

Trusted to
save
lives



ANNUAL
INTEGRATED REPORT

2019 »

Contents

INTRODUCTION

Trusted to save lives
About this report

01

A purpose driven organisation well poised to create value

01

02

What we report on and why

OVERVIEW

Chairman's report
Chief Executive Officer's review
Our value-creating business model

04

What we are all about

06

10

16

Reflections on the successes and challenges of the period under review

Strategic insights and reflections of the organisation's performance

CRITICAL SUCCESS FACTORS FOR VALUE CREATION

Governance
Our value creation underpinned by good governance
• Governance philosophy and application of King IV principles
• Governing structures and delegation
• Our board and board committees
• Functional governance areas
• Board committees' focus and future focus
Risk and opportunity management

18

19

19

22

24

30

34

40

Demonstrating how our six Capitals (inputs) enable value adding activities (outputs) that create value for our stakeholders (outcomes) being cognisant of our material matters, while managing our key risks (and opportunities)

The governing body accountable and responsible for the performance of SANBS

Managing our risks and opportunities and what matters most

CREATING VALUE IN A SUSTAINABLE MANNER THROUGH OUR STRATEGY

Reflecting on our performance against the 2018/19 scorecard and how we added value
Our strategic priorities and how we intend to deliver value 2019 to 2024
Creating value in a sustainable manner
• SANBS' "Greening" strategy
Meeting the needs, interests and expectations of our stakeholders
Transformative leadership

44

44

54

56

62

68

Actual results compared to targets for reporting period 2018/2019

An insight into our 5 year strategy, formulated to keep us relevant, guide our execution and foster change and growth that translates into financial sustainability and constantly delivering increased value

Understanding the priorities, the measures, and their link to value creation and targets
• Environmental imperatives that have been considered in the strategy

Demonstrating the commitment to transforming SANBS, our culture, our DNA

DELIVERING AND REWARDING FOR VALUE CREATION

Remuneration report
Reflections from our Chief Financial Officer

71

71

74

The philosophy and benchmarking of pay for value delivered

OUTLOOK

Prospects for delivering value over time

78

78

Reflecting on the financial performance and position of SANBS and the positive effects of various value adding initiatives

GLOSSARY

80

80

Challenges, opportunities and uncertainties SANBS is likely to encounter in the short, medium and longer-term and the potential implications for future performance

ADMINISTRATION

ibc

ibc



Trusted to **save** *lives*

To be the
cornerstone
of healthcare
services in
South Africa,
through the
gift of life

To **reliably** provide
trusted blood products
and services to **all**
patients at a world class
level of **cost** and **quality**
while innovating new
treatments to enhance
human healthcare

OUR
PURPOSE

OUR
VISION

OUR
MISSION

OUR
CORE
VALUES

Transparency **T**
Honesty **H**
Respect **R**
Excellence **E**
Accountability **A**
Diversity **D**

OUR
MANDATE

SANBS is a non-profit organisation, registered as such in terms of the Companies Act, 71 of 2008, and governed by among others, the Non-Profit Organisations Act 71 of 1997 and the National Health Act 61 of 2003. The official mandate of SANBS is to provide blood transfusion and related services.





About this REPORT

This report is prepared in accordance with the International Integrated Reporting Framework of the Integrated Reporting Council and provides our stakeholders with a concise and transparent assessment of our ability to achieve our mandate and create sustainable value.

SCOPE AND REPORTING BOUNDARY

Our integrated report aims to provide our stakeholders with a concise, material, transparent and digestible assessment of our governance, strategy, performance and prospects.

The integrated report reviews financial, operational, social and governance performance for the period from 1 April 2018 to 31 March 2019 and follows our 2017 integrated report. A report was not produced for the 2018 year end because of the reporting challenges experienced as outlined elsewhere in this report. See page 34.

Material events up to date of approval have been included. The integrated report should be read in conjunction with our full set of annual financial statements (AFS) for a comprehensive overview of our financial performance. The AFS can be found on the SANBS webpage.

TARGETED READERS

The report is intended to present information relevant to the way we create value for all of our stakeholders including our staff, regulators and society, as identified in our stakeholder matrix. See pages 62 to 67.

OUR VALUE CREATION PROCESS

Value creation is the consequence of how we apply and leverage our capitals in delivering outputs and outcomes for all our stakeholders. Our value creation process is embedded in our purpose (page 01) described as part of our business model on pages 16 and 17, and integrated into the way we think and make decisions.

MATERIALITY AND MATERIAL MATTERS

We apply the principle of materiality in assessing what information should be included in our integrated report. This report therefore focuses on those issues, opportunities and challenges that impact materially on SANBS and its ability to be a sustainable business that consistently delivers value to key stakeholders. Our material matters, as described on pages 16 and 17, influence our strategy and inform the content of this report. Focusing on these has helped us keep the report concise.

Identifying our material matters involves: conversations and deliberations by the Executive Committee and the Board; consideration of input and feedback from our stakeholders (pages 62 to 67) and, cognisance of our risks and opportunities (pages 40 to 43). In the current reporting cycle this included significant input by SANBS staff. Our material matters inform our long-term business strategies (refer pages 54 to 61), targets and short-term-to-medium-term business plans. Decisions around the identified issues, in order of relevance and potential impact, is a collaborative effort by the Executive Committee who assumes responsibility for the material matters before these are submitted to the Board for approval. The material matters are assessed continually to ensure that our strategy remains relevant in an evolving operating environment.

REPORTING FRAMEWORKS AND COMBINED ASSURANCE

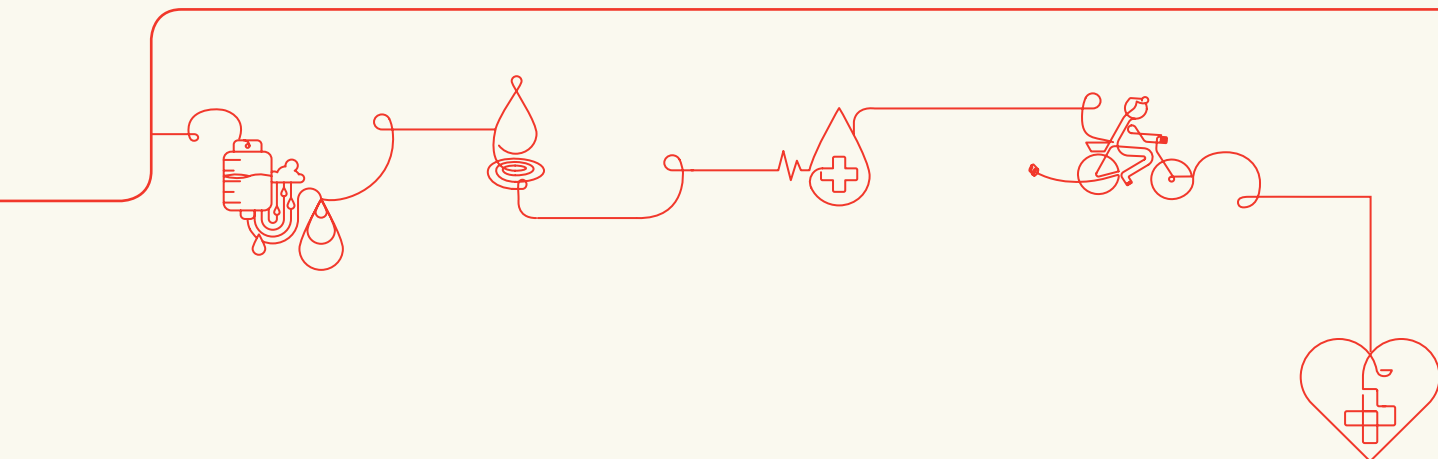
Our integrated report is based on the principles contained in the International <IR> Framework, published by the International Integrated Reporting Council (IIRC).

The content is guided by legal and regulatory requirements, such as the Companies Act, 2008 and the King IV™ Report on Corporate Governance™ for South Africa, 2016 (King IV™), as well as good practice.

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements with respect to SANBS' financial position, results, operations and businesses. These statements and forecasts involve risk and uncertainty, as they relate to events and depend on circumstances that occur in the future. There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Consequently, all forward-looking statements have not been reviewed or reported on by the SANBS' auditors. Refer outlook-looking forward pages 78 and 79.





BOARD RESPONSIBILITY AND APPROVAL

The Board of directors, supported by the Audit Committee, is responsible for ensuring the integrity of the Annual Integrated Report. In this regard the Board places reliance on information provided and verified by the Chief Executive Officer and his executive team. No external assurance has been obtained on the content of this report other than the external audit procedures performed regarding the AFS.

The Board confirms it has applied its collective mind to the preparation and presentation of the report and believes that it addresses all material issues and fairly presents the organisation's integrated performance and impact.

The Board believes the integrated report has been prepared in line with best practice set out in the International Integrated Reporting Framework and King IV™.

This report was approved by the Board and signed on its behalf by:

Ms G Simelane
Chairman

30 October 2019



Overview

The core of our mandate is to provide patients with sufficient, safe, quality blood products and medical services related to blood transfusion in an equitable, cost-effective manner.



WHO WE ARE

We are a non-profit organisation that provides the delivery of safe blood to all South Africans. Our responsibilities include managing the entire blood transfusion value chain from collections, testing and processing to distribution to patients. **All donated blood is tested for transfusion-transmissible diseases, blood grouping, and patient compatibility using sophisticated processes and equipment to ensure the safety of the blood.** Some 2 651 individuals are employed at 185 sites around the country, excluding the Western Cape where the Western Cape Blood Service operates. **Operational innovation, efficiency and leading edge medical science and technology keep the SANBS at the top among its peers.**

Over the past 82 years the organisation has existed in various forms, but in its current iteration it has become a unified entity that provides seamless service to its customers.

A gift of life

There's no question about it: The work we do as the South African National Blood Service (SANBS) is important. **Each day – because of the dedicated support of thousands of donors, – someone is able to receive a unit of red blood cells, plasma or platelets as a gift of life.** Our donor centres across the country provide a safe and comfortable experience for our donors. Donors are the backbone of our organisation and their support of our blood drives and regular donations enable us to achieve our mission.

NAVIGATING THIS REPORT

Throughout our integrated report the following icons are used to show the connectivity between sections.

OUR CAPITALS

Our relevance as a non-profit organisation mandated to provide blood transfusion and related services today and in the future and our ability to sustain ourselves and create long-term value are interrelated and dependent on the forms of capital available to us (inputs), how we use them (value-adding activities), our impact on them and the value we deliver (outputs and outcomes).



FINANCIAL

Our pool of funds that is used to support our business and operational activities, including research and development



INTELLECTUAL

Our brand value, research and development, innovation capacity, reputation and strategic partnerships



MANUFACTURED

Our organisational structure and operational processes, including our physical and mobile infrastructure, our products, and information technology that provides the mechanics of how we do business and create value



SOCIAL AND RELATIONSHIP

Stakeholder relationships, including the communities in which we operate, as we recognise the critical role that blood banks play in sustaining a healthy society and health system



HUMAN

Our culture and our people, investing in their development and our collective knowledge, skills and expertise and to enable innovating and life saving products and services to save people's lives



NATURAL

Our impact on natural resources through our operations and business activities



Innovation at the heart of what we do

Our on-site staff receives the necessary training to make the experience of our donors as pleasant and as comfortable as possible. **With the help of technology it is becoming easier to customise the experience of each donor.** This is why innovation is at the heart of what we do. It allows us to continuously renew the organisation and to take advantage of new opportunities.

Using drones to save more lives

Our plans to use drones to deliver blood products are at an advanced stage. This will allow us to save more lives and reduce the time it takes to make blood available where it is most needed.

Quality healthcare

As a customer centric organisation, we care about the lives of those in need of blood products – from a new mother at childbirth or the little girl who has been in an accident, to the old man with anaemia or a burn victim in ICU. **We are proud of our track record of delivery of quality healthcare to millions of people each year.**

A solid plan for expanding donor pool

Through our donor centres across the country, we collect about 3 300 units of blood from South Africans every day. One of our immediate goals is to **increase the pool of active blood donors from the current less than 1% of the total population.** We have developed a solid plan to attract younger and especially black donors to widen our pool of active blood donors.

World-class products

Excellence is important to us. Our blood transfusion and blood products are world-class. In the same vein, we invest heavily in **research and training** to retain our global standing as one of the world's leading blood transfusion and blood products organisations.

Stakeholders a priority to SANBS

We are not just an inward looking organisation. As the SANBS, our reach and support extends to other countries on the African continent. For us this is more than a case of outreach, but a very real demonstration of our stakeholder driven culture. **Stakeholders help ensure the sustainability of our organisation** and that is why they are prioritised in our strategic intent and execution.

Prepared for the future

We are well prepared for the future and **our donors, recipients, staff, companies and communities who support our cause have every right to place their confidence in us.**

As an organisation we focus on what matters most, **saving lives.**

Trusted to
save
lives









NAVIGATING THIS REPORT

Throughout our integrated report the following icons are used to show the connectivity between sections.

OUR STRATEGIC OBJECTIVES

| | | | | | | |
|------------|---------------------------|-------------------------|-----------------------|---------------------|-------------------|----------------|
| i | H | E | A | L | T | h |
| Innovation | Human centred collections | Excellence in processes | Administrative rigour | Logistics benchmark | Testing & quality | Hearts & minds |

STAKEHOLDERS


| | | | | | | | |
|---|---|---|---|---|---|---|--|
|  |  |  |  |  |  |  |  |
| EMPLOYEES | DONORS | REGULATORS | MEDICAL FRATERNITY | PATIENTS | SOCIETY | SUPPLIERS | SA AND INTERNATIONAL BLOOD PARTNERS |

IV

KING IV™

R

TOP RISK

 This icon directs the reader to a page(s) with more information.





Chairman's REPORT



Getty Simelane
Chairman



"I am grateful to my colleagues on the Board, the executives and all the employees for their support, dedication and commitment to the vision of SANBS of giving the gift of life to fellow South Africans."

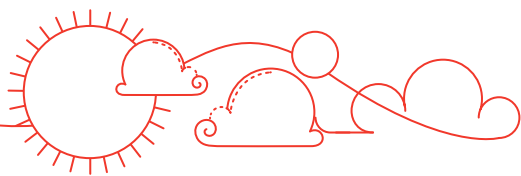
INTRODUCTION

It has been a challenging and yet fulfilling responsibility being at the helm of, and trusted with the leadership of such an invaluable organisation in South Africa.

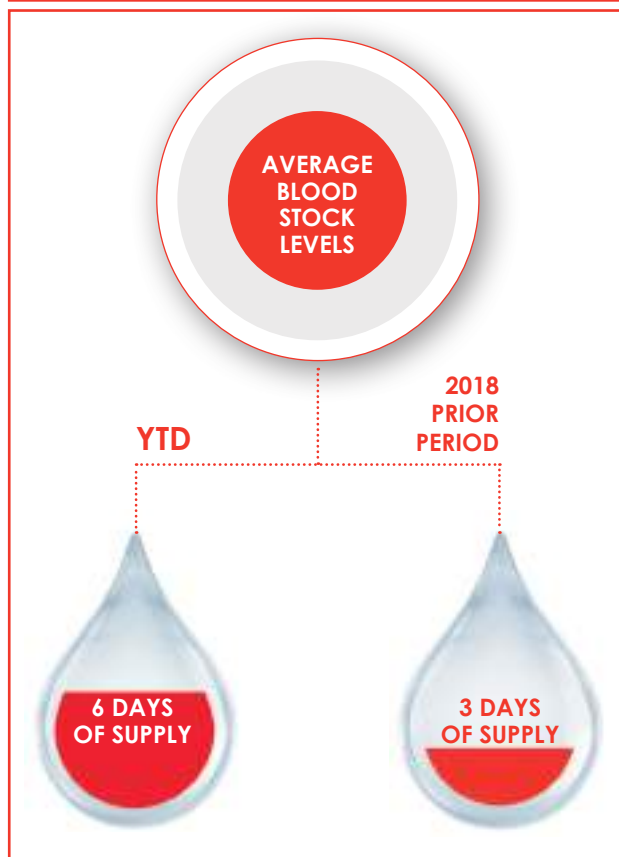
It is important to reflect on the successes and challenges of the past year and to ensure that the strategy, objectives and plans going forward are in sync and address any emerging risks, opportunities and challenges for SANBS.

SANBS did not issue an integrated report for the financial year-end 2018 as explained below. For this reason my report will cover both the 2018 and 2019 financial years.





