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**H e a l t h M a r k e t I n q u i r y**

Promoting Healthy Competition

RESEARCH NOTE:

## CROSS-OWNERSHIP AND CROSS-DIRECTORSHIPS IN THE SOUTH AFRICAN PRIVATE HEALTH SECTOR

MAY 2017

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## **ABBREVIATIONS**

AfroCentric:	AfroCentric Investment Corporation Limited
CMS:	Council for Medical Schemes
CIH:	Community Investment Holdings Proprietary Limited
DL:	Discovery Limited
FRG:	FirstRand Group
GEPF:	Government Employees Pension Fund
HMI:	Health Market Inquiry
MCO:	Managed care organisation
MMI:	MMI Holdings Limited
RMBH:	RMB Holdings Limited
RMIH:	Rand Merchant Bank Investment Holdings
Remgro:	Remgro Limited
Royal BHPL:	Royal Bafokeng Holdings Proprietary Limited

## PREAMBLE

1. The HMI is interested in assessing structural relationships between various players in the private healthcare market and how these influence competitive dynamics and market outcomes. Further, as part of its work, the HMI has to analyse any evidence of anti-competitive behaviour, including among others; the exertion of market power through collusion or where firms in the market co-operate in their own interests to the detriment of consumers or stifle innovation.
2. In the course of research undertaken by the HMI, *cross-ownership* and *cross directorship* of firms operating in the South African health sector have been identified as some of the factors potentially affecting competitive dynamics in the market.
3. During its desktop research, the HMI examined financial holding structures that merit further attention in this context. We focus primarily on two financial groups with large financial stakes in the South African healthcare market. These are Remgro Limited (Remgro) and AfroCentric Investment Corporation Limited (AfroCentric). We selected these two financial groups since the scale and scope of the investments involved may allow the groups to substantially influence the commercial and strategic decisions taken by the management of the portfolio firms. They may even influence the very structure of competition in the South African healthcare market.
4. Next to these two large financial holding structures, the HMI has also been provided with several submissions signalling cross-ownership structures at a somewhat smaller scale. Although smaller from a financial point of view, these ownership structures may similarly pose potentially serious competition problems in the respective relevant markets.

5. This research note does not intend to represent a full picture of the level and degree of cross-ownership and cross-directorship across the entire healthcare industry. Below we explain how we arrived at the selection of players we have focussed on based on publicly available information.
  
6. The HMI would like to gather evidence on existing cross-ownership and cross-directorships within the South African healthcare sector in order to evaluate its effects on the market. Stakeholders are kindly requested to check the facts provided in this research note, and provide evidence that is missing that would contribute to the HMI's understanding of the nature of cross-ownership and cross-directorships in the South African healthcare sector.
  
7. In particular, the HMI invites stakeholders to provide evidence of possible harm to competition and access to healthcare caused by prevailing cross-ownership and cross-directorship structures in the South African healthcare sector.
  
8. The HMI invites stakeholders to provide their submissions **within 4 weeks** of publication of this research note.



# RESEARCH NOTE

## Introduction

9. Cross-ownership refers to a situation in which company A holds shares in company B and/or vice versa. Companies A and B may be direct (horizontal) competitors or may have vertical or conglomerate relationships. Cross-ownership for our purpose will be interpreted as to include a situation in which an investment company owns shares in two or more companies in the same industry<sup>1</sup>. These shares may be substantial and controlling or may involve minority shareholdings. They may or may not be accompanied by an explicit strategic influence of the financial investor in the decision making of the firms in which it has financial interest.
  
10. Cross-directorship (also referred to as interlocking directorships or ‘interlocks’) exists where the same individual serves as a director on the boards of two or more firms. Cross-directorships can also be horizontal (firms in the same industry), vertical (firms with a supplier / buyer relationship) and conglomerate (firms from different, non-related industries). From an antitrust perspective, cross-directorships are related to the acquisition of (minority) shares in the sense that they establish structural links between two or more firms
  
11. Cross directorships are subject to antitrust restrictions in a number of countries, including the United States (Section 8 Clayton Act) and Japan (Art 13-1 of the Antimonopoly Act). The European Union (EU) antitrust rules do not explicitly formulate restrictions on both cross-directorships and minority cross-ownerships. In 2014, the European Commission released a White Paper which dealt with acquisition of minority shareholdings without control in the context of mergers. Significantly, the paper does not address cross-directorships – even though they resemble minority shareholdings in their potential anticompetitive effects.<sup>2</sup>

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<sup>1</sup> Sometimes referred to as ‘common ownership’.

<sup>2</sup> European Commission. Towards more effective EU merger control. White paper document 52014 DC 0449. 2014.

12. The Competition Tribunal of South Africa has in various cases expressed its concerns on the prevalence of interlocking directorships between competing firms. However, to assess the effects thereof, an examination of the structural dynamics of the market and the nature of interaction and relationships between the competing firms has to be done to determine whether it exhibits co-operation rather than competition. There needs to be evidence of any existing co-ordination. Furthermore, it has to be assessed whether the link between the competing firms potentially results in the ability to influence the operational and strategic decision making of the interrelated firms.<sup>3</sup>
  
13. The subject of cross-ownership has been studied extensively in antitrust literature and has gained prominence recently.<sup>4</sup> The United States Antitrust authorities and the European Commission last year put the subject explicitly on their enforcement agendas<sup>5</sup>.
  
14. Cross-ownership structures and cross-directorships do not necessarily signify competition problems. There may be efficiency-related reasons for cross-directorship structures, and there may be sound financial arguments for investors to invest extensively in companies in the same industry or for companies to hold shares in one another. Competition problems, however, may and do arise out of these structures.
  
15. Competition problems commonly associated with cross-ownership in general are threefold:
  - a. Cross-ownership of firms with related commercial interests may increase the risk of exchange of competitively sensitive information. This may facilitate price-collusion or restrain capacity and volumes. Interlocking directorships can play a similar role. Motta (2004) puts it this way:

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<sup>3</sup> The Tribunal has dealt with these issues in various merger cases including: *Momentum Group and African Life Health Pty Ltd* 87/LM/Sep05; *Primedia Limited / New Africa Investment Limited* 39/AM/May 06; *Main Street 333 Pty Ltd/Kumba Reserves* 14/LM/Feb06.

