever material along the value chain: nitrogen oxides (NOx), sulphur oxides (SOx), Volatile Organic Compounds, particulate matter and other significant air emissions | No<br>Not evident from operations | N/A | N/A |
| | | | L | Wherever possible estimate the proportion of specified emissions that occur in or adjacent to urban/densely populated areas | No<br>Not evident from operations | N/A | N/A |

| CATEGORY | TOPIC | SUB-TOPIC | C/L | METRIC | MATERIAL AND RELEVANT | PAGE NUMBER IN THE REPORT | SECTION TITLE |
|---|---|---|---|---|---|---|---|
| **Environmental (continued)** | **Pollution and waste (continued)** | Water pollution | L | Estimate and report wherever material along the value chain: metric tonnes of nitrogen, phosphorous and potassium in fertilizer consumed | No<br>Not evident from operations | N/A | N/A |
| | **Biodiversity and land use** | | C | Report the number and area (in hectares) of sites owned, leased or managed in or adjacent to protected areas and/or key biodiversity areas (KBA). Report for operations (if applicable) and full supply chain (if material) | No<br>Not evident from operations | N/A | N/A |
| | | | C | Area of land used for the production of basic plant, animal, or mineral commodities (e.g., the area of land used for forestry, agriculture, or mining activities). | No<br>Not evident from operations | N/A | N/A |
| | | | L | Percentage of land area in point 1 above covered by a sustainability certification standard or formalised sustainability management programme; Percentage of land area in point 2 above covered by a sustainability certification programme or formalised sustainability management system | No<br>Not evident from operations | N/A | N/A |
| | **Supply chain and materials** | Supply chain (environmental) | L | Report wherever material across the value chain, mechanisms aimed at enhancing management of environmental issues (codes, policies, prevention, and treatment) | TO BE ASSESSED*<br>Risk profile of supply chain | N/A | N/A |
| | | Materials of concern | C | Process to identify and manage emerging materials and chemicals of concern in products (materials of concern could include conflict minerals or recognised high impact raw materials such as palm oil) | TO BE ASSESSED*<br>Risk profile of supply chain | N/A | N/A |
| | | | L | Percentage of materials identified in point 1 above that are covered by a sustainability certification standard or formalised sustainability management programme | TO BE ASSESSED*<br>Risk profile of supply chain | N/A | N/A |

* *In line with AfroCentric's objective to continuously improve our ESG disclosure, we will continue to expand the scope of our disclosures over the coming years as we integrate the necessary processes into the business to manage and measure the full range of matters identified.*

# TABLE OF ABBREVIATIONS

| | |
|---|---|
| **ACT** | AfroCentric Group |
| **AfA** | Aid for Aids |
| **AFS** | Annual Financial Statements |
| **AGM** | Annual general meeting |
| **AHL** | AfroCentric Health Limited |
| **AI** | Artificial intelligence |
| **AIC** | African, Indian and Coloured |
| **BHF** | Board of Healthcare Funders |
| **BLSA** | Business Leadership South Africa |
| **BSC** | Balanced scorecard |
| **BUSA** | Business Unity South Africa |
| **CCMDD** | Central Chronic Medicine Dispensing and Distribution |
| **CEO** | Chief Executive Officer |
| **CFO** | Chief Financial Officer |
| **CIO** | Chief Information Officer |
| **CMS** | Council for Medical Schemes |
| **COID** | Compensation for Occupational Injuries and Diseases |
| **COO** | Chief Operating Officer |
| **CSDP** | Central Securities Depository Participant |
| **DBC** | Document-based care |
| **DENIS** | Dental Information Systems |
| **EAP** | Employee assistance programme |
| **EBIT** | Earnings before interest and taxes |
| **EERCO** | Executive Enterprise Risk Committee |
| **ERM** | Enterprise Risk Management |
| **ESD** | Enterprise and supplier development |
| **ESG** | Environmental, social and governance |
| **FP** | Family practitioner |
| **FSP** | Forfeitable Share Plan |
| **FWA** | Fraud, waste and abuse |
| **GEMS** | Government Employees Medical Scheme |
| **GenAI** | Generative Artificial Intelligence |
| **GHG** | Greenhouse gas |
| **GNU** | Government of National Unity |
| **HCP** | Healthcare Professional Portal |
| **ICT** | Information Communication Technology |
| **IoT** | Internet of Things |
| **IR** | Integrated report |
| **ISO** | International Organization for Standardization |
| **IT** | Information technology |
| **JSE** | Johannesburg Stock Exchange |
| **KPI** | Key performance indicators |
| **LCBO** | Low-Cost Benefit Option |
| **LTI** | Long-term incentive |
| **MBA** | Master in Business Administration |
| **MOI** | Memorandum of Incorporation |
| **MSR** | Minimum shareholding requirement |
| **NAV** | Net asset value |
| **NCD** | Non-communicable diseases |
| **NDoH** | National Department of Health |
| **NDP** | National Development Plan |
| **NEHAWU** | National Education, Health and Allied Workers' Union |
| **NHA** | Neil Harvey and Associates |
| **NHI** | National Health Insurance |
| **POPIA** | Protection of Personal Information Act |
| **QAR** | Quality Assurance Review |
| **R&D** | Research and development |
| **ROIC** | Return on invested capital |
| **SABCOHA** | South African Business Coalition on Health and AIDS |
| **SAHPRA** | South African Health Products Regulatory Authority |
| **SALU** | South African Legal Union |
| **SDGs** | Sustainable Development Goals |
| **SENS** | Stock Exchange News Service |
| **STI** | Short-term incentive |
| **TRIR** | Total recordable incidence rate |
| **VAT** | Value-added tax |

# NOTES

# COMPANY INFORMATION

## Registration number

1988/000570/06

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