Sufficient blood collected during 2019



Locally, SANBS continues to provide safe blood products to trauma victims, mothers giving birth and patients undergoing surgery, etc.

During 2019 SANBS achieved the distinction of being able to collect sufficient blood to have an average of 6 days' blood in stock compared to previous periods when the average was about 3 days.

This is a highlight in SANBS' 82 years of existence and an accomplishment that assisted hugely with being able to more cost and time effectively manage the logistics of the testing and transport of blood to where it is needed.

SANBS is well recognised globally. Senior staff participated actively in the structures and various sub-committees of the International Society for Blood Transfusion (ISBT). Staff also attended and made presentations at various international meetings. SANBS continues to play a role in providing technical assistance to SADC and other African Countries. Colleagues from Ethiopia, Namibia, Eswatini (Swaziland) visited SANBS during the past two years.

CHANGES TO THE BOARD

From the Board's perspective a notable change during FY 2018 was the retirement of Ms Doris Dondur and Mr Alex Christians after 9 years on the Board which is the maximum term limit for directors in accordance with the Memorandum of Incorporation. We owe a great deal of gratitude to them for sharing their expertise, being passionate about what the organisation stands for and their commitment to SANBS during their tenure. In February 2018 Ms Morongwe Malebye was appointed to the Board and as an engineer by profession, brought a wealth of knowledge in terms of board experience and non-profit organisations. We were truly honoured to have her in our ranks but she unfortunately left the Board on 10 November 2018. On behalf of the Board I would like to extend our gratitude to her for the invaluable contribution and the insights she provided. At the same time, we welcomed Ms Phindile Mthethwa and Ms Faith Burn as new Donor Directors. These 2 members bring vast and important expertise which complements the existing members' skills well. Phindile is a consummate leader in Enterprise and SMME Development, B-BBEE, Strategy Implementation and Execution, Human Resources and Stakeholder Management. Faith brings a wealth of experience in Information, Communication and Technology, Stakeholder Management, Finance, Internal Audit, Business Continuity and Risk Management. We look forward to the new members being of service to the organisation.

Performance of the Board

In May 2019, the Board engaged the services of an independent service provider who conducted an appraisal of the performance of the Board, its members standing for re-election and its committees. I am pleased to report that the results of this appraisal reflect that the Board, its members and committees continue to perform at a high level. Some areas for improvement were identified and the Board has agreed an action plan to implement the necessary improvements. Refer to page 23.



CHAIRMAN'S REPORT (continued)

APPOINTMENT OF THE NEW CEO

In January 2018, the Board appointed Dr Jonathan Louw as the new Chief Executive Officer (CEO). Jonathan is a medical doctor by profession and a seasoned executive, having worked in the private sector, as a CEO for over 10 years. His experience includes having been managing director of one of the largest private equity firms in the Middle East and CEO of Adcock Ingram Holdings Ltd from 2003 – 2014.

Being skilled in both the medical and commercial fields is especially important as SANBS encounters serious challenges from its external environment – specifically the changes in the medical industry – and internally as the organisation undergoes significant change.

I would like to take this opportunity to thank our Medical Director, Dr Jackie Thomson, who fulfilled the role of acting CEO until January 2018. During this time she very ably steered the SANBS ship while retaining her demanding job of Medical Director. We are all indebted to her.

Reviewed strategy

Under the leadership of the new CEO, SANBS has embarked on a journey that has seen the review of its strategy in service of its purpose: **Trusted to Save Lives**. Anchored by our vision, mission and core values, our strategy for 2019 – 2024 will guide our operations over the next period.

The details of the new strategy and its concise and measurable outcomes are provided on pages 54 to 59 and includes consideration of our impact on the environment (pages 60 to 61). The success of the new strategy depends on buy-in from everyone, including the Board, the executive committee, the entire staff and suitably supported by stakeholders.

External environment

The external environment in which SANBS is operating will continue to test its traditional business model and assumptions about opportunities and risks. This requires the organisation to be agile and for all staff to operate as a cohesive team rallied around its purpose.

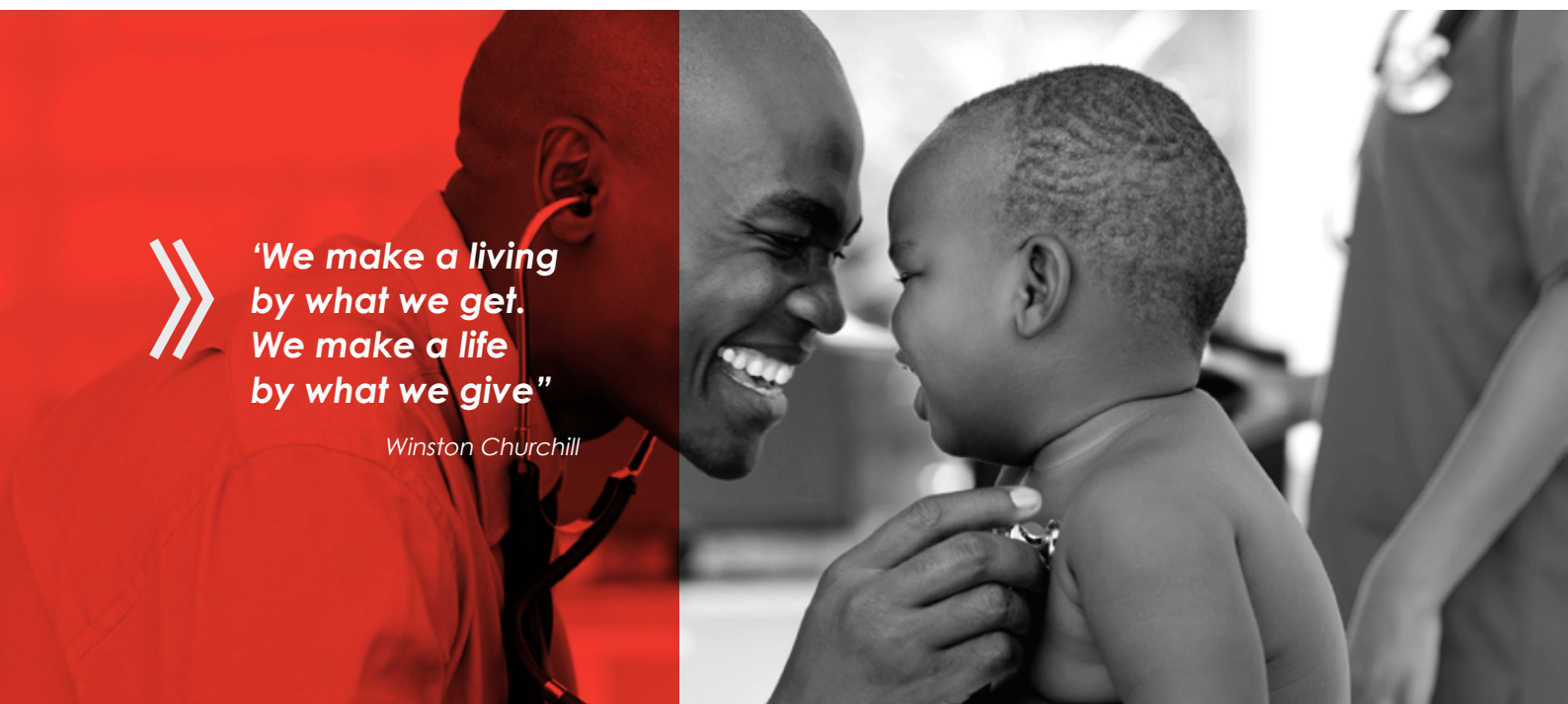
Internal environment

To this end the CEO has introduced a culture-building program. The work undertaken thus far has provided the baseline for progress and we are looking forward to the positive impact of this over the next year or two. Refer to pages 12, 59, 68 and 69 to 70.

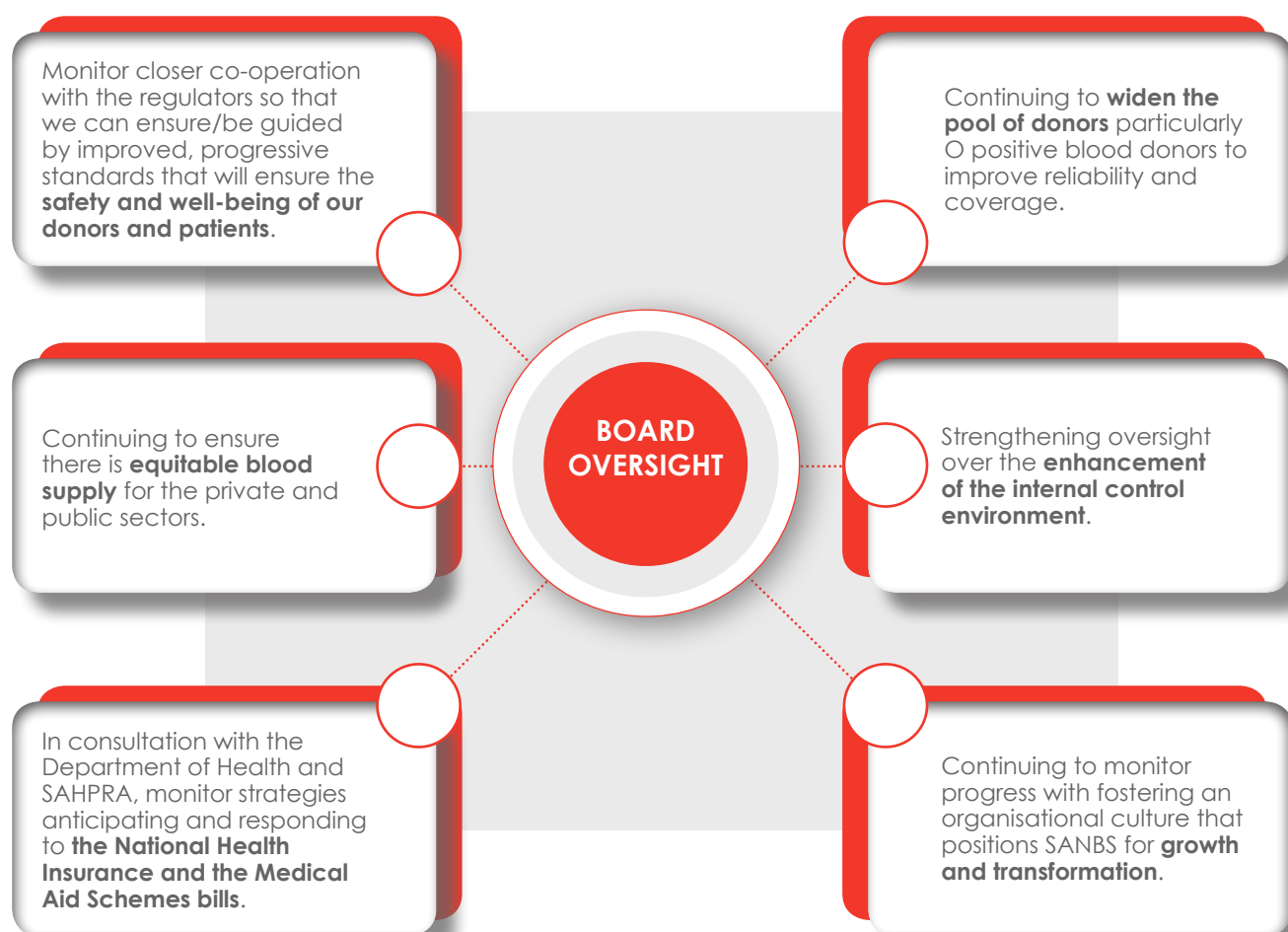


**'We make a living
by what we get.
We make a life
by what we give'**

Winston Churchill



As we move forward, the Board's key focus areas to sustain and grow value as an organisation will include:



SUSTAINABILITY CHALLENGES

This reporting period was not without its challenges. As the Annual Financial Statements show, we are having difficulties in collecting payment from certain of our partners for the supply of blood and blood products, which has resulted in significant impairments against receivables. We will continue to engage these partners to ensure the sustainability of the organisation.

Just before the issuing of our Annual Financial Statements for 2018 we discovered a failure in financial controls for the treatment of credit notes issued by SANBS.

Management has suitably addressed this failure including taking the appropriate steps against the employees who breached policy and to strengthen the control environment.

 Refer Audit Committee report on page 34; CFO report on page 76; and Annual Financial Statements on SANBS' webpage.

APPRECIATION

Finally, I wish to express the gratitude of the Board and the organisation as a whole to our unsung heroes, the donors, who year-after-year continue to selflessly provide the lifesaving gift of life without expectation of reward. Your generosity is perhaps explained by the following quote by Winston Churchill: "We make a living by what we get. We make a life by what we give".





Chief Executive Officer's REVIEW

Dr Jonathan Louw
Chief Executive Officer



"This Integrated report marks the completion of my first full year as CEO of SANBS and at the outset I would like to thank our dedicated and altruistic donors and the hardworking people of SANBS who really brought our transformational strategies to bear in the last year."

INTRODUCTION

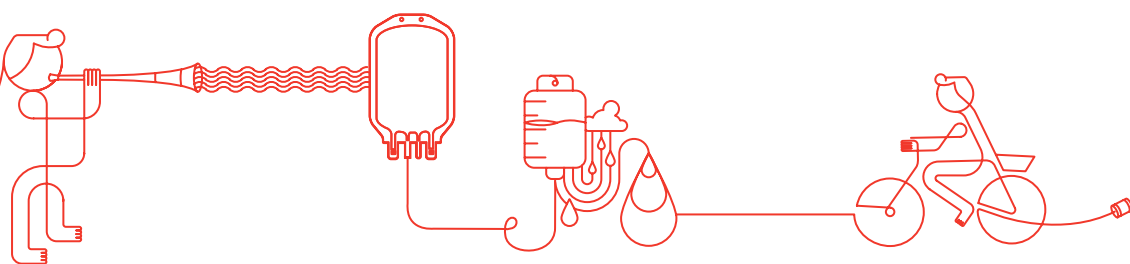
SANBS remains at the forefront of technology in the blood transfusion space and the last year has seen some fantastic innovation in almost every sphere of the blood service.

Such a pace of change doesn't come without sacrifice and cost and I would also like to thank our many stakeholders and supportive Board who enabled this journey. Looking back on 2018 and 2019 it's quite amazing to see how far SANBS has progressed in such a short space of time.