<sup>4</sup> A seminal article is : O'Brien, D.P., and S.C. Salop (2000) "Competitive effects of partial ownership: Financial Interest and Corporate Control," *Antitrust Law Journal*, 67, 559-614.

<sup>5</sup> Barry A. Nigro, Jr., Fried, Frank, Harris, Shriver & Jacobson LLP, "Cross-Ownership by Institutional Investors", (2016), Harvard Law Forum on Corporate Governance and Financial Regulation.

*If a firm has participation in a competitor, even without controlling it, the scope for collusion will be enhanced. First and more obvious, if a representative of a firm is sitting in the board of directors of a rival firm, it will be easier to exchange information on the marketing and pricing policies, which makes it easy to monitor a rival's behaviour... an important facilitating factor for collusion.*<sup>6</sup>

- b. Secondly, cross-ownership structures may increase the ability to influence or control the strategic competitive decisions of a (partially) co-owned firm. This may be facilitated by interlocking directorships, but is not the only way in which this may happen. As has been demonstrated in recent research, even fund managers of financial investors with minority holdings may have several ways of influencing the decisions of the management of firms they hold shares in, even without being represented in the respective boards<sup>7</sup>.
  
- c. Thirdly, cross-ownership may change incentive structures of the management of the firms. This is obvious if (significant) cross-ownerships of firm A and B selling in one market is considered. A's incentive to undercut B's prices changes if B's future losses have to be taken into consideration as well. But similar considerations might apply for large diversified investment funds with considerable minority stakes in an industry. Under this theory, because the institutional shareholder benefits when all of its investments in an industry succeed, the investor would prefer that its portfolio investments avoid competing with one another to boost industry-wide profits. This may explain why managements' remuneration packages may refer to the profitability of the industry, instead of a particular firm only<sup>8</sup>. Moreover, the portfolio firms, in turn, having knowledge of these common investments and the interest of their important

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<sup>6</sup> M.Motta, "Competition policy: theory and practice", (2004), Cambridge University Press, p.144.

<sup>7</sup> Jose Azar, Martin C. Schmalz and Isabel Tecu, "Anti-competitive Effects of Common Ownership", (2015), Ross School of Business, paper no. 1235.

<sup>8</sup> Einar Elhauge, "Horizontal Shareholding as an Antitrust Violation, (2016), *Harvard Law Review*, Vol. 109, No.5.

financial stakeholders, might voluntarily refrain from fierce competition in order to please the largest stakeholders.

16. Possible evidence of cross-shareholdings, and possible findings of correlations between cross-shareholdings and higher prices, as have been found in recent studies in the United States in the Airline<sup>9</sup> and Banking<sup>10</sup> industries, is not enough. There must be credible theories of harm whereby firms must be able to financially gain from inflicting harm to competition and they must have sufficient economic power, either individually or collectively, to be able to influence market prices, capacity, volumes<sup>11</sup> or all three. In other words, market participants must have both the incentive *and* the ability to influence and harm competition and competitive outcomes.

17. This harm may take the form of stifling innovation; the quality of products and services and the way markets for these products and services are organised. In that sense, cross-ownership and directorship may even influence the very structure of competition and innovation. For example, it may influence investment decisions or decisions to innovate and invest in new products, services or organisational structures. Decisions in a market with cross-ownerships will now be informed not only by the interest of the investing company, but also by the interest of competing companies in the same group. In healthcare funding, a decision to invest in managed healthcare by a player on the funding side of the market may be in the interest of the consumer, but may not be in the interest of other parties on the supply side of the market within the same financial group.

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<sup>9</sup> Ibid.

<sup>10</sup> Jose Azar, Sahil Raina and Martin C. Schmalz, "Ultimate Ownership and Bank Competition", (2016), Available at SSRN: <https://ssrn.com/abstract=2710252> or <http://dx.doi.org/10.2139/ssrn.2710252>

<sup>11</sup> For example, the healthcare sector everywhere in the world is known to be vulnerable to a phenomenon known as 'supplier induced demand'. Supplier induced demand may be a problem for the individual scheme, or for the consumer that needs to pay increasing scheme premiums, but may not be such a problem for the financial group with common ownership interests in the wider healthcare industry. Introducing alternative reimbursement methods like global fees and population management contracts may under these circumstances not be a priority.

18. The private health system does not fit neatly into functional categories (insurer, hospital group, administrator, etc.) due to complex ownership relationships that operate across all parts of the system.
19. This complexity is best demonstrated by selecting examples that illustrate this crossover between different stakeholder categories. This notes seeks to illustrate this, however it does not describe ownership and directorship structures across the entire private health sector. Nonetheless the HMI is interested in similar cross-ownership and/or cross-directorships in the private health sector.
20. With regard to cross-ownerships, the HMI used public domain information to:
  - a. select corporate groups based on their ownership of the three largest medical scheme administrators and three largest hospital groups; then
  - b. review subsidiaries within the corporate groups on the basis of relevance to private healthcare and ownership in excess of 25%, which the HMI considers sufficient to influence strategic decisions.
21. Based on this approach, two corporate group structures were identified and are described.
  - a. The first is Remgro Limited (Remgro) which forms part of a complex of companies that have significant ownership of both MMI Holdings Limited (MMI) and Discovery Limited (DL) which together have significant holdings in medical scheme administration, managed care and brokerages (**Table A1**). This corporate group also contains Mediclinic, one of the big three hospital groups.
  - b. The second is the AfroCentric Investment Corporation Limited (AfroCentric), which ultimately owns, *inter alia*, Medscheme Holdings, the medical scheme administrator and various managed care companies and a brokerage. In addition, it owns and controls pharmaceutical manufacturers, other medical product manufacturers, distributors of medical products and retail pharmacy outlets.
22. The HMI also used public domain information to review cross-directorship patterns and was able to supplement these analyses with information submitted to it.

