

CORPORATE POLICY

SUPPLY CHAIN RISK MANAGEMENT

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Introduction

Modern supply chains are becoming more complex and the Group recognises the growing importance of pro-active steps to ensure a sustainable supply chain. The policy outlines the activities to identify, assess, and mitigate supply chain risks while delivering efficient service. This document describes the Supply Chain Risk Management Policy (the “**Policy**”) of Mediclinic International plc (the “**Company**”), its operating divisions and subsidiary companies (the “**Mediclinic Group**” or the “**Group**”).

This Policy is sponsored by the Company’s Group Chief Executive Officer. It applies to all the Company’s subsidiaries worldwide and its directors, officers and employees, whether permanent or temporary, and third parties acting on behalf of the Company (“**Employees**”).

Purpose

The purpose of this policy to ensure that the Mediclinic Group maintains a reliable supply chain, and that reputable service providers and safe products are utilised in all its facilities. It provides the framework to monitor and mitigate supply chain risks, and to ensure compliance with all applicable regulations and laws in all jurisdictions in which it operates.

Applicability

This Policy:

- applies to all Employees involved in negotiations for products or services, supplier selection, and any other interaction with suppliers throughout the Group; and
- relates to all business transactions carried out by the Group or its Employees on behalf of the Group with any individual, legal entity, government body (national or foreign), public sector entity, private commercial organization, non-profit organization and/or international body.

Policy statement

The Mediclinic Group puts patients first and strives to provide value to its patients through safe, quality care in a patient friendly environment. The integrity of the Group’s supply chain function is paramount in underwriting this value statement and therefore the Group supply chain function commits itself to:

- carry out its business fairly, honestly and transparently;
- select appropriate technologies to ensure safe and cost-effective products and devices;
- drive procurement strategies to deliver process improvement and increased efficiencies

throughout the organisation;

- select suppliers and products that support the Group's vision and brand;
- not do business with others who may harm the Group's reputation;
- not procure products or services that does not meet the Mediclinic Group's minimum standards;
- ensure that all stakeholders in the business and its business partners are aware of the principles and the rules established; and
- develop and implement systems and controls to support these commitments.

General principles and rules

The Group is committed to doing business ethically and this policy is implemented in conjunction with compliance to all the stipulations and rules as described in the Anti-Bribery Policy of Mediclinic International plc. The procurement philosophy is based on the following principles and rules:

- all interactions with suppliers and service providers are guided by the values of the Group;
- the Group's purchases yield the best value by balancing the rewards negotiated against the inherent risks;
- identify and form strong partnerships with key suppliers;
- all products support the maintenance of a safe and legally compliant environment for customers and employees, and complies with all applicable laws in all jurisdictions in which the Group operates;
- good corporate governance practices are applied through all procurement processes;
- centralised procurement promotes standardisation, quality control and economies of scale. Standardisation is driven within each business division, and internationally where it makes business sense;
- equipment and technologies selected are appropriate for the respective business unit and intended application;
- technologies offering process improvements and increased efficiencies are evaluated first and sourced as appropriate;
- a total cost of ownership approach to include the costs to procure, operate and discard equipment, is applied;
- procedures related to supplier and product selection that will ensure safety of patients and staff and reduce litigation risks for the Group are implemented;
- investment in technologies, products and procedures to reduce the carbon footprint and to limit the overall impact the Group has on the environment; and
- procurement is undertaken by suitably skilled and experienced staff.

Supplier selection

The Group is required to contract with reputable suppliers that are able to support selected products with efficient administration, effective logistics, sustainable supply of product, and reliable service and support. Supplier selection shall be based on the following criteria:

- ethical behaviour from its suppliers at all times;
- compliance with all applicable laws in all jurisdictions in which suppliers operate, including but not limited to health, safety, environment, community, modern slavery and general business conduct and ethics;
- proven track record regarding after sales service and support, it is expected of suppliers to maintain good relationships with the end users of their products within the Group;
- stable brands and manufacturers that have long term relationships with their local representation or agents;
- end users must be sufficiently trained by suppliers to enable safe and effective utilisation of products and technologies, and to ensure available features are being used optimally;
- suppliers must have the capacity to meet current and potential future requirements and continue to do so at the agreed service levels;
- suppliers must have the required network and footprint to provide support on a national and / or international scale as applicable; and
- in South Africa the Broad Based Black Economic Empowerment (“**BBBEE**”) status of suppliers carry a strong weighting in the supplier selection process and adjudication of tenders.

Product selection

The Group seeks to implement effective procedures to prevent that any unauthorised products are used in its facilities. The following criteria shall be utilised to authorise products to be safe for use by employees and on patients:

- medical products and devices must comply with the following international criteria:
 - appropriate CE certification (CE marking is a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area based on product category); and/or
 - relevant FDA certification;
 - quality management standards ISO 9001 or ISO 13485;
 - related ISO standards applicable to the specific product category;
 - proven compliance to standards for electronic medical device categories;

- new technologies introduced to the Group must be supported by credible Health Technology Assessment's (HTA's), whether internal or external. Products deemed unproven, untested or potentially unsafe should be barred from use, the former two only being appropriate as part of a registered clinical trial;
- in cases where HTA's classify products to be safe for use, but clinical evidence of benefit over existing products or technologies have not been proven, products can be approved for use in the Group under the following conditions:
 - executive management approves the technology due to strategic value for the Group;
 - executive management approves the technology due to potential new business opportunities;
- purchase price is a determining factor; but the total cost of ownership which includes maintenance, operational costs, the costs of related consumable items, and considering potential inefficiencies of selecting on lowest price only, shall support product selection;
- capital products must carry a minimum guarantee of twelve months, longer guarantee periods will be negotiated where applicable; and
- a proven track record of reliable products and brands shall support procurement decisions.