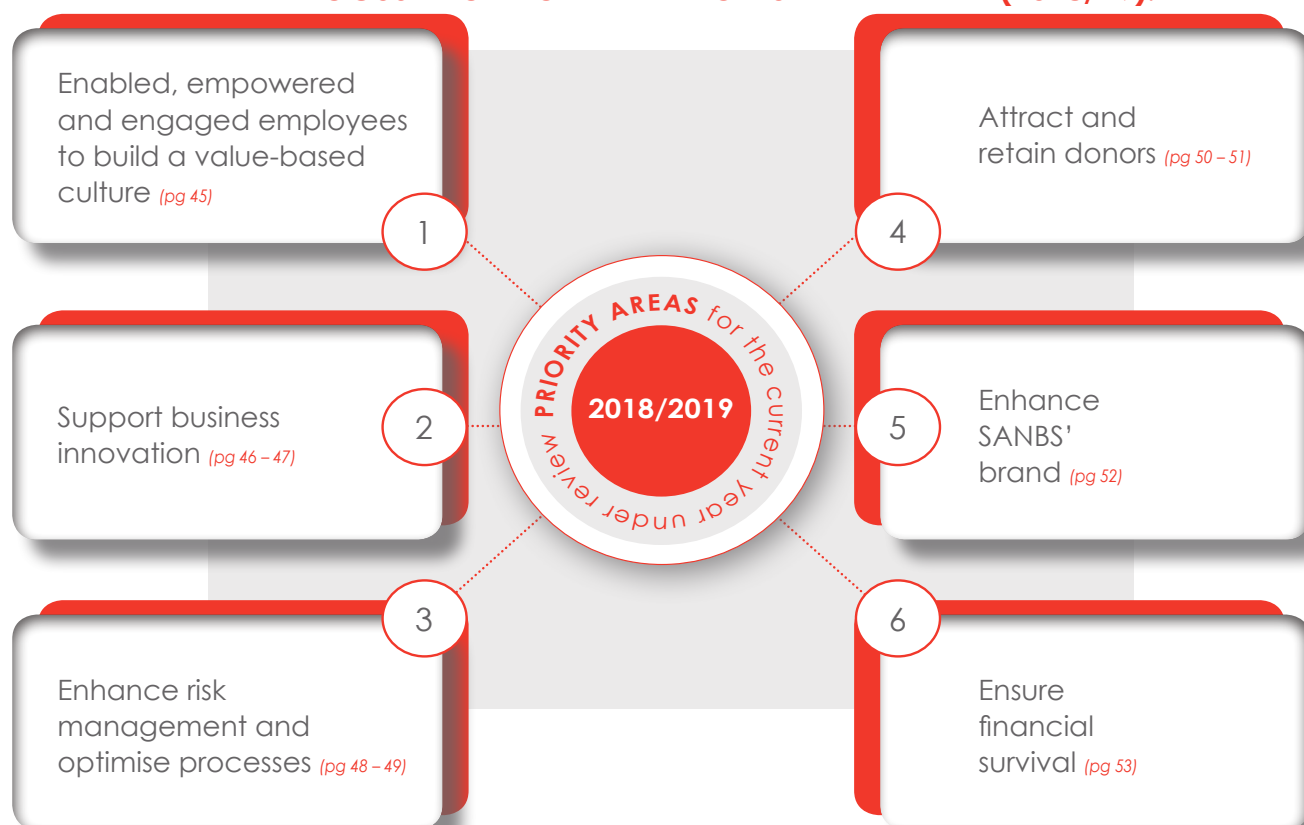
OPERATING CONTEXT AND OUR ENVIRONMENT


SANBS operates as the licence-holder in the South African environment (excluding the Western Cape) for the provision of life-saving blood and blood products and services. We now have 185 sites with 2 651 dedicated staff to ensure that we are able to meet the needs of an ever growing South African population, with a high burden of disease. We collaborate





WHAT WE FOCUSED ON FOR THE PERIOD UNDER REVIEW (2018/19):



 For a detailed overview of SANBS' performance against the 2018/19 scorecard and how we added value for the period under review refer to pages 44 to 53.

extensively with our sister blood service in the Western Cape (WCBS) to ensure that we remain aligned around regulatory and technology challenges as well as maintaining efficiency and stability.

We ensure that we retain our cost competitiveness through regularly benchmarking our cost, quality and reliability as a supplier. We also actively engage our stakeholders through surveys to ensure that we remain relevant as a stakeholder focused organisation.

Feedback from such stakeholders in the first few months revealed that our blood products were perceived as safe, but insufficient in quantity. This required further investigation and we engaged actuaries (The Shard) to benchmark South Africa's blood demand vs the supply thereof and elucidate the extent of the gap, if any. The results indicated that

compared to other markets SANBS may well have been under-supplying blood products by up to 25%. The international context of blood transfusion in developed markets in recent years has indicated a slowing of demand and relative over-supply with consequent wastage. This context is clearly not applicable to South Africa and many of our neighbouring countries, where blood supply has been underestimated. What ensued from these data points and much internal debate was a complete review of our strategy and corporate purpose to focus on improving our reliability as a supplier while engaging the hearts and minds of our staff, donors and stakeholders.

From this review came the new corporate purpose "Trusted to save lives" and a mission statement with four key measurable metrics – Cost, Quality, Reliability and Coverage.



CHIEF EXECUTIVE OFFICER'S REVIEW (continued)

FINANCIAL HIGHLIGHTS

SANBS achieved satisfactory financial performance for 2018 and 2019. Revenue increased from R2.6 billion to R2.8 billion with a 3% increase in blood collections. It's notable that most of the increase in blood collections was in the second half of the year, consequent on a number of key initiatives to increase our donor pool and provide more blood to the South African public. The surplus for 2019 was ahead of plan at R218.6 million and helped to some extent to offset the burgeoning debt from Gauteng Province. SANBS maintains a cash reserve of around R1.6 billion to cover our expenses for a six month period in the event that we are unable to collect our debt sufficiently. This ensures sustainability of our business model and continued provision of life-saving blood products and services to the South African public. Revenue from new business, particularly research initiatives and cellular therapies, contributed R67 million to turnover in the period. Refer CFO report pages 74 to 77.

An important aspect of collecting enough blood is to maintain blood stock day's cover at 5 to 10 days as this will not only reduce the costs of overtime and couriers, but will improve the safety and availability of blood products.

SUSTAINABILITY HIGHLIGHTS

The operating philosophy at SANBS is underpinned by a focus on long-term sustainability, risk mitigation and a values based culture centred on donors and patients. We put together a "Greening Task Team" focused relentlessly on our environmental impact through electricity and water usage, waste generation and disposal and combined this with staff and supplier awareness campaigns to reduce our carbon footprint. Relatively simple initiatives such as:

- Focussing on applying digital technology to reduce printing yielded substantial savings and benefits to productivity in the organisation.
- Partnering with companies like Nespresso not only gave the promise of truly great coffee to our loyal donors, but also helped our recycling initiatives and moved SANBS away from plastics and polystyrene to reusable materials.

During the year we sold our Pinetown site to NBI (National Bioproducts Institute) who needed to expand their factory. The sale gave SANBS the opportunity to completely rethink our strategy in KwaZulu-Natal (KZN), a region of relatively high disease burden and low prevalence of donation.

Our new operation in Mount Edgecombe will not only bring us state of the art laboratories, capacity for expansion and a negligible carbon footprint but will also be a first of its kind "Journey of Blood" destination centre. This new site will have a large state of the art donation centre at the front of the building coupled with a relaxing restaurant, and will also feature a glassed viewing deck and auditorium where interested donors, scholars, students and

regulators can view the entire journey of blood – from donation through testing, processing, separation into components and outbound logistics. Through this SANBS hopes to raise awareness of blood transfusion in KZN and grow the donor pool so that eventually KZN can supply enough blood to meet its needs.

OUR PEOPLE AND CULTURE

The last year has been truly transformational for SANBS staff. We embarked on a number of change programs and cultural initiatives to improve our leadership traits, measure and interact with our culture and encourage our values of accountability through performance management. One of the largest changes was the discovery of our "SANBS DNA" – a process whereby all our staff voted on the things we should do more and less of – so-called enablers vs. disablers. More than 85% of our staff voted and challenged their creativity through developing icons or "emojis" to describe these enablers and disablers. See page 69.

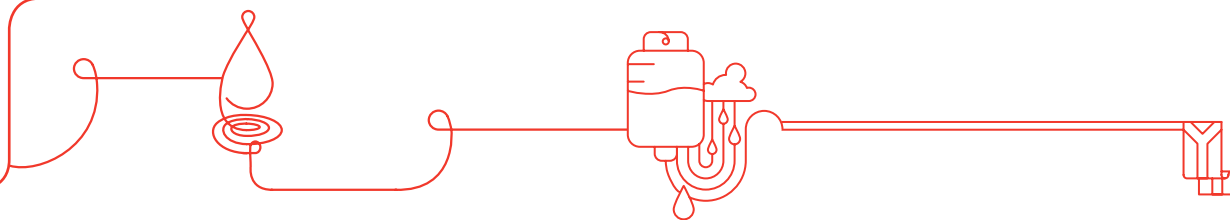
We recently launched the program nationwide and are now able to actively measure our culture and begin courageous conversations around making the changes to improve it. Not only does this give a much needed platform to ALL our staff to express their sentiments but also helps management opine on further programs to address the issues that come out. We have put our top 154 leaders under the spotlight too, in the roll-out of our first 360 degree review process. We believe that this process will not only help leaders manage more effectively through constructive feedback but will also result in the development of Personal Development Plans and help SANBS grow the leaders of the future. In the coming year we plan to reach far deeper into the organisation with around 550 participants. The 360 degree review also covers learning agility which assists us in correctly placing leaders in functions and areas that speak to their strengths.

The last year also saw a renewed focus on performance management with the development of weekly and monthly scorecards across divisions and functions which roll up into an overall balanced scorecard for the business. These scorecards cascade directly into measurable KPA's and KPI's for managers and staff which are measured at least twice a year.

Having the relevant policies and procedures in a people intensive business like SANBS is essential for good governance and fairness, to this end 39 HR policies were reviewed and updated in line with best practice. (Refer page 45.)

In the past year we also completed an ethics survey and reviewed our code of ethics and developed a leadership charter aligned to the SANBS T.H.R.E.A.D values as a result. Both will be actively measured and reported on in the coming year.





“Our new operation in Mount Edgecombe will not only bring us state of the art laboratories, capacity for expansion and a negligible carbon footprint but will also be a first of its kind ‘Journey of Blood’ destination centre.”



STRATEGY/STRATEGIC REVIEW

The new Purpose “Trusted to Save Lives” and Mission/Vision statements aligned to “iHEALTH” strategic objectives (refer pages 15 and 54 to 59) was the culmination of deliberations between the Board and management over many months. The revised mission statement “To reliably provide trusted blood products and services to all patients at a world class level of cost and quality while innovating new treatments to enhance human healthcare” echoes the historical strategic intent of SANBS in providing universal, equitable access to blood products and services while embracing the core tenants of the proposed NHI bill. The new mission statement embraces four key metrics – Cost, Quality, Reliability and Coverage – which will be actively measured and addressed in the strategic objectives of the business.

Cost

We continue to benchmark the cost of our operations and blood products against the best players globally. Significant programs to reduce overhead costs through the use of technology, smarter processes and reduced wastage will continue in the coming years.

Quality

SANBS has remained at the leading edge of technology as pertains to blood safety (Quality) through Nucleic Acid Amplification Testing (NAT) and will continue to investigate new technologies like Pathogen Inactivation to ensure that our blood products are safe. Our journey to ISO15189 continues through the coming year. Significant investment in our labs at the new KZN Mount Edgecombe site will also herald a new era in quality in blood transfusion in Africa.

Reliability

Global best practice suggests that the optimum inventory levels in a blood service should cover estimated forward demand by at least 5 days. Historically SANBS has struggled to maintain stock levels of more than 2 – 3 days, resulting in unreliable supply to patients in need and supply chain inefficiencies through having to constantly collect, test, process and deliver blood on an emergency basis. Not only does this prejudice a quality ethos, it also places a significant burden on staff through excessive overtime, night shifts and working on weekends and public holidays. The #NewBlood initiative commenced in the second half of the year with the recruitment of 180 new staff in collections and the labs, and for the last 3 months of this fiscal, days' cover exceeded 5 days every day. A beneficial result was a marked reduction in costs and overtime and improvement in training, work/life balance and morale.

During the course of the year a number of other initiatives helped to dramatically increase the donor pool, particularly in millennials. These initiatives included:

- Revision and simplification of the deferral criteria and donor questionnaire,
- The implementation of the Heamocue 301 to measure donor Iron levels more accurately (as opposed to using copper sulphate)
- Iron supplementation in donors in KZN as a pilot project
- A reduction in fixed donor sites with low yields and increase in mobile drives in new regions
- Further investment in collecting plasma and Apheresis platelets from donors

We are confident that the continuation of these initiatives will result in SANBS being seen as a good, reliable supplier to ALL South African patients in the spirit of Universal Healthcare.



CHIEF EXECUTIVE OFFICER'S REVIEW (continued)

Coverage

Although SANBS has more than 80 blood banks countrywide it's challenging to have a blood bank on every corner. The prevalence of trauma and post-partum haemorrhage in rural South Africa are deeply concerning and difficult to address. In collaboration with the National Department of Health (nDOH) and Civil Aviation Authority (CAA) a drone program was born, employing ground breaking Vertical Take Off and Landing (VTOL) technology to transport life-saving blood products to patients in need, where traditional methods of transport cannot reach the patient in the golden hour. At the time of writing CAA registration for flights between Sebokeng Blood Bank and Kopanong hospital was imminent.

This is truly a South African and world first in that patients' blood can be taken by drone to a blood bank for cross-match and then delivered by the same drone back to the patient – so called "two-way logistics".

Other players in this space have been unable to take-off and land virtually anywhere and hence cannot provide cross-matched blood. The drone also has a temperature monitored and maintained container to ensure the validity of our supply chain at all times. This is an extremely exciting project that has captured the hearts and minds of both of our staff and our stakeholders.

Another key initiative to improve coverage is the introduction of smart fridges coupled with electronic cross-matching. These smart fridges will operate like ATM's – healthcare workers will be able to access cross-matched blood through entering a code sent to them by SANBS into the smart fridge, blood will then be automatically dispensed.

OUTLOOK/LOOKING FORWARD

The many initiatives and structure changes implemented in the last year should certainly yield positive results in the short term.

We have already seen a huge improvement in the availability of blood to the extent that "cutbacks" are now at zero from a historical level of 8 – 9%.

Our new staff are trained and operating seamlessly with our existing work force, our cultural and leadership initiatives are already bearing fruit and the business is on a sound footing financially with improved debt collection.

In the medium term we will continue to work on our social mandate in providing adequate, safe blood to the people of South Africa, creating employment and a learning environment for more staff while embracing the pillars of Broad Based Black Economic Empowerment.

We will commence an overhaul of our IT systems through a re-implementation of our ERP system and Blood Establishment Computer System (BECS), resulting in a paperless environment and digitalisation of all our processes, including interaction with our donors. Integration of these systems with our partner hospital groups and the Department of Health will help to improve patient outcomes through electronic patient records and data sharing.

Continued engagement with our stakeholders around regulation, NHI and further improving access to life-saving products will continue in the medium to long term.

 For a more detailed outlook refer pages 78 and 79.

» "In collaboration with the National Department of Health (nDOH) and Civil Aviation Authority (CAA) a drone program was born."



WHAT WE WILL FOCUS ON AS OUR NEW STRATEGIC OBJECTIVES FOR THE PERIOD 2019 – 2024

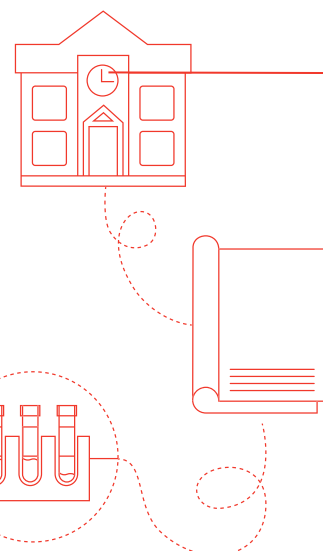
| i | H | E | A | L | T | h |
|--|--|--|--|---|---|---|
| Innovation | Human centred collections | Excellence in processes | Administrative rigour | Logistics benchmark | Testing & quality | Hearts & minds |
| Improve and expand current products and services through innovation. | Enhance donor experience through a human centred approach. Enhance brand advocacy. | Achieve operational excellence that consistently produces efficient and effective products and services. | Build administrative rigour in all order to pay processes. | Move blood products in the value chain in a timely, effective and efficient manner. | Provide top quality testing in an efficient manner. | Win the hearts and minds of SANBS employees and stakeholders. |

 For more information refer pages 54 and 55.

CONCLUSION AND APPRECIATION

The years in review have been of significant change for SANBS and its hard-working staff and I'm deeply appreciative to all of them for staying the course – certainly the changes are already bearing fruit. Our donors too have answered the call to provide more blood and there have been so many examples of how our donors and council members have engaged their communities to assist us in saving lives – please accept our sincere thanks for your selfless efforts on behalf of the countless lives you save every year.

Last but by no means least, my thanks to the SANBS Board and Council for their wisdom, guidance and support in a time of great innovation and change. I firmly believe that SANBS is in the best shape it's been in for years and well positioned to meet the challenges and opportunities of the future.