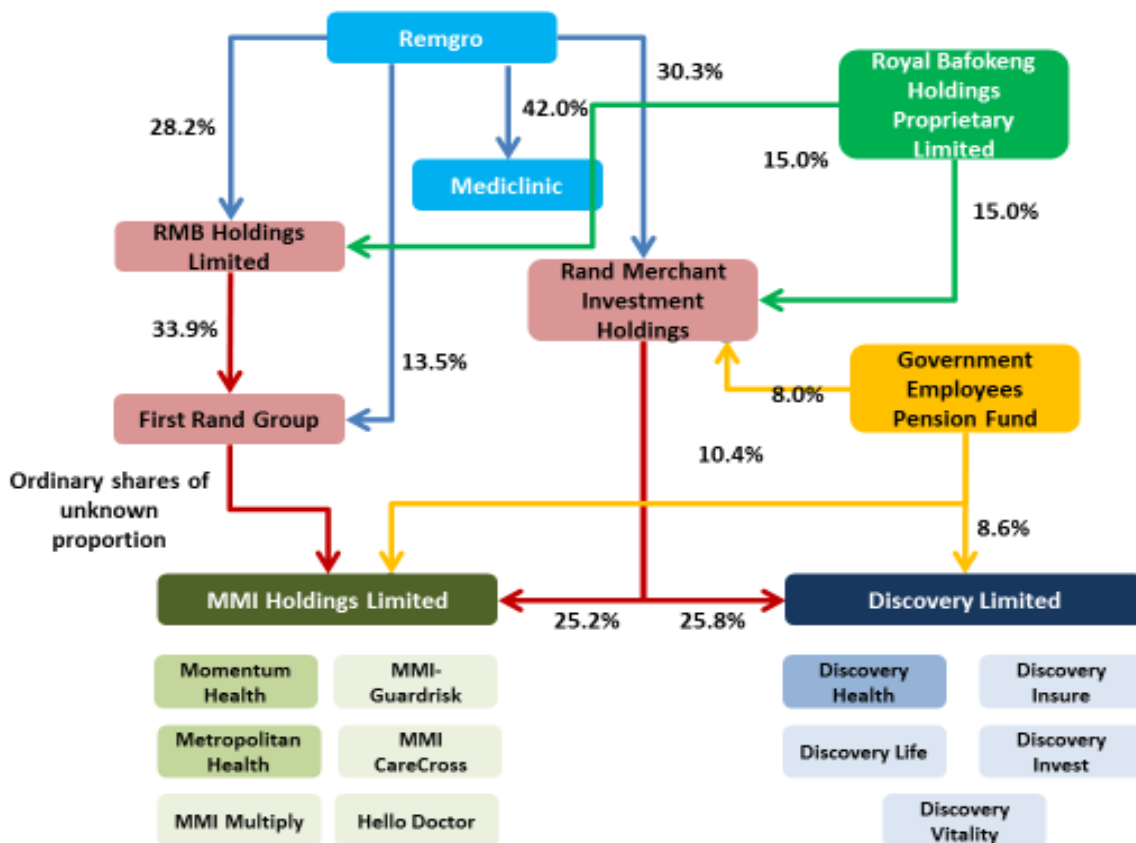
23. Corporate groups that did not meet the criteria set by the HMI to assess ownership but could still be relevant in relation to cross-directorship were Life Healthcare Group Holdings Limited (“Life”) and Netcare Limited (“Netcare”). Life and Netcare do not meet all of the criteria (paragraph 20) used to identify organisations whose ownership structures raise potential cross-ownership concerns. These hospital groups do not have corporate shareholders who individually own at least 25% of equity. The HMI did, however, consider possible cross-directorship relationships that could exist that warranted further assessment.

24. A summary of ownership and director information of Life and Netcare as obtained from the public domain is included in annexures B and C respectively for ease of reference and to facilitate comment if any significant information has been omitted.

## Remgro

25. Remgro is an investment holding company that contains assets in a wide range of industries, including financial services and healthcare. The healthcare assets are held both directly and indirectly. Remgro, which owns 28.2% of RMB Holdings Limited (RMBH) and 30.3% of Rand Merchant Investment Holdings Limited (RMIH), directly owns 42.0% of Mediclinic, one of the three largest hospital groups in South Africa. **Figure 1.**

**Figure 1: Ownership relationships of MMI Holdings Limited and Discovery Limited<sup>12 13</sup>**



<sup>12</sup> Source: <http://www.remgro.com/about-remgro/group-structure/> [downloaded 3 October 2016].

<sup>13</sup> Discovery Health, in its response to HMI information requests, listed Southern Rx as a registered pharmacy that offers dispensing services.

26. Two of the main holding companies falling under Remgro, MMI and DL, also have inter-related ownership relationships that have characterised their structures from the late 1990s to the present.<sup>14 15</sup>
27. The Chief Executive of Remgro also sits on the boards of DL, Mediclinic and the FirstRand Group (FRG). This derives from their ownership relationship to RMBH and RMIH.<sup>16 17</sup>
28. The merger of Momentum and Metropolitan to create MMI in 2010 resulted in the common shareholding of MMI and DL by RMIH.<sup>18</sup>
29. The board of RMIH includes directors from both MMI (which includes both Metropolitan and Momentum Health) and DL. RMIH is the largest shareholder of both, with an unknown shareholding of ordinary shares by the FirstRand Group which is 33.9% owned by RMIH. Both RMIH and RMBH share the same directors. (**Table 1**).
30. A substantial commercial relationship therefore exists between the largest and most influential owners of DL, the owners of MMI and one major hospital group, Mediclinic. Within the group structure, organised relationships with broker markets (both through ownership and contract) are standard as medical schemes are only one of the financial products which form the core business of RMIH, DL and MMI. (**Figure 1**).

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<sup>14</sup> Source: <http://www.remgro.com/about-remgro/group-structure/> [downloaded 3 October 2016]

<sup>15</sup> This refers to the ownership relationship that existed between Momentum, FirstRand and Discovery. This relationship was ultimately unbundled to construct the present group structure. These are not discussed further as they are not relevant to the present health system.

<sup>16</sup> Source: <http://www.remgro.com/about-remgro/directorate/> [downloaded 3 October 2016].

<sup>17</sup> Source: <http://rmih.co.za/our-investments/listed-investments/> [downloaded 15 May 2017].