Product surveillance

The Group is required to ensure that product batch numbers are tracked, so that in the event of a product failure or recall by the manufacturer, the relevant products can be removed from use. This responsibility can be transferred to the supplier when purchasing from the authorised agent but is taken by the Group and its subsidiary companies when imports are being done directly.

Precaution is taken, especially related to direct and parallel importing activities, to ensure product recalls are pro-actively monitored and timeous action taken, if and when required.

Risk and insurance

All suppliers in the supply chain shall have the required product liability insurance relevant to the risk related to the specific product categories offered. Contracts with suppliers are scrutinised to ensure that suppliers do not add conditions to qualify circumstances under which their liability would be reduced or transferred.

Products are classified and grouped based on their risk profile and care is taken during supplier selection to procure products from companies who has a sufficient level of insurance related to the specific product risk category.

The supply chain risks of the Group are transferred to its suppliers to ensure recourse can be taken in the event of a product related claim. The clauses below shall be added to all agreements and included in the standard terms and conditions when contracting with third parties. The clauses can

be customised by the business divisions- or subsidiary legal departments to suit local requirements but must contain these essential requirements. All procurement transactions concluded contains a purchase order, which is provided to the supplier. Where transactions are performed without formal contracts in place, the related risks are mitigated by adding the clause to the standard terms and conditions on purchase orders:

- 1. The supplier warrants that all items and products provided in terms of the agreement or purchase order shall be free from defects in design, material and workmanship and shall be fit in all respects for their intended use and purpose for which Mediclinic has purchased and/or ordered it from the supplier.*
- 2. The supplier indemnifies Mediclinic and its directors, agents and employees against all actions/claims/demands for losses, liabilities, costs, damages and expenses arising from, or in connection with the products, as well as the manufacturing and delivery thereof.*
- 3. Without derogating from the general application of clause 2, the supplier indemnifies Mediclinic against (i) any liability for any damage or harm caused by the products supplied by the Supplier (inter alia unsafe products, product failure, defect or hazard in the products, inadequate instructions or warnings); (ii) all actions/claims/demands for harm, losses, liabilities, costs, damages and expenses arising from the application of applicable consumer protection legislation.*
- 4. The supplier specially indemnifies Mediclinic against all liability, costs, charges and expenses which Mediclinic and/or any person/entity deriving its rights from Mediclinic, may be liable for, pay, incur or sustain in connection with any claim for trade mark or copyright infringement or passing off by the supplier, which may be made against Mediclinic by any party, as a result of the Mediclinic's dealing in the products supplied to it in terms of the agreement or purchase order.*
- 5. The supplier shall, at its own expense, effect and maintain adequate insurance cover, in accordance with prudent insurance practice for all harm, loss, damage, injury or death which may be suffered by Mediclinic and/or any third party arising from the products (e.g. unsafe products, product failure, defect or hazard in the products, inadequate instructions or warnings) supplied by the supplier in terms of the agreement or purchase order."*

Supply chain risk

Due to the increasing complexity of sourcing activities and dynamic supplier base, the procurement leadership critically analyses the supply chain on a continuous basis for the following risk factors:

- the risk of the Group's reputation due to a service or supply interruption, a supplier safety or quality failure, or a supplier's business practices;
- the risk that a supplier failure results in an interruption to customer service;
- the risk that sensitive data, including customer data, is compromised by a cyber-security breach or failure in a supplier company;
- the risk of non-compliance with the regulatory requirements or the commercial undertakings associated with Group sourcing and transfer pricing; and

- the risk of financial loss or missed savings from poorly managed sourcing arrangements or supplier failures.

Modern slavery

The Group requires its suppliers to conform to the international trend of eliminating human trafficking and modern slavery and require them to conduct due diligence in their operations and supply chains. In compliance with Section 54 of the UK Modern Slavery Act of 2015, the Group publishes an annual statement detailing the steps it has taken to ensure that modern slavery and human trafficking or any other related activities are not taking place within any of its business operations or in any of its supply chains.

A due diligence questionnaire is sent to key suppliers of the Group annually to pro-actively assess risks relating to, *inter alia*, human rights in order to improve transparency, create awareness and provide further insight on the reality of modern slavery and human trafficking. This questionnaire also forms part of the minimum criteria during onboarding of new suppliers.

The Group imports consumable products from manufacturers that have a proven track record with factories mainly situated in East Asia. All supplier premises are physically inspected and audited by trained Mediclinic employees before any procurement contracts are concluded. Specific focus is placed on geographic areas which are considered as high-risk areas and supplier assessment audits are performed regularly.

Operating division responsibilities

This Policy is aimed at providing clear guidance related to the responsibilities from a Group supply chain risk management perspective. The business division procurement leads are required to ensure that:

- business division specific supply chain policies are reviewed and updated to include the requirements as detailed in this Group policy;
- implement procedures and related controls to ensure that all products used in the operating division's hospitals and clinics comply with the product selection criteria;
- implement procedures and related controls to ensure that business activities are conducted with reputable suppliers and that all interaction with these suppliers support the values of the Group; and
- operating division specific procurement strategies are aligned with Group procurement strategies to ensure that value is unlocked through the combined procurement volumes of the Group.