Our value – creating BUSINESS MODEL

Our material matters include risks and opportunities in our operating environment

Reliably provide trusted blood products and services to all patients at a world class level of cost and quality while innovating new treatments to enhance human healthcare

Transformation/Change

- Change – leadership, strategy, performance measurements, innovation (pg 68 – 70; 54 – 59)
- Culture/change initiative (DNA) (pg 69)
- Being relevant – to environment in terms of transformation (pg 68 – 70)

Meeting Blood Demand (pg 56 – 59)

- Enough and safe blood – days cover (stocks increased)
- Patient Blood Management (PBM)
- Appropriate usage, distribution and reduction of waste, while driving down cost (pg 57)

Future Changing World (pg 78)

- Innovation (IT, BECS and drones, data optimisation – health of societal improvement) (pg 56)
- Donor experience/Innovation/Care (pg 56)
- Mobile collection units/ Mount Edgecombe (pg 56)
- Improve wellness – health of donor pool (pg 57)
- Cellular therapies and genetic testing therapy (pg 56)

Cost, Reliability, Coverage & Quality (pg 54 – 55)

- Accessibility and affordability – blood benchmarkable with rest of world

Sustainability (pg 9, 12, 78)

- Financial: Income – collections (pg 53, 58, 74)
- Good governance – solvent and stable organisation (pg 18 – 39)
- Good governance – solvent and stable organisation (pg 18 – 39)
- Greening SANBS (pg 57, 60 – 61)

Regulatory Landscape

- NHI – implications (risks and opportunities) (pg 43)
- SAHPRA – intending to regulate blood products (pg 43)

Stakeholder Engagement (pg 33, 62 – 67)

- Working with other SA Blood Partners (synergies WCBS) & NBI etc

Capacity: Human Capital (new people and key vacant posts) (pg 60)

Reputation Management (pg 41)

IV

GOVERNANCE OVERSIGHT

- SANBS is committed to high standards of governance, ethics and integrity
- We embrace the World Health Organisation's expected outcomes for blood services
- Our Board is diverse in demographics, skills and experience and 82% of the directors are independent non-executive directors

OUR CAPITALS ... Inputs

FINANCIAL

- Blood transfusion services
- Receipts from debtors
 - private patients and institutions
 - government hospitals
- Operating expenses
- Capital expenditure
 - IT (process automation)
 - innovation
 - Patient Blood Management (PBM) supply/demand and inventory

INTELLECTUAL

- Brand, reputation
- Research & development (innovative patient treatment)
- Licence to operate
- Scarce skills

HUMAN

- 2 651 employees
- New staff (key vacancies filled)
- Investment in skills development and training
- Strong compliance and governance structure

MANUFACTURED

- Donor pool (blood collection)
- >1 million collections per year
- IT systems
 - BECS (Meditech)
 - migration to Progesa
 - SAP ERP
- Building
 - Labs (owned)
 - Blood banks (hospitals)
 - Donation centres (fixed and mobile) (185 sites countrywide)
- Complex logistics and cold chain
- Transport (couriers, drones – emergency blood)

SOCIAL AND RELATIONSHIP

- Donor – confidentiality of information
- Cornerstone of Health Care Services (gift of life – blood supplied, healthy donors and #IronStrong)
- Transformation strategies
- Stakeholder engagement (pg 62 to 67)
 - customers (including donors, doctors, patients, hospitals, Department of Health etc.)
 - business partners (couriers, drone innovators)
 - Suppliers (critical consumables and technology)

NATURAL

- Water, fuel and electricity usage
- Green lab – Mount Edgecombe
- Waste management

Strategic focus areas

i

innovation

H

Human Centred Collections

E

Excellence in processes

A

Administrative rigor

L

Logistics and benchmark

T

Testing and quality

h

hearts and minds of SANBS employees and stakeholders

iHEALTH

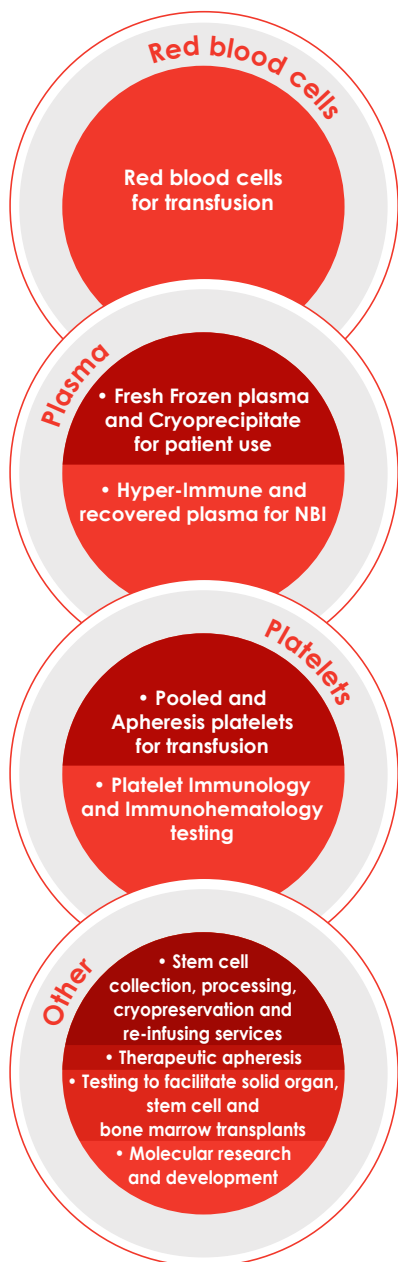
Read more about our strategic focus areas on pages 54 to 61.

Trusted to save lives

To be the cornerstone of healthcare services in South Africa, through the gift of life

ENABLE VALUE-ADDING ACTIVITIES THAT... Outputs

PROVIDE



While managing key risks

Negative internal/external events compromising SANBS' brand

Sustainably and continually collect income due to SANBS

Attracting and retaining appropriately skilled and energised people

Ongoing supply of safe quality blood products at all times

Injuries to staff and third parties (excluding negative blood related impacts)

Failure of information management systems

Continually meeting regulatory requirements

Ability to maintain R&D leading to new products/new solutions and new income streams

National Health Insurance (NHI) impacting on SANBS operations

Ability to meet all demand for all blood products under normal operations

Read more about our risks on pages 41 to 43.

CREATE VALUE FOR OUR STAKEHOLDERS Outcomes

FINANCIAL

- Turnover **R2.84 billion** (7.5% increase)
- 42% staff costs as % total costs
- 7.7% net surplus versus budget 4.7%
- Current ratio 6:1
- Reduced collection and processing costs
- Reduced courier costs and complexity

INTELLECTUAL

- World leading blood transfusion and blood products organisation
- Revised Purpose, Vision and Mission
- PBM – fulfills purpose "Trusted to Save Lives"

HUMAN

- R1.2 billion salaries
- B-BBEE skills spend **R10 million**
- 88% black employees
- 155 new staff in blood collections
- Strong, complete focused leadership team
- Revised performance management system
- Reduced overtime
- Revised governance and compliance framework
- Leadership charter
- SANBS Formula – co-created aspirational culture journey

MANUFACTURED

- Improving reliability of supply, inventory, coverage, quality and cost
- Active Donor: **390 000** up to **430 000** (increased blood stocks)
- Doctors: Reduced blood supply cutbacks
- PBM – increased efficiencies in available blood stock management
- Mount Edgecombe centre in KZN
- Smart fridges

SOCIAL AND RELATIONSHIP

- Compliance with all health/blood regulatory requirements
- Advanced preparation for new regulations eg SAHPRA, NHI (participation – influencing and maximising opportunities it creates)
- Positive impact on SA citizen health #IronStrong – Ferritin testing and iron supplement
- Nespresso partnership
- Improved doctor experience (enough blood)

NATURAL

- Waste management
- Renewable energy
 - Borehole water
 - Solar
- Reduced carbon footprint
 - Reduced transportation (planning and increased blood supplies)





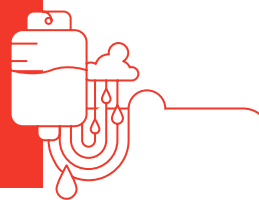
GOVERNANCE

Corporate governance facilitates fairness, accountability, responsibility and transparency for SANBS



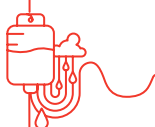
Our value creation is underpinned by **GOOD GOVERNANCE**

SANBS is committed to achieving high standards of governance, ethics and integrity.



IV

OUR GOVERNANCE PHILOSOPHY



We believe that Corporate Governance is key to:

- **promote ethical and effective leadership that ensures accountability, fairness and transparency;**
- **optimise organisational planning, performance, value creation and sustainability;**
- **enhance protection of donors and donor structures, employees and other stakeholders through implementation of adequate and effective controls within SANBS; and**
- **effectively cultivate stakeholder relationships that create trust, legitimacy and to ensure integrated and inclusive decision making.**

The Board assumes full accountability for the governance of SANBS.

During the period under review SANBS further refined its governance structures and processes in line with the principles of the King IV™ Report on Corporate Governance for South Africa, 2016 (King IV™). SANBS can therefore report that for the year ended March 2019, the Board is satisfied that it has fulfilled its responsibilities in accordance with the Companies Act, the Board Charter, King IV™ and other applicable regulatory and legislative requirements.

Corporate governance processes assist the Board, Executive Committee and employees in fulfilling their duties. It also ensures sustainable value creation for its stakeholders and instils their confidence in SANBS.



OUR VALUE CREATION IS UNDERPINNED BY GOOD GOVERNANCE (continued)

VALUES-DRIVEN OBJECTIVE OF OUR BOARD ROOTED IN KING IV™ PRINCIPLES



IV

LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

Principle 1, 2 and 3

Desired outcome: Effective and ethical leadership, to be an organisation with an ethical culture, as well as being a good corporate citizen.



Ethical leadership

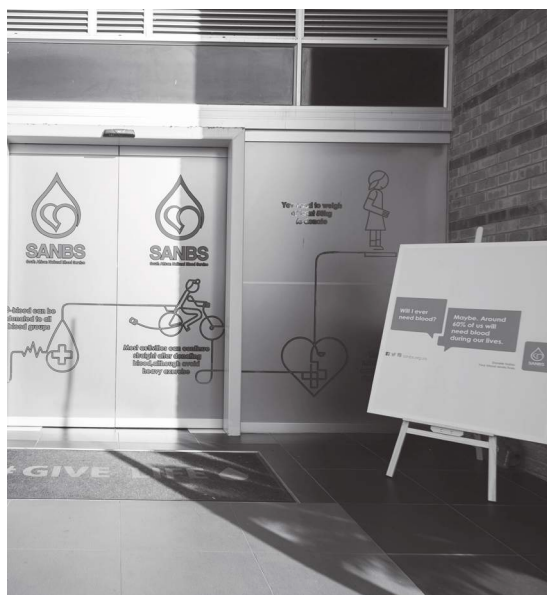
The SANBS Board sets the tone from the top for ethical leadership in the organisation.

The Board strives to demonstrate integrity, competency, responsibility, accountability, fairness and transparency.

All members of the Board act with integrity, in good faith and in the best interests of SANBS.

Each Board member submits through the Company Secretary, a Board-approved declaration of interests to other Board members, in writing at least once a year or as and when their circumstances change. Conflicts of Interests (COI) is a standing Board agenda item. A COI policy regulates how SANBS employees should declare conflicts of interest.

 Refer to Governance, Social and Ethics Committee report page 35.



Values, ethics and culture

The Board leads in the establishment and enforcement of an ethical code and culture within SANBS.

A Code of Ethics is monitored for adherence. Values are communicated on an ongoing basis and implemented through workshops with employees. Ethics, Risks and Opportunity Assessments and Ethics training sessions have been conducted.

Reliance is placed on a tip-offs whistleblowing line that is administered independently.

Responsible corporate citizenship

As a non-profit company incorporated and operating in terms of the Companies Act, SANBS as a brand commits itself to operating in a manner that is fair, responsible and transparent through promotion of sustainable business practices, environment, employee and community development.

SANBS defines clear corporate citizenship targets for:

- Workplace (employment equity; safety and the dignity of employees) (pg 42, 59);
- Economy (economic transformation, prevention, detection, response to fraud and corruption) (pg 59);
- Society (public health and safety, consumer protection, community development and protection of human rights) (pg 59); and
- Environment (pollution and waste disposal and protection of biodiversity) (pg 60 – 61).

Targets are monitored annually. SANBS does not only collect blood, but also educates donors on a healthy lifestyle and creates awareness about diseases, forging a relationship based on reputation care and trust.



The Board's governance oversight is guided by the level commitment to its responsibilities and governance objectives. The objectives provide a mechanism to measure and evaluate performance in applying the King IV™ principles and outcomes.

IV

STRATEGY, PERFORMANCE AND REPORTING


Principle 4 and 5

Desired outcome: Optimised performance, value creation and sustainability.

Strategic planning

SANBS has evolved towards a totally integrated strategy, risk and opportunity, and performance management process.

A five-year strategy, supported by detailed Board strategic planning sessions on an on-going basis and signed off by the Executive Committee and the Board, forms the basis of an annual scorecard and monitoring activities.


 Refer Strategy 2019 – 2024 on pages 54 to 59.

Strategy implementation

To entrench strategy and program performance, the Board has delegated the implementation of the strategy to the CEO who is tasked with designing and rolling out the detailed implementation plans of SANBS. Such implementation is supported by required resource budgeting to enable execution and delivery. See page 54 (Target Operating Model).

Strategic Performance Management

Key performance measures are set for each financial year to ensure strategic objectives, are met. Achievement of predefined measures are linked to rewards as drivers for remuneration.

 For more information refer to:

- Performance against 2018/2019 scorecard pages 44 to 53.
- Strategic priorities 2019 – 2024 pages 54 to 59.
- Remuneration report pages 69 to 71.

Reporting and disclosure

SANBS reports the material results of its performance internally and to stakeholders.

Members of executive management attend Board and relevant board committee meetings as is appropriate and communicates necessary resolutions of the Board to employees.

The Board is responsible for providing reporting guidelines regarding quality and depth of reports, meaningfulness and relevancy to internal and external needs.

 Refer Audit Committee report on page 34.



OUR VALUE CREATION IS UNDERPINNED BY GOOD GOVERNANCE (continued)

IV

GOVERNING STRUCTURES AND DELEGATION

Principle 6, 7, 8, 9 and 10

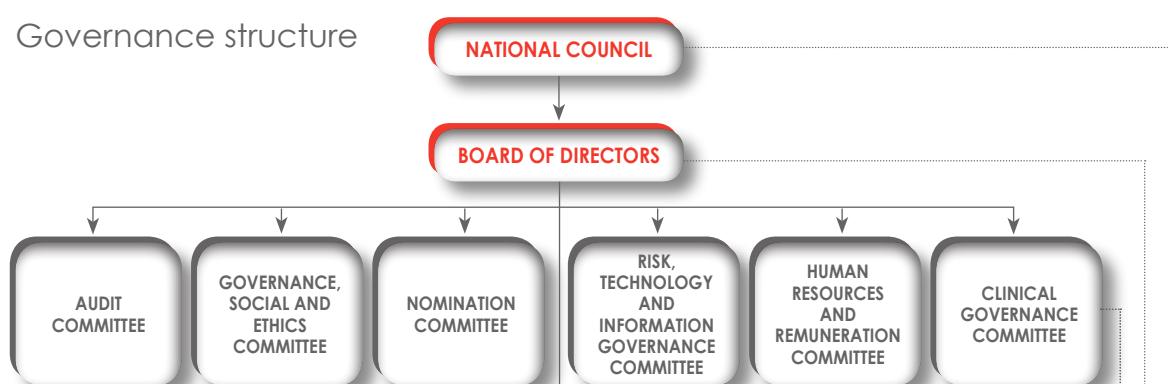
Desired outcome: Effective governance structures.

SANBS' governance structure

SANBS is fully committed to governance characterised by integrity, competency, responsibility, accountability, fairness and transparency in all its activities.

SANBS has established the governance and donor structures as outlined below:

Governance structure



Management structure

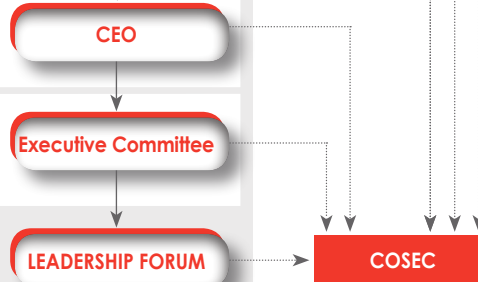
The Board appoints the CEO and sets the terms of his/her employment. The CEO is responsible for the effective management and running of the business in accordance with strategies, objectives and policies approved by the Board.

The Executive Committee, under the leadership of the Chief Executive Officer, is responsible for the day-to-day management and operations of the Company and implementation of the strategies, objectives and policies approved by the Board. Refer page 54 to 59.

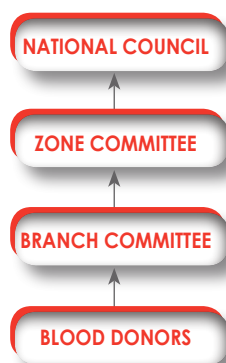
Key delegations to Management

SANBS has defined and continues to revise its **Corporate Delegation of Authority (DoA)** which documents the powers and limits of the Board, Executive Management and all other employees. The DoA details the levels of authority, including expenditure, to be applied within SANBS at various roles and levels.