<sup>18</sup> Competition Tribunal of South Africa. Case No.: 41/LM/Jul10 Metropolitan Holdings Limited(restricted)/Momentum Group Limited (unrestricted). 2010.



**Table 1: Rand Merchant Insurance Holdings directors holding cross directorships within the REMGRO health group of companies\*.** <sup>19 20 21 22</sup>

Directors of RMIH	Discovery (Ltd)	MMI Holdings (Ltd)	Mediclinic International (Ltd)	FirstRand Group	Remgro (Ltd)	RMB Holdings (Ltd)	Royal Bafokeng Holdings
Director 1						X	CE
Director 2						X	
Director 3					X	Ch	
Director 4	X					CE	
Director 5	X		X	X	CE	X	
Director 6						X	
Director 7		X		CE		X	
Director 8		X				X	
Director 9				Ch		X	
Director 10					X	X	
Director 11						X	
Director 12				X		X	
Director 13				X	X	X	
Director 14						X	
Director 15				X		X	
Director 16	X					X	
<b>Total</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>6</b>	<b>4</b>	<b>16</b>	<b>1</b>

\* X indicates that a cross directorship exists. CE indicates that the cross directorship is held by the Chief Executive. Ch indicates that the cross directorship is held by the Chairperson.

<sup>19</sup> Source: <http://www.remgro.com/about-remgro/directorate/> [downloaded 3 October 2016].

<sup>20</sup> Source: <https://www.firststrand.co.za/AboutUs/Pages/management-and-board.aspx> [downloaded 3 October 2016].

<sup>21</sup> Source: <http://www.mmiholdings.co.za/en/about/leadership/directors> [downloaded 3 October 2016]

<sup>22</sup> Source: <https://www.discovery.co.za/portal/corporate/our-businesses> [downloaded 3 October 2016].

## AfroCentric

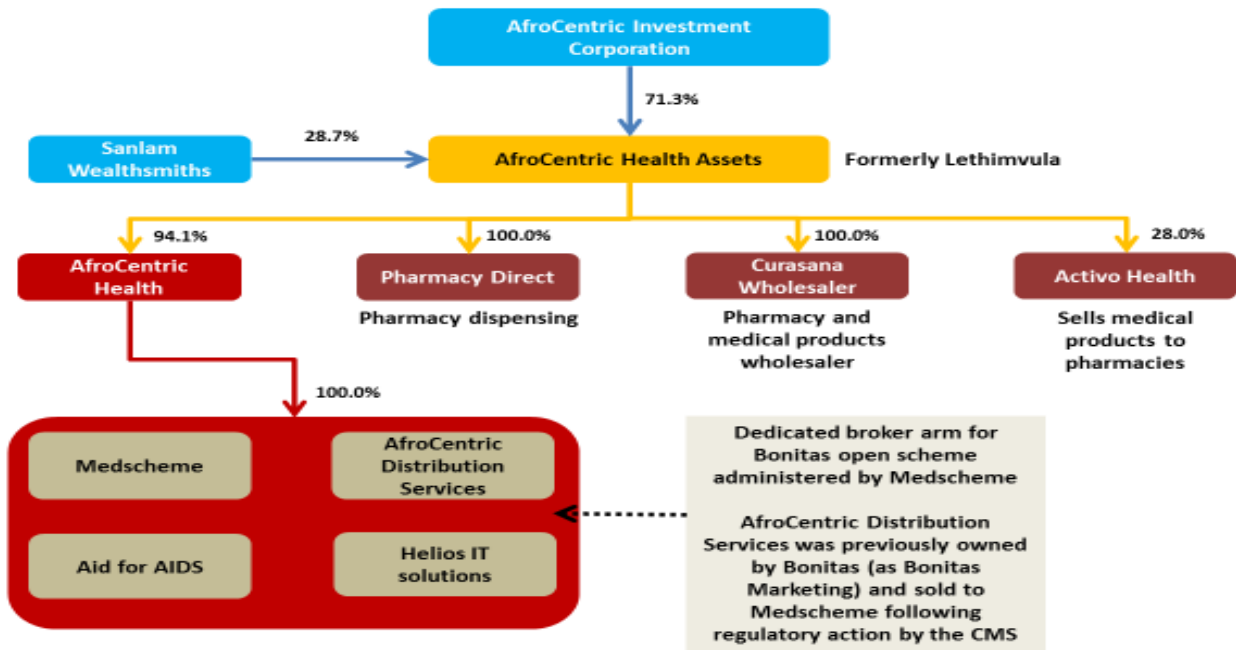
31. The medical scheme administrator, Medscheme, forms part of a complex group structure falling under the umbrella of AfroCentric (**Figure 2**).
32. AfroCentric includes: healthcare administration; pharmaceutical manufacturing, wholesaling and dispensing; short- and long-term insurance; together with a dedicated marketing/broking arrangement for Bonitas Medical Fund, AfroCentric Distribution Services (Pty) Limited (previously Bonitas Marketing); and HIV and AIDS disease management. Managed care services also form part of Medscheme's offering.
33. AfroCentric was formerly known as Lethimvula (and before that Netpartner), an investment vehicle established by a consortium of doctor associations together with Netcare, one of the big three hospital groups (through a 46.3% shareholding<sup>23</sup>) and Community Investment Holdings Proprietary Limited (CIH) (which owned various hospitals jointly with Netcare).
34. As a consequence of Competition Tribunal proceedings emerging from the intended merger of Netcare and Netpartner (as a precursor to its intended purchase of Medscheme Holdings), an arrangement substantially involving CIH, Netcare agreed to purchase the hospitals it held together with CIH and thereby to withdraw from Netpartner.<sup>24</sup> This enabled CIH to remain part of the consortium that now owns and controls AfroCentric.

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<sup>23</sup> Competition Tribunal of South Africa. Case No.: 46/LM/May06. Network Healthcare Holdings Limited Primary Acquiring Firm and Netpartner Investments Limited Primary Target Firm. 2006.

<sup>24</sup> This resulted in the subsequent merger between the Netcare Hospital Group (Pty) Ltd and Community Hospital Group (Pty) Ltd.