The roles of the Chairman of the Board and the CEO are separate. There is a clearly defined division of responsibilities in both offices to ensure a balance of authority and power.



Donor structure





Role of the Board

The Board provides strategic direction to SANBS within the parameters of an approved Board of Directors Charter which ensures that the principles of good corporate governance are applied.

Board composition is defined in the Memorandum of Incorporation (MOI) and is made up of elected independent non-executive Directors, Donor elected Directors, Board Appointed Directors and Executive Directors. **The Board is accountable and responsible for the performance of SANBS.** This includes the responsibility for reviewing and **monitoring strategy**, through the establishment of key policies and objectives, **understanding the key risks** faced by SANBS, determining the risk appetite and tolerance, and the processes to mitigate these. In discharging its duties, the Board is supported by the Board committees, Executive Committee and Senior Management. These committees have specific terms of reference, appropriately skilled members, executive management participation and access to specialist advice when considered necessary.

The Chief Executive Officer and Medical Director serve on the Board as Executive Directors.

Various mechanisms such as strategies, policies, processes and documents have been implemented and are used to drive and support good governance practice.

The Board has a duty to protect the legitimate interests of all stakeholders and in discharging its duties, the Board acts at all times in the best interest of SANBS.

The Charter outlines the roles and responsibilities, composition and procedures of the Board and is reviewed annually.

The Chairman leads the Board and ensures the integrity and effectiveness of the Board and its committees.

All members of the Board have access to the services of the governance services professional (CoSec) who co-ordinates, gives advice either individually or collectively on legal and corporate governance issues.



Board committees

The Board is supported by six committees. These committees have delegated responsibility to assist in specific specialist matters on a collaborative basis and provide reports of their activities and recommendations to the Board on a quarterly basis or as often as is necessary.

Performance evaluations (Board and committees)

To ensure continued improvement in its performance and effectiveness of the Board, evaluation at least every two years should be done.

BOARD EFFECTIVENESS

Some areas of improvement were noted in an independently facilitated assessment of the performance of the Board. The Board has agreed a plan to implement the necessary improvements.



OUR VALUE CREATION IS UNDERPINNED BY GOOD GOVERNANCE (continued)

Board committees

Audit Committee

The role of the committee includes, but is not limited to, carrying out the responsibilities outlined in Section 94 of the Companies Act as well as to assist the Board in the effective discharge of its responsibilities including the effectiveness of assurance functions and services and the integrity of reports issued.

The Committee provides independent oversight of:

- Internal controls within SANBS;
- The effectiveness of the SANBS' assurance functions and services, with particular focus on combined assurance arrangements, including external service providers, internal audit and the finance function; and
- The integrity of the annual financial statements, annual integrated report and any other financial reports issued by SANBS.

The Committee oversees the following areas:

- External audit;
- Internal Audit;
- Internal Controls and Financial Risks;
- Finance;
- Fraud Response;
- Taxation; and
- Reporting to relevant stakeholders.

 Committee feedback page 34.

IV 5, 15

Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee has as its oversight role, the responsibility of fair, responsible remuneration and includes the following:

- To oversee and monitor the level and remuneration structures of SANBS in line with overall performance;
- To regularly review and ensure that the remuneration policies promote the achievement of the Company's strategic objectives and encourage individual performance;
- To promote employment equity and ensure employee wellness;
- To assist the Board in ensuring that employees are fairly but responsibly rewarded;
- To recommend the approval of non-executive Directors' remuneration at the appropriate Council meeting; and
- To recommend for final approval to the Board, the annual wage mandate prior to negotiation with representative of trades union and in consultation with the CEO, CFO and HR Executive, taking into account affordability.

 Committee feedback page 36.

IV 14

Nomination Committee

The Nomination Committee assists the Board in ensuring that:

- The Board has the appropriate composition, experience and skills for it to execute its duties effectively;
- Directors are appointed through a formal process; and
- Formal succession plans for the Board are in place.

 Committee feedback page 38.

IV 6, 7, 8, 9, 10

Risk, Technology and Information Governance Committee

Oversees the governance of risk, technology and information in a way that supports SANBS in setting and achieving its strategic objectives.

Risk Governance:

- Considers and approves policy on managing risk and opportunity, evaluating and agreeing to the organisation's risk appetite and tolerance levels in pursuit of its strategic objectives.
- Exercises ongoing oversight of risk management activities at SANBS.

Compliance Risk Governance:

- Ensures continual monitoring of the regulatory environment and ensures that appropriate responses to changes in the regulatory landscape are implemented.
- Ensures that compliance risk is integrated within the overall risk management framework of SANBS.

 Committee feedback page 39.

IV 11, 12, 13

Technology and Information Governance ("TIG"):

- Assists the Board in setting the direction of how TIG should be approached and addressed at SANBS.
 - Includes approving policy that articulates and gives effect to the Committee's set direction on the employment of technology and information.
- Provides ongoing oversight of technology and information management at SANBS by exercising ongoing oversight of the management of information and in particular, overseeing that it results in the leveraging of information to sustain and enhance SANBS' intellectual capital.
- Ensures that there is an information architecture that enables the achievement of strategic and operational objectives, that supports confidentiality, integrity and availability of information and that also ensures the protection of privacy of personal information.
- Ensures continual monitoring of security of information at SANBS.

Governance, Social and Ethics Committee

Assists the Board with:

- The oversight and reporting on governance, social and ethics matters relating to SANBS – includes matters relating to responsible corporate citizenship, sustainable development, stakeholder relationships, Director Induction and ongoing training and development as well as matters incidental thereto.
- Ensures, through Management oversight, that the duties and responsibilities of the Committee as outlined in Regulation 43 of the Companies Act are carried out.

 Committee feedback page 34.

IV 1, 2, 3, 16

Clinical Governance Committee

The Clinical Governance Committee (CGC) is responsible for:

- The oversight of donor and patient safety and well-being.
- The oversight and monitoring of the sufficiency of the blood supply and the quality of blood and blood products.
- Advising the Board on new technologies and products to remain sustainable and relevant in the future.

 Committee feedback page 37.

OUR VALUE CREATION IS UNDERPINNED BY GOOD GOVERNANCE (continued)

Meet the *Board*



1 **Getty Simelane (8 yrs)**
Chairman
Independent Donor elected Non-Executive Director
BA Social Work (University of Zululand), HDPM (Wits Business School), MPhil (University of Bath, UK), EDP Kellogg Business School (North Western University, USA)

2 **Jonathan Louw (2 yrs)**
Chief Executive Officer
MB.ChB (University of Cape Town), MBA (University of Cape Town)

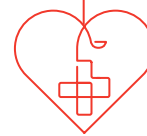
3 **Jackie Thomson (3 yrs)**
Medical Director
MBChB (Stellenbosch University), MMed Internal Medicine (Stellenbosch University), Certificate in Haematology (College of Medicine SA)

4 **William Gumede (8 yrs)**
Independent Board appointed Non-Executive Director
Joint Degree (Utrecht, Aarhus and Cardiff Universities) Econ and Public Finance (UNISA), MA (University of the Witwatersrand), Project Finance (GIBS and Stellenbosch), Investment Banking (New York University)

5 **Vanessa Moodley (6 yrs)**
Independent Board appointed Non-Executive Director
MBChB (University of Cape Town), MMed (Haematological Pathology) – cum laude (MEDUNSA)

6 **Rob Theunissen (7 yrs)**
Independent Donor elected Non-Executive Director
CA (SA), B. Accounting (Wits University), Diploma in Criminal Justice and Forensic Auditing (RAU)

The SANBS Board of directors is appointed by the Nominations Committee and the Donor Council. The board is responsible for strategic direction and ultimate control of SANBS.



7

Ansie Ramalho (5 yrs)

Independent Donor elected Non-Executive Director

CD(SA), Baccalaureus Juris (Unisa), Baccalaureus Legum (UNISA), Diploma in the Law of Insolvency (AIPSA), Certificate in International Insolvency Law (UP), Certificate Programme in Financing and Accounting (Wits)

8

Rodney Brand (3 yrs)

Independent Donor elected Non-Executive Director

CA (SA), CTA (University of Natal)

9

Faith Burn (5 months)

Independent Donor elected Non-Executive Director

B.Sc. Mathematics and Computer Science (RAU), B.Sc. Hons Mathematics (RAU), M.Sc. Mathematics (RAU), MBL (UNISA)

10

Phindile Mthethwa (5 months)

Independent Donor elected Non-Executive Director

B.Comm Accounting and Human Resources (Wits University), Management Development Programme (Stellenbosch University)

11

Patricia Knox (7 yrs)

Independent Donor elected Non-Executive Director

MbCHB (University of Cape Town), Diploma in Child Health (South African College of Medicine)

The Board works to fulfil the primary governing roles and responsibilities recommended in the King IV™ Report, namely to:

- steer the company and setting its strategic direction;
- approve policy and planning that give effect to the direction provided;
- oversee and monitor of implementation and execution by management; and
- ensure accountability for company performance by means of, among others, reporting and disclosure.



OUR VALUE CREATION IS UNDERPINNED BY GOOD GOVERNANCE (continued)

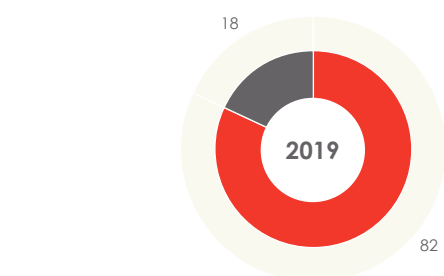
BOARD AND COMMITTEE ATTENDANCE

| Committees | Board | | Audit Committee | | Risk, Information and Technology Governance Committee | Governance, Social and Ethics Committee | Nominations Committee | Human Resources and Remuneration Committee | | Clinical Governance Committee |
|---|----------|---------|-----------------|---------|---|---|-----------------------|--|---------|-------------------------------|
| | Ordinary | Special | Ordinary | Special | Ordinary | Ordinary | Ordinary | Ordinary | Special | Ordinary |
| NUMBER OF MEETINGS | 4 | 3 | 4 | 2 | 3 | 3 | 5 | 3 | 1 | 4 |
| Non-Executives | | | | | | | | | | |
| G Simelane | 4 of 4 | 3 of 3 | | | | 3 of 3 | 5 of 5 | 3 of 3 | 1 of 1 | |
| R Theunissen | 4 of 4 | 3 of 3 | 4 of 4 | 2 of 2 | 2 of 2 | | 1 of 1 | | | 4 of 4 |
| P Knox | 4 of 4 | 3 of 3 | | | 3 of 3 | | | | | 4 of 4 |
| A Ramalho | 4 of 4 | 2 of 3 | 4 of 4 | 2 of 2 | 3 of 3 | 3 of 3 | | | | |
| W Gumede | 4 of 4 | 3 of 3 | 4 of 4 | 2 of 2 | | 2 of 2 | 1 of 1 | 3 of 3 | 1 of 1 | |
| R Brand | 4 of 4 | 3 of 3 | 4 of 4 | 2 of 2 | 1 of 1 | | 4 of 4 | 3 of 3 | 1 of 1 | |
| V Moodley | 4 of 4 | 3 of 3 | | | | 1 of 1 | 4 of 4 | | | 4 of 4 |
| P Mthethwa (joined 10 Nov 2018) | 2 of 2 | 1 of 1 | | | | 1 of 1 | | 1 of 1 | | |
| F Burn (joined 10 Nov 2018) | 2 of 2 | 1 of 1 | 1 of 1 | 1 of 1 | 1 of 1 | | | | | |
| M Malebye (resigned 10 Nov 2018) | 2 of 2 | 1 of 2 | | | 1 of 2 | 1 of 2 | | | | |
| Executives | | | | | | | | | | |
| J Louw | 4 of 4 | 3 of 3 | i | i | 3 of 3 | i | i | i | i | i |
| J Thomson | 4 of 4 | 2 of 3 | | | 1 of 1 | | | | | 4 of 4 |
| Contract members/special invitees/co-opted members | | | | | | | | | | |
| M Toubkin | | | | | | | | | | 2 of 4 |
| A Rantloane | | | | | | | | | | 3 of 4 |
| C Slump | | | | | | | | | | 4 of 4 |
| K Letlape | | | | | | | 5 of 5 | | | |
| B Maasdorp | | | | | | | 5 of 5 | | | |

Due to changes in committee membership, members attended meetings only when they were members of the committee.
i J Louw is an invitee of these committees and attended all of these meetings.

IV Independence Protecting the interest of all stakeholders

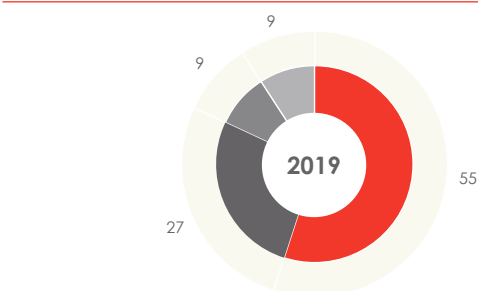
Director classification (%)



■ Independent non-executive
■ Executive

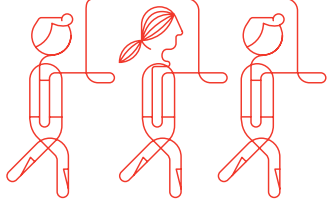
IV Board diversity Relevant in a transforming society

Racial diversity (%)



■ White ■ Coloured
■ African ■ Indian





Board tenure and experience

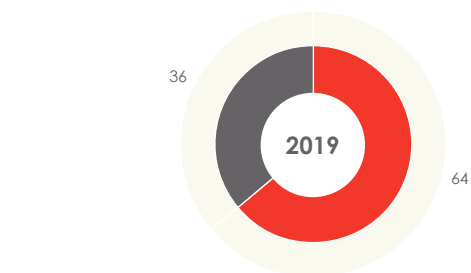
A blend of experience and new insight.

Non-executive directors: Time on board



IV Board diversity Relevant in a transforming society

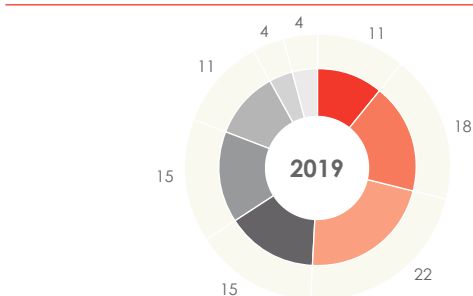
Gender diversity (%)



■ Female
■ Male

IV Board skills Diversified to add value

Skills and experience (%)



■ Strategic ■ Governance ■ Law
■ Finance ■ Clinical governance ■ Other
■ Business ■ Technology



OUR VALUE CREATION IS UNDERPINNED BY GOOD GOVERNANCE (continued)

IV

FUNCTIONAL GOVERNANCE AREAS

Principle 11, 12, 13, 14 and 15

Desired outcome: Adequate and effective controls through risk, technology and information, compliance, remuneration and assurance governance.



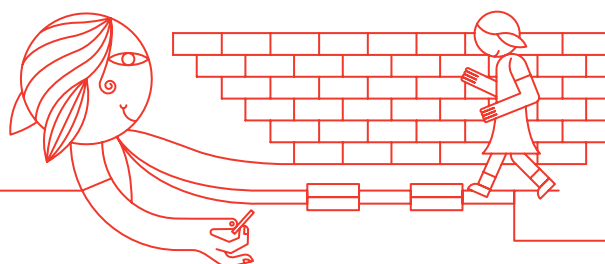
Risk management IV¹¹

SANBS is establishing risk management as an integral part of its management processes and a core capability. Enterprise Risk Management (ERM) contributes to and ensures the continued growth and success of SANBS. Through the ERM process, identified risks and opportunities are evaluated and responded to, based on SANBS' level of risk appetite and tolerance. This ensures that risk management continually determines a priority of action and response. See pages 40 to 43 for detailed strategy level risks, opportunities and treatment plans.

SANBS, as a provider of blood and blood products and because of its mandate, should protect itself, its donors and the broader stakeholder base from possible adverse effects of risk that would impact organisational sustainability. Due to the essential service provided by SANBS, it is important that SANBS, in its business operations and in aiming to achieve its strategic objectives, adopts a risk-averse risk tolerance level.

Risk Management focuses on the relationship between risk and its impact on achieving objectives. SANBS' risk management approach includes the establishment of various policies, strategies, frameworks, procedures and tools for identifying, measuring, monitoring, managing and reporting of all material risks to which it is exposed. The Enterprise Risk Management Framework outlines how risk management will be implemented, practiced and maintained on a strategic process level and illustrates how risk management should be embedded in all business units to ensure that effective risk management strategies are integrated in all work contexts.

Oversight of risk and opportunities is the responsibility of the Risk, Technology and Information Governance committee. See page 39 and pages 40 to 43.



Technology and information governance **IV** ¹²

The increasing number of regulations and standards requiring compliance makes the governance and the management of technology and information more important. The Board ensures that SANBS has a formalised governance process for technology and this is supported by enabling technology and information management strategies, governance models and security protocols. This is achieved through the IT Governance Framework which adherence thereto is monitored on an ongoing basis. SANBS considers its technology and information Management risks on an ongoing basis during the risk monitoring processes.

The SANBS' outsourced Internal Audit Department conducts regular IT governance audits.

SANBS is in the process of developing a comprehensive Business Continuity Plan which will allow SANBS to respond to incidents and disasters in an organised manner where these cannot be prevented or minimised by existing controls.

 For outcomes of oversight of technology and information governance see the report of the Risk, Technology and Information Governance Committee on page 39.

Our approach to compliance **IV** ¹³

SANBS values and strives to ensure compliance with laws, regulations and applicable standards in a way that supports the organisation being ethical and a good corporate citizen. This is notable in the participation in consultation processes for new laws/regulations e.g. NHI. The Compliance Management Policy and Compliance Management Manual were approved by the Board. SANBS will on an annual basis confirm its scope of laws, regulations and standards of compliance in a Regulatory Universe (facilitated by the Exclaim software) and will through its committees assess, bi-annually, the levels of compliance with key prescripts.

Compliance Champions are formally appointed in the business and are responsible for all matters relating to compliance Management that affect their respective Business Units. A Management Compliance Committee ensures effective oversight information sharing for Compliance Champions.

SANBS upholds high standards in compliance management to protect SANBS from the adverse effects of non-compliance and legislative breach.

 Refer to material matters – Regulatory landscape page 16.
Refer to Risks, Technology, Information Governance Committee report on page 39.

Governing fair and responsible remuneration **IV** ¹⁴

Governance of remuneration falls under the scope of the Human Resources division and the Human Resources and Remuneration Committee, which in turn advises the Board. The Board reviews recommendations of the Human Resources and Remuneration Committee considers and approves/ratifies these. The Non-Executive Director Remuneration Policy sets out key principles of Non-Executive Directors (NEDs) fees.

SANBS has a Remuneration and Employment Policy that articulates SANBS' direction on fair, transparent and responsible remuneration so as to enable organisational performance and sustainability.

Relevant human resources policies and procedure documents are in place to guide all HR initiatives.

 See Human Resources and Remuneration Committee report on page 36.
See Remuneration Report pages 71 to 73.



OUR VALUE CREATION IS UNDERPINNED BY GOOD GOVERNANCE (continued)

IV

FUNCTIONAL GOVERNANCE AREAS (continued)



How we have configured our combined assurance approach ^{IV 15}

There are a number of assurance role players for corporate governance within SANBS. The Board exercises oversight on the combined assurance model to ensure that it is applied and incorporates various assurance functions so that they holistically support the objectives of assurance. The Combined Assurance Forum is responsible for the coordination of Combined Assurance within SANBS and, as detailed in the Combined Assurance Framework.

SANBS adopts a combined assurance model that is risk-based and ensures that it covers the pillars of governance and compliance for enhanced assurance coverage.

King IV™ defines combined assurance as the integration and alignment of assurance processes functions and services in an organisation to maximise risk and governance oversight and control efficiencies, and optimise overall assurance to the Audit Committee considering the organisation's risk appetite.

SANBS in its implementation of combined assurance has identified the components of combined assurance as per King IV™. These components of combined assurance are to integrate, coordinate and align risk management and assurance processes and services. Combined assurance will be implemented in terms of the risk Management strategy of SANBS.

Figure 1 below illustrates the alignment between the different assurance providers.

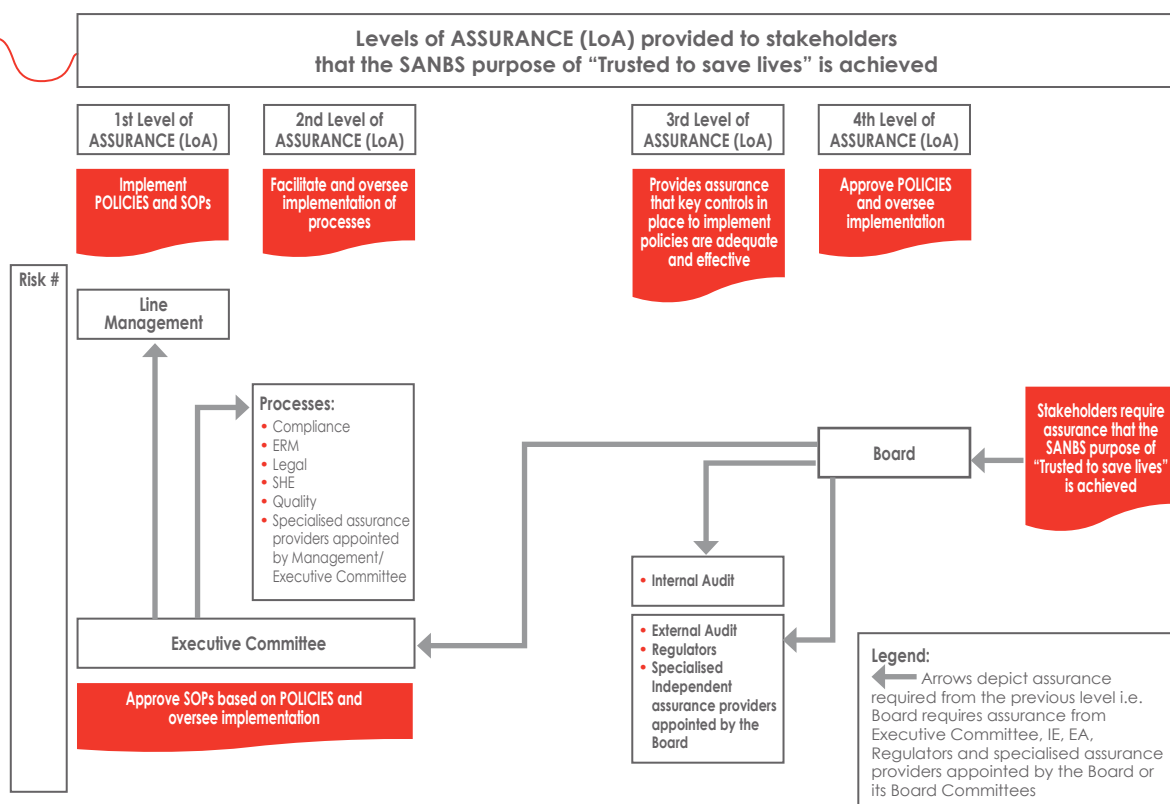


Figure 1: Combined Assurance Approach



IV

STAKEHOLDER MANAGEMENT

Principle 16

Desired outcome: Trust, sound relationships and organisational legitimacy


SANBS established the importance of aptly identifying the gallery of stakeholders which the organisation seeks to engage for perception management and brand-building purposes.

The SANBS Strategy and Stakeholder office, in conjunction with SANBS Management guides the processes aimed at assisting SANBS achieving general public and stakeholder endorsement as a leading provider of blood, blood products and world-class research and training.

Understanding its stakeholder's needs, interests and expectations allows SANBS to consider material matters they cause in their risk opportunity management and decision making.

SANBS has adopted a stakeholder-inclusive approach that ensures that stakeholder interests are at all times considered and factored into strategic, operational and project efforts.

A Stakeholder Management Policy was adopted to ensure responsiveness of SANBS to stakeholder needs through entrenchment in planning and perception management to mitigate any reputational risks from materialising.

 Refer to details of our Stakeholder engagements on pages 62 to 67.



OUR VALUE CREATION IS UNDERPINNED BY GOOD GOVERNANCE (continued)

BOARD COMMITTEES' FOCUS AND FUTURE FOCUS



Rob Theunissen
Chair: Audit Committee

Members

- R Theunissen (Chair)
- A Ramalho
- Prof W Gumede
- R Brand
- F Burn

The committee is satisfied that it has fulfilled its responsibilities in accordance with the Companies Act, the Board Charter, the Committee's Terms of Reference, King IV and other applicable regulatory and legislative requirements.



Audit COMMITTEE



The role of the committee includes, but is not limited to, carrying out the responsibilities outlined in Section 94 of the Companies Act as well as to assist the Board in the effective discharge of its responsibilities including the effectiveness of assurance functions and services and the integrity of reports issued.

Key focus areas of the Committee for the period under review

Shortly before the 31 March 2018 audited annual financial statements were due to be tabled at a National Council meeting the committee was apprised by management that it had been brought to their attention that **credit notes had been incorrectly issued as invoices and consequently monies were paid to the SANBS which were not due**. This had been an ongoing oversight for several years due to the medical interface system between SANBS and debtors which does not cater for the issuing of credit notes.

After deliberations with management, the internal auditors and external auditors the committee instructed management to engage an **independent forensic service provider to investigate** the matter and to report thereon. The issuing of the annual financial statements for the year ended 31 March 2018 was consequently delayed and, following the forensic investigation, an adjustment was necessary. The effect of the adjustment was to decrease the accounts receivable balance and decrease surplus for the year ended 31 March 2018 by R136.8 million as well as to reduce the accumulated surplus as at 1 April 2017 by R119.2 million. The forensic investigation did not reveal evidence of fraud or collusion by any party. Management has been engaging with the affected debtors during and after the forensic investigation to apprise them of the situation and to effect agreed adjustments. Albeit that this internal control deficiency is untenable the credits due, which were incorrectly invoiced, represent less than 1% of total revenue and most of the affected debtors have significant long outstanding amounts owing to SANBS.

As a result of the internal control deficiency the **external auditors** were unable to furnish an unqualified audit opinion on the annual financial statements for the years ended 31 March 2018 and 31 March 2019 and **issued a disclaimer of opinion due to the uncertainty arising therefrom**.

The committee instigated and will follow up on:

- **Engagements with, and agreements made, with debtors** arising from this internal control deficiency;
- **Disciplinary measures** contemplated and implemented **against all employees in respect of negligence** regarding flouting company policy and processes;
- **Additional internal controls introduced** by management;
- The **internal auditors' assessment** of the effectiveness of the enhanced internal controls.

Additional key focus areas for the committee during the year under review included the following:

- Reviewing the effectiveness and implementation of the **combined assurance framework**, internal control environment and identified weaknesses appropriately and expeditiously addressed.
- Approval of the **internal audit plan** as well as ensuring compliance with the plans.
- Deliberating on **management's plans and actions** to address the significant long outstanding **balances owed by debtors**.
- Approval of the **external auditor's fees and non-audit fees** for work carried out by the external auditor, which non-audit work was pre-approved by the committee.
- Assessing the **skills and effectiveness** of the **internal auditors** and considering the **overall internal control environment** within the SANBS.
- Assessing the **independence and objectivity** of the **external auditors** and interacting with the external auditors at closed sessions.
- Assessing the **skills and competence** of the **Chief Financial Officer**, Ms Tshepi Maselela.
- Overseeing adherence to all applicable legislation.
- Reviewing and recommending, for approval by the Board, the **31 March 2020 budget**.
- Considering, reviewing and recommending the **annual integrated report** and **annual financial statements** for approval by the Board.
- Considering and recommending, for approval by the Board, any **procurement expenditure over R25m**.

Future focus areas of the Committee

The committee will **oversee capacity building within the finance function**; enhancing the **financial control environment** and reviewing the work of the recently appointed **outsourced internal auditors** including deliberating on recommendations made.



Ansie Ramalho
Chair: Governance, Social
and Ethics Committee

Members

- ◆ A Ramalho (Chair)
- ◆ G Simelane
- ◆ Prof W Gumede
- ◆ R Brand
- ◆ Prof V Moodley
- ◆ Dr J Louw
- ◆ P Mthethwa

The Committee can report that for the year ended March 2019, it is satisfied that it has fulfilled its responsibilities in accordance with the Companies Act, the Committee Terms of Reference, King IV™ and other applicable regulatory and legislative requirements.

R 1, 5, 7, 9

IV 1, 2, 3, 16



Governance, Social and Ethics COMMITTEE



The role of the Committee is the oversight of, and reporting on Company ethics, responsible corporate citizenship, sustainable development and stakeholder relationships. This committee serves as the statutory social and ethics committee as required in terms of the Companies Act, 2008 and its duties are informed by regulation 43 of this act. In addition, this committee has been charged by the Board to oversee corporate governance aspects that includes the assessment of the performance of the Board and compliance with the Mol and the rules of the Company.

Key focus areas of the Committee for the period under review

- The **establishment of a compliance function** which is now addressing compliance with legislation and regulation in a structured, systematic way and following a risk-based approach.
- Placing **stakeholder management** on a formal footing to create better visibility of needs, interests and expectations of each stakeholder grouping and how these can be responded to.
- The **review and implementation of the Conflict of Interest policy** to expand and enhance clarity around the declaration obligations of employees.
- Programmes designed to improve the **health, safety and the wellness** of our employees. Reviewing the key strategic and tactical risks in respect of health, safety and **environmental matters**.
- The implementation of **Ethics Strategy and Plan** following a company-wide ethics risk assessment to identify and analyse the key ethics risks in the Company. Using this exercise as the foundation, a new Code of Ethics had been developed following both a top-down and bottom-up approach and our goal is for this to become the everyday standard whereby we behave and make decisions in the Company.
- The review of our **memorandum of incorporation** and branch and donor committee rules were undertaken in consultation with our donor structures to streamline processes, and clarify roles and accountability.
- The review of the following governance documents and policies to continually improve and embed good governance and the structural arrangements that support it:
 - **Compliance Management Policy**
 - **Sexual Harassment Policy; and**
 - **Social Media Policy.**

Future focus areas of the Committee

- **Stakeholder management** will remain a continued area of focus in light of the changes in our regulatory environment and the need to engage with the Department of Health on the anticipated National Development Plan and payment of outstanding debts. It is also critical that we remain attuned to the needs of the patients, the doctors and hospital administration that make use of our services so that we are able to respond to these appropriately. The relationship between the Board and management on the one hand and our donor structures on the other has strengthened over the 2018/2019 period and for this to continue it will remain a goal for next year.
- Ensuring the maturity of the **compliance and ethics frameworks**.
- Contracts management will require specific attention.
- The Committee looks forward to address, in its report for the next financial year, **progress made on B-BBEE compliance and broader transformation** within the Company as well as the improvement in **culture and organisational well-being** that have resulted from initiatives introduced during the course of the 2018/2019 financial year.

OUR VALUE CREATION IS UNDERPINNED BY GOOD GOVERNANCE (continued)

BOARD COMMITTEES' FOCUS AND FUTURE FOCUS (continued)



Prof William Gumede
Chair: Human Resources
and Remuneration
Committee

Members

- ◆ Prof W Gumede (Chair)
- ◆ G Simelane
- ◆ R Brand
- ◆ P Mthethwa

The Committee can report that for the year ended March 2019, it is satisfied that it has fulfilled its responsibilities in accordance with the Companies Act, the Board Charter, the Committee Terms of Reference, King IV™ and other applicable standards and codes.



Human Resources and Remuneration COMMITTEE



The Committee is tasked by the Board with, amongst others, the responsibility to approve the organisation's remuneration policies for staff. The main objective is to ensure that the organisation's remuneration policies and practice are fair, competitive and in line with best practice.

Key focus areas of the Committee for the period under review

- a) 39 **Human Resources policies and procedures** were reviewed and approved by the Executive Committee, and submitted to the Committee for noting.
- b) The Human Resources Risk Register was considered.
- c) Reports were considered regarding **employee wellness programs** being implemented through out the organisation, to enhance both the physical and emotional well being of employees.
- d) Reports regarding **DNA Formula project**, which is meant to change the organisation's culture so that all employees can be proud to be part of the organisation and have a sense of belonging, were considered.
- e) **Benchmarking the remuneration of the Non-Executive Directors (NEDs)**. Every two years the organisation conducts two remuneration benchmarking exercises one being for staff and the other for NEDs. The main objective is to ensure that staff and NEDs are remunerated fairly and competitively.