Figure 2: AfroCentric ownership structure <sup>25 26</sup>



35. CIH, however, continues as a separate company with the chairperson of AfroCentric also its executive chairperson. The chief executive of CIH is also a director of AfroCentric. CIH's areas of business include: hospital products, pharmaceuticals, medical product distributors, and medical equipment<sup>27 28</sup>.
36. AfroCentric is also indirectly linked to Adcock Ingram, one of South Africa's largest suppliers of generic pharmaceuticals, through common directorships - one director and the chairperson of AfroCentric are directors of Adcock Ingram.<sup>29 30</sup>

<sup>25</sup> The structure is a high-level overview reflecting the main components of relevance to the HMI. Excluded are companies focused on foreign countries or smaller entities.

<sup>26</sup> Source: <http://www.afrocentric.za.com/pdf/group-structure/structure.pdf> [downloaded 3 October 2016].

<sup>27</sup> Source: [http://www.ciholdings.co.za/exec\\_chairperson.html](http://www.ciholdings.co.za/exec_chairperson.html) [downloaded 3 October 2016]

<sup>28</sup> Source: <http://www.afrocentric.za.com/au-board.php> [downloaded 3 October 2016].

<sup>29</sup> Source: <http://www.afrocentric.za.com/au-board.php> [downloaded 3 October 2016].

<sup>30</sup> Source: <http://www.adcock.com/AboutUs/Directors> [downloaded 3 October 2016].

## Administrator market shares according to corporate group

37. Here the HMI lists the administrators, MCOs and brokerages by the corporate group where they are either one and the same entity or a subsidiary. A wider range of corporate groups are examined based on the Council of Medical Scheme (CMS) information provided on their website.<sup>31 32</sup>
38. The results as presented in **Table 2** are summarised as follows:
- a. In total, 56.9% of the total medical scheme beneficiaries under administration fall within the Remgro corporate group and 22.6% within the Afrocentric corporate group. Together, 79.5% of all medical scheme beneficiaries fall within either Remgro or AfroCentric.
  - b. Four accredited medical scheme administrators, six MCOs and four brokerages fall within the Remgro corporate group.
  - c. AfroCentric controls one administrator, one brokerage and three MCOs. It is however possible to see Sanlam as part of the corporate group relationship with AfroCentric through its 23.7% ownership of AfroCentric Health Investments. Were this to be the case, a further two administrators, one MCO and one brokerage would be added to AfroCentric. It would however make no substantial difference to the relative shares of total medical scheme beneficiaries under administration.

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<sup>31</sup> Health Market Inquiry. Database compiled from data supplied by the Council for Medical Schemes. 2016.

<sup>32</sup> These are not all strictly speaking corporate groups. Related parties are grouped under a single name referred to as a corporate group purely for reference purposes.

**Table 2: Administrators, broker organisations and MCOs by ‘corporate group’(2016 ownership and 2014 beneficiary breakdown)<sup>33</sup>**

Corporate Group	Admin	Broker	MCO	Total	Beneficiaries	% of total	
Remgro	4	4	6	14	4,982,593	56.9%	<b>79.5%</b>
AfroCentric	1	1	3	5	1,976,785	22.6%	
Sanlam <sup>34</sup>	2	1	1	4	244,582	2.8%	<b>8.2%</b>
PPS	1	2	1	4	140,771	1.6%	
Liberty	1	2	1	4	131,261	1.5%	
Providence	1	1	1	3	67,547	0.8%	
Universal	1	1	1	3	59,093	0.7%	
Netcare	1		2	3	39,066	0.4%	
Private Health Administrators	1	1	1	3	35,472	0.4%	
Other							
both admin and MCO	3		3	6	257,686	2.9%	<b>12.3%</b>
only admin	14		1	15	819,452	9.4%	
<b>Grand Total</b>	<b>30</b>	<b>13</b>	<b>21</b>	<b>64</b>	<b>8,754,308</b>	<b>100.0%</b>	<b>100.0%</b>

## Hospital Groups

39. As stated above, Life and Netcare did not meet the criteria set by the HMI in its assessment of publicly available information on cross-ownership. However, the HMI could still consider the possible relationships that exist as a result of cross-directorships. In order to conduct an assessment of cross-directorships, the HMI considered not only the publicly available information, but also information that was submitted to the HMI.
40. The HMI used the information regarding the active directors in each of these companies and cross referenced this information to the Companies and Intellectual Property Commission (CIPC) database of registered companies and directors. This analysis allowed the HMI to identify whether directors in the hospital groups also held directorships in other entities registered with the CIPC.

<sup>33</sup> Health Market Inquiry. Database compiled from data supplied by the Council for Medical Schemes. 2016.

<sup>34</sup> This classification of group ownership arises from the management of Bestmed by Sanlam Health Administrators (Pty) Ltd, a relationship that terminated after 2014. Bestmed is now self-administered.

41. This simple analysis merely demonstrated that some directors in the hospital groups also held directorships in other companies registered with the CIPC. This could include companies within the same group, associated companies or other companies operating in the private healthcare sector. It should be noted that this analysis would not be able to identify the nature of the relationship between the identified entities and the directors. This would require further analysis.
  
42. The HMI is not in a position to draw any conclusions on the nature of the cross directorships observed or the effects thereof without conducting further analysis of the relationships and operations of the companies. However, what this analysis sought to demonstrate is that cross directorships do in fact occur in the South African private healthcare sector.

## Concluding Remarks

43. This research is based on the criteria stated above and relied largely on publicly available information, the HMI is well aware that cross-ownership and cross directorship relationships can exist in various parts of the private healthcare sector.
44. Cross-ownerships and cross directorships are not limited to the entities discussed above, but may persist in relationships between healthcare funders, healthcare providers, suppliers of medical equipment, and any other firm engaging in activities in the sector.
45. The ownership structures in this note indicate complex and diffuse interrelationships between firms. It stands to reason that these structures may provide disincentives to vigorous competition so as not to disadvantage the investment holding companies' financial interests.
46. An assessment of these relationships needs to consider the nature and extent of these relationships as well as the conduct and effects of the entities that find themselves in these relationships in order to determine whether they do in fact lead to anticompetitive outcomes in the South African healthcare sector.
47. The HMI invites stakeholders to provide evidence of possible harm to competition and access to healthcare caused by prevailing cross-ownership and cross-directorship structures in the South African health sector as a whole.