Future focus areas of the Committee

a) Labour Relations Environment

- The organisation experienced certain challenging labour relations incidents instigated by one of the recognised trade unions. Although the leaders and perpetrators were identified and corrective action taken against them, going forward the challenge is to build a mutually beneficial relationship with all recognised trade unions.

The DNA Formula will contribute towards changing both the culture and mind sets amongst our employees and help to eliminate the negative culture in certain sections.

- During the next financial year, management will be encouraged to propose and obtain a sustainable approach to wage negotiations to create certainty and have some form of stability.

b) Introduction of a new Short Term Incentive Scheme (STI)

- During the period under review the executives introduced a new STI scheme meant to improve the pay for performance philosophy to enable value creation and align incentives with performance ratings.

The initiative was put on hold as it was agreed that the STI would need time to be introduced to staff as it was a significant change from the current Incentive Policy.

The Executive will revisit the scheme and introduce the STI to further enhance the pay for performance culture.

c) Implementation of the DNA Formula & 360 Degree Projects

Executives will implement and embed the two strategic projects to change the prevailing culture and to formulate individual development plans for all staff based on the 360 Assessment reports.



See Remuneration Report pages 71 to 73.



Dr Paddy Knox
Chair: Clinical Governance Committee

Members

- ◆ Dr P Knox (Chair)
- ◆ R Theunissen
- ◆ Prof V Moodley
- ◆ Dr J Thomson
- ◆ M Toubkin*
- ◆ Prof A Rantloane*
- ◆ Adv C Mey*

* Independent members of the Committee who are not members of the Board.

The Committee can report that for the year ended March 2019, it is satisfied that it has fulfilled its responsibilities in accordance with the Companies Act, the Board Charter, the Committee Terms of Reference, King IV™ and other applicable standards and codes.



1, 2, 3, 4, 5, 6, 7, 8, 9, 10

11, 3



Clinical Governance COMMITTEE



The role of the Committee is to oversee the quality and safety of blood and blood products and the safety of donors, blood recipients and employees.

Key focus areas of the Committee for the period under review

- a) Oversight of the following initiatives:
 - **Improving the donor experience** with the revised donor questionnaire and simplified donor criteria which will maintain safety, decrease donor deferral rate and increase donor return rate.
 - **Improving the donor care** by implementing recommendations of the Donor Iron study:
 - Introducing a qualitative Haemoglobin screening method.
 - Reviewing the Hb Acceptance Criteria for male and female donors.
 - Implementation of the iron replacement project for males and females.
 - **Improving the outcomes of patients undergoing a transfusion is a SANBS priority.**
 - An **actuarial model** of blood demand and usage has provided insight and guidance to provide patients of South Africa with access to trusted blood and blood products.
 - **Patient Blood Management** has been introduced to the clinicians and other stakeholders who together will work towards improving the outcomes of patients receiving transfusions.
 - Keeping abreast and managing **emerging pathogens**.
 - **Overseeing Quality Management**, including the review of the Quality Manual, beginning the process of evolving our quality system to ISO 15189 and SANBS accreditation.
 - **Overseeing the introduction of cellular therapy and other novel products.**
- b) Overseeing donor and patient **adverse events relating to blood transfusion.**
- c) Overseeing the establishment of the **SANBS Research & Advisory Academy.**

During the year there were major changes which will impact positively on donor and patient care in South Africa. The committee would like to acknowledge the hard work done by all SANBS staff, especially by the Operational and Medical staff who rose to the challenge and succeeded.

Future focus areas of the Committee

- a) **Monitor and Review Donor Care Projects:** In the past year the committee has had input and oversight of several projects with far reaching changes. CGC will monitor and review the impact of these changes on quality and quantity of blood and blood products.
- b) **Quality:** Support the quality department to attain internationally recognised standards – ISO 15189 accreditation and JACIE accreditation.
- c) **Ensure SANBS has a strong clinical interface:** Focus on becoming an outward looking organisation by establishing PBM with clinicians.
- d) **Oversee establishment of the Translational Research and Development Centre (including the SANBS Research and Advisory Academy)** to stay abreast with the future development in blood transfusion.
- e) **Review new technologies and LEAN principles** which will enable SANBS to provide a sustainable supply of safe blood and blood products.
- f) **Improve patient outcomes:** getting blood to rural areas will be a focus and monitored by blood usage in these areas.
 - Improved access to emergency blood in fridges.
 - Drones.

This is closely linked to the project of the DoH to decrease the mother and child morbidity and mortality.



OUR VALUE CREATION IS UNDERPINNED BY GOOD GOVERNANCE (continued)

BOARD COMMITTEES' FOCUS AND FUTURE FOCUS (continued)



Prof William Gumedé
Chair: Nomination Committee

Members

- ◆ Prof W Gumedé (Chair)
- ◆ R Theunissen
- ◆ G Simelane
- ◆ Dr K Letlape*
- ◆ B Maasdorp*

* Independent members of the Committee who are not members of the Board.

The Committee can report that for the year ended March 2019, the Board is satisfied that it has fulfilled its responsibilities in accordance with the Companies Act, the Board Charter, the Committee Terms of Reference, King IV™ and other applicable standards and codes.



Nomination COMMITTEE



The role of the Committee is primarily to assist the Board with the recruitment of suitably qualified candidates as Non-Executive Board members; and to ascertain whether Board members up for re-election are to be re-appointed. The Committee leads the Board's Non-Executive Director (NED) succession planning. Furthermore, the Committee supports the SANBS Board in the areas within its mandate.

Key focus areas of the Committee for the period under review

The key focus areas for the Committee included the **review of the NED Nomination Procedure**, the **Board skills metrics** and supporting Board **succession planning**.

The Board has changed its **board recruitment strategy** from like-for-like skills to one that considers the skills requirement based on the overall strategy of the organisation, the sustainability of the organisation and the operating environment. This means that the committee will have to in the future consider a three-year skills matrix plan aligned to the strategy, operating environment and specific organisational capacity demands. Youth diversity on the Board remains a challenge.

The Committee has embarked on **several engagements with National Council to build trust** between the Board and Council. The relationship between the Board and National Council has improved considerably over the period. It is very important that the committee builds on recent engagements to ensure the impetus is not lost and to maintain a positive working relationship.

There has been a considerable **improvement in the quality of the pool of candidates for donor directors**. The Committee has also **improved its director recruitment processes** based on the experiences from previous years.

SANBS operating environment in the next few years, with the launch of the NHI, the proposed changes in the medical schemes regulation and public sector finance shortages, are likely to become more challenging.

The **current pool of candidates** proposed for director appointment consists of a considerable mix of younger candidates. The increasing engagement between the National Council and the Committee has clearly improved the relationship between the two structures. This has been demonstrated by the increasing credibility of the Board recruitment procedure to National Council which has approved Board Members recommended by the Committee in the last recruitment cycle.

Linking director recruitment skills requirements to the SANBS strategy.

Future focus areas of the Committee

The Committee will:

- continue to **actively engage National Council** to ensure a positive relationship between the Committee and the Council. It will make sense to formalise the manner in which engagement takes place. This would entail clarifying the nature, timing and rules of engagement with the National Council. All of this predisposes better communication with Council.
- **clarify the rules relating to terms for Donor Directors** and the number of times they can be re-elected. The Committee will have to pro-actively ensure that succession plans for the Board are in place. Board succession planning will be a major focus area for the Committee in the upcoming year.
- expand its efforts to **create a pool of prospective qualified and diverse NED candidates** for selection, who would be able to deliver on the SANBS strategy, navigating the more restrictive external environment and ensure future organisational sustainability.
- align more closely, the relationship between the CEO and the Committee, especially in relation to Board succession planning, in the coming year. The **CEO needs to be involved to a greater extent in the Board recruitment process.**



Ansie Ramalho
Chair: Risk, Technology and
Information Committee

Members

- ◆ A Ramalho (Chair)
- ◆ R Theunissen
- ◆ Dr P Knox
- ◆ R Brand
- ◆ F Burn
- ◆ Dr J Louw
- ◆ Dr J Thomson

The Committee can report that for the year ended March 2019, it is satisfied that it has fulfilled its responsibilities in accordance with the Companies Act, the Committee Terms of Reference, King IV™ and other applicable regulatory and legislative requirements.



Risk, Technology and Information Governance COMMITTEE

The role of the Committee is to assist the Board with the governance of risk, technology and information. The Committee makes recommendations to the Board for its approval.

Key focus areas of the Committee for the period under review

The highlights for the Committee during the period under review included its oversight of the following:

- a) A holistic **review of the SANBS' insurance portfolio** in terms of risks and the adequacy of cover, including Directors and Officers (D&O) insurance, asset cover and medical malpractice insurance.
- b) Establishing a fully-fledged risk function during the prior financial year, allows the Committee could focus on **monitoring of risk responses and controls**, and the **refinement of appetite and tolerance levels**. It is very gratifying to note to what extent the company now engages with and values the output of the work done by the risk function.
- c) The appointment of a new Chief Information Officer (CIO) and several **technology and information initiatives** that were undertaken during the review period, including
 - Review of the Information Technology Governance Framework;
 - Implementation of key strategic technology initiatives that supported the business in the automation of operations;
 - Refining the IT tactical risk register;
 - Developing an Information Security Policy;
 - Review of Records Retention Policy and;
 - Launching the prototype of the drone project.

Future focus areas of the Committee

The Committee will remain focussed on **overseeing the continued growth in maturity of enterprise risk management**. The enhancement of the procurement processes is currently being addressed to protect the operations against the consequences of inefficiencies.

In the technology and information domain particular areas will remain the focus of the committee, including:

- **Further developing the information architecture** that supports the protection of confidentiality, integrity and accessibility of SANBS data;
- Business continuity; and
- The rolling out of **major projects** including the upgrading to a new version of SAP and Blood Establishment Computer System.

 Refer pages 40 to 43 for detailed strategy level risks, opportunities and treatments plans.

» Managing our risks, opportunities AND WHAT MATTERS MOST

SANBS' aim is to embed Enterprise Risk Management (ERM) into all key processes in the value chain.



Refer page 30.

Risk management implementation remained focussed on embedding thereof in key and core activities material to SANBS' ability to deliver on its objectives and meeting stakeholder expectations. Management's efforts in treating risk in key areas such as blood quality, offering an optimal product mix to meet patient demand, the logistics chain, donor activities, maintaining world-class laboratory processes and other business areas have remained attentive and rigorous. Uncertainty identification and management thereof, linked to the strategic objectives, as set by the Board, is an ongoing effort by senior and middle management.

Key drivers of good risk management, such as a risk management policy and framework and key outputs including a detailed strategy level risk register and a risk profile were, when required, presented to the Risk, Technology and Information Governance (RTIG) Committee (refer page 39), for recommendation to the Board for approval. Board committees, including the Clinical Governance Committee and the HR Remuneration Committee were also regularly updated on progress with enhancing the risk management culture in the organisation. Processes were aligned with SANBS' internal compliance processes and evolving needs of key stakeholders and best practice standards, including King IV™ and the ISO 31000 range of international risk management

standards. 48 (2018 – 41) Risk champions were identified and trained to embed risk management.

Management aims to maintain the momentum gained in 2018 and 2019 aligned with SANBS' strategic objectives, the implementation Plan and Framework.

'Risk' from a SANBS perspective is defined as "the effect of uncertainty on objectives" and both risks with negative and positive consequences (opportunities) to the organisation will continue to be identified and managed, in line with the Board approved Risk Appetite and Tolerance statements.

The Board who is ultimately responsible for risk management, with support from its sub-committees, senior and other management layers remains conscious that the organisation is operating in an increasingly volatile, uncertain and difficult external environment and that continually identifying and managing uncertainties are key success factors to delivering on its objectives. Strategy level risks are regularly reviewed and updated by the SANBS Executive Committee and associated treatment actions are submitted to the RTIG and Board for approval. Risk management is a standing agenda item at the Board and the monthly Executive Committee meetings.







SANBS has made significant progress on the road to risk management maturity.

With the support of all stakeholders this process will continue during the next reporting period.



SANBS accepts that certain risks have to be accepted as part of its business environment and therefore risks are treated only where the benefits of the risk treatment outweighs the cost of the treatment.








The following key strategy level risks and opportunities as well as associated risk treatment actions, are currently being managed to ensure the achievement of SANBS' objectives:

| Strategy level risk/opportunity | Key controls and risk treatment actions |
|---|---|
| <p>1 Internal and external events that could negatively impact the SANBS brand</p> <p>N ▲</p> <p>i H E A L T h</p>  | <p>Main causes of the risk include possible negative activities/actions of either internal and external stakeholders. Controls in place include:</p> <ul style="list-style-type: none"> Operationalised internal policies regarding ethical conduct Communication and human resource management Policies regulating relationships with external stakeholders including suppliers to ensure stakeholders act responsibly and ethically <p>Key risk treatment actions underway include:</p> <ul style="list-style-type: none"> Reviewing holding statements aimed at informing stakeholders on any events that have occurred, or are expected to occur Developing a Crisis Management Plan Developing an overarching Business Continuity Management (BCM) system. |
| <p>2 Failure to sustainably and continually collect income due to SANBS</p> <p>▼</p> <p>A</p>  | <p>Revenue collection continues to be challenging as both Public and Private hospitals are under severe budgetary pressure. A Debtors Collection Task Team expedites collections through continual engagement with stakeholders.</p> <ul style="list-style-type: none"> A key action is the automation of a number of processes to simplify reconciliations of accounts between SANBS and its debtors. |
| <p>3 Having the right energised people at the right place at the right time, skills attraction and retention</p> <p>▼</p> <p>i H E A L T h</p>  | <p>A number of challenges relating to negative staff morale and insufficient leadership development plans are currently experienced throughout SANBS.</p> <p>Key actions implemented include:</p> <ul style="list-style-type: none"> Improved communications from the management team Seizing the opportunity to involve all staff in the organisational culture renewal initiative (DNA initiative) <ul style="list-style-type: none"> The DNA initiative resulted in staff identifying issues and developing actions to improve morale (see page 69) <p>Risk treatment actions to improve management of the risk include:</p> <ul style="list-style-type: none"> Development of a leadership development model Implementation of steps recommended by the Ethics Institute resulting from its review of the ethical environment in SANBS. |
| <p>4 Ongoing supply of safe, quality blood products to all</p> <p>▼</p> <p>L T</p>  | <p>Blood safety is always a top priority and could be compromised when donors are unhealthy, the operational environments are unhygienic, and emerging/new pathogens/diseases develop and, are not tested.</p> <p>Key controls in place include:</p> <ul style="list-style-type: none"> Strict hygiene management A robust quality management system Collaboration with stakeholders to develop standards for transfusion management <p>Other key actions to optimise the management of the risk include:</p> <ul style="list-style-type: none"> Improvements in the cold chain system Reduction of proficiency testing failures to assist with reducing Turn-Around-Time (TAT) Reducing wastage Investigating international trends regarding pathogen inactivation. |