## ANNEXURE A: CORPORATE GROUP OWNERSHIP OF ADMINISTRATORS, MANAGED CARE COMPANIES AND BROKERS

**Table A1: Company and corporate group ownership of accredited administrators, brokerages and managed care organisations<sup>35</sup>**

Company/entity	Corporate Group <sup>36</sup>	Accredited administrators	Accredited brokers	Accredited managed care organisations	Total
Discovery Health (Pty) Ltd	Remgro	1	1	1	3
Professional Provident Society Healthcare Administrators (Pty) Ltd	PPS	1	1	1	3
Providence Healthcare Risk Managers (Pty) Ltd	Providence	1	1	1	3
Agility Health (Pty) Ltd	Agility Holdings	1		1	2
Allcare Administrators (Pty) Ltd	Allcare	1		1	2
Medscheme Holdings (Pty) Ltd	Afrocentric	1		1	2
MMI Health (Pty) Ltd	Remgro	1		1	2
Sechaba Medical Solutions (Pty) Ltd	Sechaba	1		1	2
Sweidan and Company (Pty) Ltd	Private Health Administrators		1	1	2
V Med Administrators (Pty) Ltd	Liberty	1		1	2
Afrocentric Consulting CC	Afrocentric		1		1
Aid for Aids Management (Pty) Ltd	Afrocentric			1	1
Bestmed Medical Scheme	Sanlam	1			1
Cape Medical Plan	Cape Medical Plan	1			1
CareCross Health (Pty) Ltd	Remgro			1	1
Centre for Diabetes and Endocrinology (Pty) Ltd	CDE			1	1

<sup>35</sup> Health Market Inquiry. Database compiled from data supplied by the Council for Medical Schemes. 2016.

<sup>36</sup> The term “corporate group” refers to an indicative grouping of apparent related parties.



Company/entity	Corporate Group <sup>36</sup>	Accredited administrators	Accredited brokers	Accredited managed care organisations	Total
De Beers Benefit Society	De Beers Benefit Society	1			1
Dental Information Systems (Pty) Ltd	Afrocentric Dental Risk Company			1	1
Dental Risk Company (Pty) Ltd	Company			1	1
Discovery Connect Distribution Services (pty) Ltd	Remgro		1		1
Discovery Life Ltd	Remgro		1		1
Enabledmed (Pty) Ltd	Enabledmed Food Workers Medical Benefit Fund			1	1
Food Workers Medical Benefit Fund	Medical Benefit Fund	1			1
HIV Managed Care Solutions (Pty) Ltd	Careworks			1	1
Isimo Health (Pty) Ltd	Isimo Health			1	1
Knowledge Objects Healthcare (Pty) Ltd	Knowledge Objects			1	1
Knowledge Objects Solutions (Pty) Ltd	Knowledge Objects			1	1
Liberty Group Ltd	Liberty		1		1
Liberty Health Holdings (Pty) Ltd	Liberty		1		1
Lifesense Disease Management (Pty) Ltd	Lifesense			1	1
Managed healthcare Systems (Pty) Ltd	MHS			1	1
Medical Services Organisation SA (Pty) Ltd	MSO			1	1
Medicross Healthcare Group (Pty) Ltd	Netcare			1	1
Mediscor PBM (Pty) Ltd	Mediscor			1	1
Methealth (Pty) Ltd	Remgro	1			1
Metropolitan Health Corporate (Pty) Ltd	Remgro	1			1
Metropolitan Health Risk Management (Pty) Ltd	Remgro			1	1
MMI Group Ltd	Remgro		1		1
Mycare Health Solutions (Pty) Ltd	Mycare Health Solutions			1	1
Onecare Health (Pty) Ltd	Remgro			1	1
Performance Health (Pty) Ltd	Medikredit			1	1

Company/entity	Corporate Group <sup>36</sup>	Accredited administrators	Accredited brokers	Accredited managed care organisations	Total
Platinum Health	Platinum Health	1			1
Prime Cure Health (Pty) Ltd	Netcare			1	1
Prime Med Administrators (Pty) Ltd	Netcare	1			1
Private Health Administrators (Pty) Ltd	Private Health Administrators	1			1
Professional Provident Society	PPS		1		1
Rand Water Medical Scheme	Rand Water Medical Scheme	1			1
RX Health (Pty) Ltd	RX Health			1	1
Samwumed	Samwumed	1			1
Sanlam Health Administrators (Pty) Ltd	Sanlam	1			1
Sanlam Health Managed Care (Pty) Ltd	Sanlam			1	1
Sanlam Life Insurance Ltd	Sanlam		1		1
Scriptpharm Risk Management (Pty) Ltd	Scriptpharm			1	1
Sedmed	Sedmed	1			1
Selfmed Medical Scheme	Selfmed	1			1
South African Oncology Consortium Limited	SAOC			1	1
Strata Healthcare Management (Pty) Ltd	Remgro Supplementary Healthcare Management			1	1
Supplementary Healthcare Management (Pty) Ltd	Thebe Ya Bophelo			1	1
Thebe Health Risk Management (Pty) Ltd	Thebe	1			1
Thebe Ya Bophelo Healthcare Administrators (Pty) Ltd	Thebe Ya Bophelo		1		1
Thebe Ya Bophelo Healthcare Marketing and Consulting (Pty) Ltd	Ulwazi Umvuzo Health Medical Scheme			1	1
Ulwazi Health Solutions (Pty) Ltd	Universal			1	1
Umvuzo Health Medical Scheme		1			1
Universal Care (Pty) Ltd				1	1

<b>Company/entity</b>	<b>Corporate Group<sup>36</sup></b>	<b>Accredited administrators</b>	<b>Accredited brokers</b>	<b>Accredited managed care organisations</b>	<b>Total</b>
<b>Universal Healthcare Administrators (Pty) Ltd</b>	<b>Universal</b>	1			1
<b>Universal Life Brokers and Consultants CC</b>	<b>Universal</b>		1		1
<b>Uno Healthcare (Pty) Ltd t/a One Health Managed Care (Pty) Ltd</b>	<b>Onehealth Witbank Coalfields</b>			1	1
<b>Witbank Coalfields Medical Aid Scheme</b>	<b>Medical Aid Scheme</b>	1			1
<b>Zeal Health Innovations (Pty) Ltd</b>	<b>Zeal Health</b>			1	1
<b>Grand Total</b>		<b>27</b>	<b>14</b>	<b>41</b>	<b>82</b>

## ANNEXURE B: OWNERSHIP OF LIFE HEALTHCARE GROUP LIMITED AND NETCARE LIMITED

**Table B1: Extract of Shareholder Distribution Table of Life Healthcare Group Limited<sup>37</sup>**

### SHAREHOLDER CATEGORIES

Category	Total shareholding	% of issued capital
Unit trusts/mutual funds	370 081 118	34.99
Pension funds	271 409 045	25.66
Other managed funds	82 933 079	7.84
Private investor	69 958 076	6.61
Government of SA	52 056 137	4.92
Black economic empowerment	46 932 109	4.44
Sovereign wealth	35 174 160	3.33
Insurance companies	23 181 042	2.19
Exchange-traded fund	21 034 558	1.99
Custodians	18 440 425	1.74
Investment trust	13 037 699	1.23
Trading position	12 575 952	1.19
Employees	7 705 923	0.73
American depository receipts	6 905 267	0.65
Corporate holding	2 079 920	0.20
University	1 871 464	0.18
Foreign government	1 784 615	0.17
Medical aid scheme	1 346 210	0.13
Local authority	809 086	0.08
Charity	628 169	0.06
Hedge fund	97 402	0.01
Remainder	17 758 565	1.68
<b>Total</b>	<b>1 057 800 021</b>	<b>100.00</b>

### Public and non-public shareholdings

Shareholder spread	Number of holders	% of total shareholder	Number of shares	% of issued capital
<b>Non-public shareholders</b>	9	0.10	56 972 263	5.39
Directors	5	0.06	912 018	0.09
Brimstone Investment Corporation Limited	3	0.03	49 955 786	4.72
Life Healthcare Employees Share Trust	1	0.01	6 104 459	0.58
<b>Public shareholders</b>	9 126	99.90	1 000 827	94.61
<b>Total</b>	<b>9 135</b>	<b>100.00</b>	<b>1 057 800</b>	<b>100.00</b>

Beneficial shareholdings (Top 5)	Total shareholding	%
Government Employees Pension Fund (PIC)	126 544 104	11.96
Industrial Development Corporation (IDC)	52 056 137	4.92
Brimstone Investment Corporation Limited	46 000 000	4.35
Lazard Emerging Market Fund	32 853 490	3.11
Allan Gray Balanced Fund	32 440 076	3.07
<b>Total</b>	<b>289 893 807</b>	<b>27.41</b>

<sup>37</sup> Life Healthcare Group, Annual Financial Statement 2016. 2016. p.63.

**Table B2: Extract of Shareholder Distribution Table of Netcare Limited <sup>38</sup>**

	Number of shareholders	Percentage of shareholders	Number of shares in issue <sup>1</sup>	Percentage of issued share capital
<b>Distribution of shareholders per category</b>				
Individuals	16 285	82.05	77 141 229	5.68
Private Companies	347	1.75	19 431 020	1.43
Nominees and Trusts	1 265	6.37	28 658 951	2.11
Banks and Brokerage firms	112	0.56	59 619 166	4.40
Insurance Companies	96	0.48	143 063 177	10.55
Pension Funds and Medical Aid Schemes	665	3.35	430 163 571	31.72
Collective Investment Schemes and Mutual Funds	1 080	5.44	598 189 721	44.110
<b>Total</b>	19 850	100.00	1 356 266 835	100.00
<b>Public and non-public shareholdings</b>				
Public	19 845	99.97	1 343 788 893	99.08
Non-public	5	0.03	12 477 942	0.92
Directors <sup>2</sup>	4	0.02	10 395 176	0.77
Retirement funds	1	0.01	2 082 766	0.15
<b>Total</b>	19 850	100.00	1 356 266 835	100.00
<b>Beneficial Owner Top 10</b>				
Public Investment Corporation Limited			253 627 285	18.70
Old Mutual Life Assurance Company SA			44 323 004	3.27
Liberty Life Association of Africa Limited			37 411 648	2.76
Investment Solutions Limited			32 965 023	2.43
Allan Gray Balanced Fund			30 526 887	2.25
Government of Norway			27 809 968	2.05
GIC Private Limited			27 674 198	2.04
Vanguard Emerging Markets Stock Index Fund (US)			23 624 319	1.74
Allan Gray Equity Fund			20 291 249	1.50

<sup>38</sup> Netcare Limited, [http://www.netcareinvestor.co.za/share\\_shareholders.php](http://www.netcareinvestor.co.za/share_shareholders.php) (Modified table) downloaded 17 March 2017.

Sanlam Life Insurance Limited	20 116 104	1.48
<b>Total</b>	<b>518 369 685</b>	<b>38.22</b>

## ANNEXURE C: BOARDS OF DIRECTORS OF LIFE HEALTHCARE GROUP AND NETCARE LIMITED

**Table C1: Board composition of Life Healthcare Group Holdings Limited at the end of the 2016 financial year.<sup>39</sup>**

Director	Appointment Date	Other Directorships
1. Mustaq Brey (62) Non-Executive Chairman	<ul style="list-style-type: none"> <li>• Director in 2005</li> <li>• Chairman in February 2013</li> </ul>	<ul style="list-style-type: none"> <li>• Brimstone Investment Corporation Limited</li> <li>• Oceana Fishing Group Limited</li> <li>• Lion of Africa Insurance Company Limited</li> <li>• Western Province Cricket Association</li> <li>• Mandela Rhodes Foundation (Audit Committee)</li> </ul>
2. Andre Meyer (50) Group Chief Executive Officer	<ul style="list-style-type: none"> <li>• April 2014</li> </ul>	<ul style="list-style-type: none"> <li>• None listed</li> </ul>
3. Pieter van der Westhuizen (45) Group Chief Financial Officer	<ul style="list-style-type: none"> <li>• Association with company since 1999</li> <li>• Group CFO in 2013</li> </ul>	<ul style="list-style-type: none"> <li>• None listed</li> </ul>
4. Peter Golesworthy (58)	<ul style="list-style-type: none"> <li>• 2010</li> </ul>	<ul style="list-style-type: none"> <li>• Private companies</li> <li>• Member of investment committees of Old Mutual businesses</li> </ul>
5. Marian Jacobs (68)	<ul style="list-style-type: none"> <li>• 2014</li> </ul>	<ul style="list-style-type: none"> <li>• Advisory committee of the Academy for Leadership and Management in Healthcare at</li> </ul>

<sup>39</sup> Life Healthcare Group. Supplementary report on board and executive members' biographies 2016. 2016.

		the National Department of Health
6. Louisa Mojela (60)	<ul style="list-style-type: none"> <li>• 2010</li> </ul>	<ul style="list-style-type: none"> <li>• WIPHOLD</li> <li>• Distell Group Limited</li> <li>• Ixia Coal</li> <li>• Sun International Limited</li> <li>• Stellenbosch University Business Education (USB-ED Limited)</li> </ul>
7. Joel Netshitenzhe (59)	<ul style="list-style-type: none"> <li>• 2010</li> </ul>	<ul style="list-style-type: none"> <li>• Nedbank Group</li> <li>• Council for Scientific and Industrial Research</li> <li>• CEEF Africa</li> </ul>
8. Malefatsane Ngatane (62)	<ul style="list-style-type: none"> <li>• 2007</li> </ul>	<ul style="list-style-type: none"> <li>• Boxing South Africa</li> <li>• African Boxing Union (Tunisia)</li> <li>• Commonwealth Boxing Council (London)</li> <li>• World Boxing Council (Mexico)</li> </ul>
9. Mpho Nkeli (51)	<ul style="list-style-type: none"> <li>• 2015</li> </ul>	<ul style="list-style-type: none"> <li>• Impala Platinum</li> </ul>
10. Garth Solomon (49)	<ul style="list-style-type: none"> <li>• 2005</li> </ul>	<ul style="list-style-type: none"> <li>• Evolve Capital (Investment Trust)</li> </ul>
11. Royden Vice (69)	<ul style="list-style-type: none"> <li>• 2014</li> </ul>	<ul style="list-style-type: none"> <li>• Waco International Holdings Proprietary Limited</li> <li>• Hudaco Industries Limited</li> <li>• Murray and Roberts Holdings</li> <li>• Rhodes University Governor</li> </ul>



**Table C2: Board composition of Netcare Limited at the end of the 2016 financial year.<sup>40</sup>**

Director	Appointment Date	Other Current Directorships
1. Richard Friedland, Group Chief Executive Officer	<ul style="list-style-type: none"> <li>Joined company in May 1997</li> <li>Appointed CEO in September 2005</li> </ul>	<ul style="list-style-type: none"> <li>None listed</li> </ul>
2. Keith Gibson, Group Chief Financial Officer	<ul style="list-style-type: none"> <li>November 2011</li> </ul>	<ul style="list-style-type: none"> <li>None listed</li> </ul>
3. Jill Watts, Chief Executive Officer – General Healthcare Group (UK)	<ul style="list-style-type: none"> <li>November 2014</li> </ul>	<ul style="list-style-type: none"> <li>None listed</li> </ul>
4. JM (Meyer) Kahn (77) Board Chairman,	<ul style="list-style-type: none"> <li>April 2000</li> </ul>	<ul style="list-style-type: none"> <li>Director of various companies and trustee of numerous organisations.</li> </ul>
5. Thevendrie Brewer (44) Deputy Board Chair,	<ul style="list-style-type: none"> <li>January 2011</li> </ul>	<ul style="list-style-type: none"> <li>NM Rothschild and Sons (SA) Proprietary Limited</li> </ul>
6. Mark Bower (61)	<ul style="list-style-type: none"> <li>November 2015</li> </ul>	<ul style="list-style-type: none"> <li>Rhodes Food Group Holdings Limited</li> <li>Thuthuka Bursary Fund</li> </ul>
7. Bukelwa Bulu (39)	<ul style="list-style-type: none"> <li>November 2015</li> </ul>	<ul style="list-style-type: none"> <li>Capital Appreciation Limited</li> <li>Jade Capital Partners Proprietary Limited</li> <li>Unispan Holdings Proprietary Limited</li> </ul>

<sup>40</sup> Netcare Limited, Integrated Annual Report 2016. 2016. p 8.

		<ul style="list-style-type: none"> <li>Franki Geotechnical Proprietary Limited.</li> </ul>
8. Azar Jamine (67)	<ul style="list-style-type: none"> <li>December 1998</li> </ul>	<ul style="list-style-type: none"> <li>Econometrix Proprietary Limited</li> <li>Federated Employers' Mutual Assurance Co Limited</li> <li>York Timber Holdings Limited</li> <li>ETM Analytics</li> <li>Iron Fireman (SA) Proprietary Limited.</li> </ul>
9. Martin Kuscus (61)	<ul style="list-style-type: none"> <li>July 2008</li> </ul>	<ul style="list-style-type: none"> <li>Synergy Income Fund</li> <li>Mineworkers Provident Fund.</li> </ul>
10. Kgomotso Moroka SC (62) Social and Ethics Committee Chair	<ul style="list-style-type: none"> <li>July 2006</li> </ul>	<ul style="list-style-type: none"> <li>Standard Bank Group Limited</li> <li>South African Breweries Limited</li> <li>Multichoice South Africa Proprietary Limited.</li> <li>Royal Bafokeng Platinum Proprietary Limited</li> <li>Gobodo Forensic &amp; Investigative Accounting Proprietary Limited.</li> <li>Nelson Mandela Children's Fund (Trustee)</li> <li>Project Literacy (Trustee)</li> <li>Tshwaraneng Legal Advocacy Centre (Trustee)</li> </ul>
11. Norman Weltman (67)	<ul style="list-style-type: none"> <li>Executive director from November 1999</li> <li>Non-executive director from September 2008.</li> </ul>	<ul style="list-style-type: none"> <li>None listed</li> </ul>