▲ Increase ▼ Decrease ► Same N New



MANAGING OUR RISKS, OPPORTUNITIES AND WHAT MATTERS MOST (continued)

| Strategy level risk/opportunity | Key controls and risk treatment actions |
|---|--|
| 5 Injuries to staff and third parties  E A  | <p>Infections from donors, vehicle accidents and exposure to hazardous material such as liquid nitrogen are the main causes of potential injuries to staff and other stakeholders.</p> <p>Risk responses include safety features in all operational processes and the establishment of a Safety Department responsible for ensuring a safe working environment.</p> <p>To further reduce the risk of injuries, a main aim of the Pinetown relocation project is to improve the safe work environment of staff and other stakeholders visiting the KZN campus.</p> |
| 6 Failure of information management systems  L A h  | <p>Information systems are prone to capturing errors, unavailability and loss or theft/abuse of the information. Technological information is also impacted by possible failure of information security (including Cyber-attacks), downtime of critical systems, insufficient computing resources to enable operations and insufficient information management equipment.</p> <p>Key controls to manage information, some of which could comprise sensitive patient and donor information, include:</p> <ul style="list-style-type: none"> • Formal Information Management Security Systems (ISMS) • Regular review and improvement of IT solutions • Disaster Recovery Plans (DRP) • Cyber risk insurance in the event of a Cyber attack <p>Further ISMS improvements and a project to integrate the DRP with BCM to ensure that business continuity events are managed in an integrated manner are underway.</p> |
| 7 Continually meeting regulatory requirements, including SAHPRA  T  | <p>SANBS is 'Trusted to save lives' in a highly regulated VUCA (volatile, uncertain, complex and ambiguous) world. The challenges are that the decentralised business model requires continued monitoring of compliance to both internal and external legislative requirements, knowledge of legislation and timely awareness of changes and impacts on the business.</p> <p>Key controls in place to ensure sufficient risk-based compliance include:</p> <ul style="list-style-type: none"> • Employment of a suitably qualified Compliance Manager • Compliance Champions appointed throughout the business • A software solution, where the service provider notifies SANBS of changes to legislation <p>Improvements in the compliance environment, to further manage compliance risks include:</p> <ul style="list-style-type: none"> • Implementation of ISO 15189:2012 – 'Medical Laboratories – Requirements for quality and competence', • An increase in Haemovigilance/surveillance by reducing the Hospital Clerical Error Rate • Improving True Lookback Closures <p>To ensure sufficient focus on the NHI, it is currently identified as a separate risk, as it requires specific attention and controls.</p> |
| 8 Ability to maintain R&D leading to new products/ new solutions and new income streams <i>(Opportunity)</i> i H h  | <p>R&D to identify new and novel products and budgeted income from these products was identified as an opportunity and added to the risk register.</p> <p>This opportunity arose from the current increased healthcare possibilities and requirements from market, but is negatively impacted by the lack of skilled staff, insufficient support services – specifically procurement, and insufficient information to enable R&D.</p> <p>The treatment actions to ensure realisation of the opportunity include:</p> <ul style="list-style-type: none"> • applying for JACIE FACT accreditation during September 2019 • development of platelets lysate for the national and international market • developing/publishing relevant translational research. |

▲ Increase ▼ Decrease ► Same N New

Strategy level
risk/opportunity

Key controls and risk treatment actions

9

National Health Insurance (NHI) impacting on SANBS operations (new risk and opportunity)

N ▲

T



The risk has been identified as presenting a number of challenges, but it is also recognised as a significant opportunity. Most notable are:

- Challenges regarding the developing NHI legislation include possible non-alignment of current processes with requirements and possible cost structures that SANBS may not be able to absorb. These challenges may impact SANBS' licence to operate and may result in negative impacts on reputation and income
- Potential opportunities to elevate SANBS' purpose to be 'Trusted to save lives' could be realised in using the NHI data repositories relating to patient and health data. Opportunities include the increased ability to develop cures for many blood related diseases when more data is available, increased Patient Blood Management potential and, in general, improve the community's health by being able to act proactively
- Board and management provide, where appropriate, input and guidance to developers of the legislation through ongoing engagement with the National Department of Health and other stakeholders
- SANBS' concerns/comments will be submitted and orally presented during Provincial and National Council of Provinces (NCOP) consultation. Plans are afoot to ensure invitation to the NHI Benefits Committee when it is formed and, in anticipation of requirements, implementation of 'ISO 15189:2012 Medical laboratories – Requirements for quality and competence' are underway.

10

Ability to meet all demand for all blood products under normal operations

▼

i H A L h



A prolonged procurement process, industrial action (internal and external), high numbers of euthemecia/cancer patients who require large volumes of blood, insufficient knowledge of how much blood a patient requires and reduction in cutbacks from 8% to 3%, impact the organisation's ability to meet all demand for all blood products under normal operations. Improvement of blood stocks available for transfusion has been a key focus. Significant resources were dedicated to improvements including:

- An increase in the donor pool
- Planning and information management
- Transport of products and the management of product losses
- Appointment of additional skilled staff

Key controls include the '#NewBlood' project implemented during the current year, and the longstanding decentralised business model across SA to ensure availability of required blood stocks.

Other controls include:

- an inventory system that allows for movement of blood between zones
- demand and collection targets set and managed at Executive and Board level
- patient blood management (PBM)/demand management
- clinical trials to improve donor and patient care

Improvements still underway include:

- R&D to enable cell salvage to reduce the need for blood
- Implementation of 'Project #IronStrong' in all Zones to decrease deferrals and offering iron tablets to eligible donors
- Optimising of donor return rate through #Donor Optimisation
- Implementation of #Cool hamper piloted at Charlotte Maxeke Hospital (CMH) to reduce Xmatch transfusion ratio by 50% (blood ordered, not collected)
- Increase re-use of returned BRB and save operational costs
- Further development of the predictive Blood Demand Model
- Establishment of provincial PBM working groups for clinical protocol development
- Implementation of an improved BECS
- Donor mobility improvements in order to improve donor and doctor engagement/integration
- Conversion of Groups A and AB donors into sourced plasma donors to assist NBI with its plasma supply requirements
- Implementation of the drone program as a complimentary mode of Transporting blood products focussing on emergency blood products, rural areas with limited transport logistics and saving lives during the golden hour
- An overarching BCM system including plans at operations level to effect additional blood donations, transport etc, are being developed.





Reflecting on our performance

AGAINST THE 2018/2019 SCORECARD AND HOW WE ADDED VALUE

During the 2018/19 year, our primary focus was on realigning our people, fine tuning internal processes as well as our brand.



Each of these had to be dynamically responsive to macro-economic factors. Appropriately, emphasis was put on material matters in the healthcare sector, such as safety, the economy, social trends, transformations regulatory changes, infrastructure, technology supply chain trends and others.

In the previous strategy cycle, we ensured that execution of the strategy was everyone's responsibility. Emphasis was placed on implementing the following:

1

Enabled, empowered and engaged employees to build a value-based culture (pg 45)

2

Support business innovation (pg 46 to 47)

3

Enhance risk management and optimise processes (pg 48 to 49)

4

Attract and retain donors (pg 50 to 51)

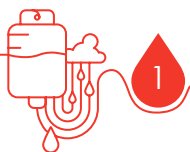
5

Enhance SANB's brand (pg 52)

6

Ensure financial survival (pg 53)





Empower employees to create a value based culture

2018/2019 was a transformational year. There were several programs to deepen our organisational culture and initiatives to improve leadership traits, measure our culture and encourage our values of accountability through performance assessment.

This strategic focus had the following objectives:

OBJECTIVES

- Renew the culture
- Engage and empower employees
- Drive a performance culture
- Leadership development
- Embed talent management processes
- Retain our staff
- Complete HCM policies and procedure review process
- Process automation

Examples of initiatives that gave effect to achieving the objectives include:

INITIATIVES

- 360 degree assessment
- Discovering our DNA
- Transformation learning and development
- Talent mix
- Performance
- Strategic wellness
- Reward and recognition
- Organisational development programs

Key performance indicators used to track and monitor progress against this strategic priority:

Enable, empower & engage employees to build a value based culture

| | Measure | Target | 2019 |
|--|---------------------------------------|-------------|---------------|
| Improve the B-BBEE score (New Codes). Transformation | B-BBEE Skills Spend Employment Equity | R10m 85% | ✓ R10m 86% |
| Embed talent management processes | % completed for management levels | 100% | ✓ 100% |
| Retain our staff | Staff turnover | 7% | ✓ 2.4% |
| Complete HCM policies and procedure review process | Number of policies reviewed out of 31 | 31 | ✓ 39 |

✓ Targets met

85% of staff voted on things to do more of and less of in developing the SANBS DNA

Leadership charter aligned to the **SANBS T.H.R.E.A.D values**

Both will be **actively measured and reported on** in the coming year

154 leaders participated in a roll-out of the **1st 360 degree assessment**

Outcomes of these reviews are being used to **inform Personal Development Plans** and help SANBS **develop leaders for the future**, and placing leaders in functions that suit their strengths

550 participants will be reached next

Enhanced performance management – weekly and monthly scorecards introduced across divisions and function which **roll-up into one overall balanced scorecard of SANBS**

Scorecards have **measurable KPA's and KPI's** and staff are measured at least twice a year

39 people practices policies **were reviewed and updated** in-line with best practice

An **ethics survey** was completed

A **Code of Ethics** developed



REFLECTING ON OUR PERFORMANCE AGAINST THE 2018/2019 SCORECARD AND HOW WE ADDED VALUE (continued)



2

Support business innovation

Addressing inefficiencies in the value chain smartly and innovatively – promoting agility

This strategic focus had the following objectives:

OBJECTIVES

- Diversify the income streams
- Process automation
- Donor optimisation
- Blood requisition digitalisation

Examples of initiatives that gave effect to achieving the objectives include:

INITIATIVES

- SLS Genetic Analysis
- RED Study participation and partnership
- Adjacent Categories: Stem Cells, Organ Transplantation
- Complete blood service automation
- Entrench global and African positions – "Exportable competence"
- Hospital IT integration – Netcare & Gauteng DoH

Key performance indicators used to track and monitor progress against this strategic priority:

| Support business innovation | Measure | Target | 2019 |
|-----------------------------|-----------------------------------|--------|--------|
| Diversify income streams | Income from new revenue streams | R63m | ✓ R67m |
| Process automation | Number unit blood banks automated | 84 | ✓ 84 |

✓ Targets met

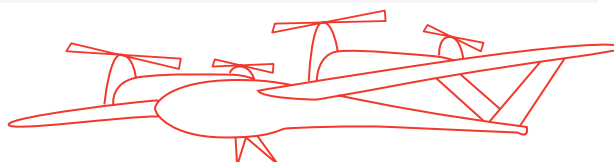
Most notable of the 2018/2019 initiatives listed above are:

SANBS' innovation pride and joy –
Drones project

SANBS has 84 blood banks

countrywide but it is impossible to have one everywhere they are needed

The extent of trauma and post-partum haemorrhage in rural SA are deeply concerning and difficult to address. In collaboration with the nDoH and Civil Aviation Authority (CAA) a drone program was initiated. **This innovation will allow the technology to transport life-saving blood products to patients in need, where traditional methods of transport cannot reach the patient in the golden hour.** CAA registration of flights between Sebokeng Blood Bank and Kopanong Hospital are imminent. This is a very exciting project that has captured the hearts and minds of both our staff and our stakeholders.



Process automation and blood requisition digitisation – Blood Establishment Computer Systems (BECS) replacement



BECS is a technology platform for the core vein-to-vein SANBS value chain. The current BECS, Meditech, has been in use since 1992 and upgraded, including significant customisations.

The replacement of the current BECS is inspired by the need to adopt modern system concepts, key amongst them being digitalisation of business processes and mobility, both for internal employee use and client (e.g. donor) interactions.

The current BECS is neither a native vein-to-vein system, nor does it lend itself to ease of digitalisation and mobility transformation without extensive customisation. The search for a replacement system therefore emphasised these attributes as part of comprehensive specifications.

The implementation of the new BECS is anticipated to take 18-24 months from date of formal project inception, envisaged around the 3rd Quarter of 2019/20.

Diversity of income streams – New revenue streams

The medical division has been realigned on international practice for national blood transfusion services. This includes a focus on innovation and new revenue streams derived from non-core business. The result is the establishment of process flow areas including cellular therapy and novel products, translational research and immunogenetics to drive innovation and new revenue streams.

For the financial year in the cellular therapy and novel products team (compared to previous FY):

The service provided customised research collections to

2 ethically approved cellular therapy studies, a record number

The service supports patients in **7** provinces, up from **5** and a new record

Patients serviced increased from **318** to **408**, a record number

The service provides the **first** bedside ICU consults to patients

The number of hospitals referring patients increased by **11**, ↑

including the addition of **1** new haematopoietic stem cell transplant unit, both are records

Patients' procedures increased from **1 876** to **2 009**, a record number ↑

The service supported the certification of **2** JACIE inspectors the first two in Africa ever

2 independent, peer-reviewed research publications on positive patient outcomes in patients serviced by the team were published, a record.

A service level agreement to participate in the **Wits Health Consortium's WDGMC Cellular and Immunotherapy Unit** was concluded, a first.

As a result of a patient outcomes focussed approach and the related quality systems implementation, the cellular therapy and novel products:

Increased from **R24,9m** to **R27,7m**

All services revenue increased year-on-year

The corporate measure for unlocking new revenue streams, with a target of **R63m** was achieved and surpassed, with a total revenue of **R67m** attained

In addition to expanding existing clinical apheresis, research collections, cryopreservation laboratory and transfusion medicine consulting services, the building blocks for the provision of advanced therapeutic medicinal products (somatic therapy, gene therapy and tissue engineered products) to South Africa by SANBS were put in place.

Health market research into two new novel cellular therapy products was procured and will be produced in the FY2019/20. A novel products unit was established in cellular therapy and novel products, and a translational research unit created.



REFLECTING ON OUR PERFORMANCE AGAINST THE 2018/2019 SCORECARD AND HOW WE ADDED VALUE (continued)



Enhance risk management and optimise processes

The organisation's quest to address some ineffective and inefficient support processes to ensure that operations can function optimally.

This strategic focus had the following objectives:

OBJECTIVES

- Improve average tender turnaround time
- Manage critical stock
- Manage IT up time
- Enhance IT user satisfaction experience
- Manage quality to acceptable levels
- Manage product wastage
- Manage blood safety
- Manage internal controls to acceptable levels

Initiatives that gave effect to achieving these objectives included:

INITIATIVES

- Collect safe blood
- Waste management strategy
- Quality and compliance
- Regulatory compliance
- Board governance
- Blood safety committee meetings
- Accreditation of labs
- Electronic crossmatch
- ISO15189 implementation

Key performance indicators used to track and monitor progress against this strategic priority:

Enhance risk opportunity and optimise processes

| | Measure | Target | | 2019 |
|---|--|-------------|---|------------------------------|
| Improve average tender turnaround time (TAT) | Average tender TAT | 90 days | × | 295* |
| | Average TAT for PO creation | 50 | ✓ | 49.75 |
| Manage critical stock | Critical stock levels at 100% agreed levels | 100% | ● | 95.56% |
| | Contract management TAT < 1 month | <1 month | × | 3 months* |
| Manage IT up time | LAN and WAN uptime % | 95% | ✓ | LAN = 97.38% WAN = 97.44% |
| | Meditech uptime | 98% | ✓ | 99.59% |
| Enhance IT user satisfaction experience | IT user satisfaction index | 3 out of 5 | ✓ | 4.60 |
| Manage quality to acceptable levels | Accreditation: SANAS (Registered Sites) | 100% | ✓ | 100% |
| Manage product wastage | Wastage – % of blood discarded (SANBS discards) | 7.4% | ✓ | 4.4% |
| Manage blood safety | TTI calculated HIV residual risk (Weuston) | 1:2 000 000 | ✓ | 1:2 103 252 |
| Manage internal controls to acceptable levels | Feedback on internal audit findings within 10 working days of submission | 10 days | ✓ | 4 days |
| Fill vacancies timeously | Average time to fill vacancies (from requisition to offer made) | 60 days | ● | 60.67 |

✓ Targets met × Targets not met ● Targets narrowly missed

* Procurement policy and process procedures being revised.



Most notable of the 2018/2019 initiatives are:

Electronic Crossmatch – has ensured reduced workloads in bigger Blood Banks

SANBS embarked on a project a few years ago to convert all testing in Blood Banks to full automation using state of the art equipment to perform the final compatibility testing prior to the issue of blood to patients.

A further plan was to implement the electronic crossmatch for patients that qualified.

Automation was successfully implemented in all
84 Blood Banks.

**LINK
TO SANBS
IT SYSTEM**

The next major process was to **link the automated instruments to the SANBS IT system to allow bi-directional interface and electronic crossmatch.** This was successfully achieved in the 2018/2019 financial year and SANBS Blood Banks are in an advanced stage of converting from the serological crossmatch to the electronic crossmatch (exm). The advantage of exm is reduced turnaround times for crossmatching and reduced costs.

**90%
CONVERTED**

77 of the 84 Blood Banks (90%) have converted and the predicted reduced workload in the bigger Blood Banks has been achieved. Reduced workloads allow staff to increase their focus on further improving customer service, implementing initiatives for ensuring appropriate use of blood and working with hospital staff to minimise wastage.

**DEPLOY
STAFF**

Looking ahead, we plan to deploy some staff from the larger Blood Banks to the smaller ones to balance workload and further reduce costs with less overtime worked and reduced travelling costs.

**SMART
FRIDGES**

The next phase **entails the remote issue of blood through smart fridges**, placed at hospitals that do not have a Blood Bank on site. This will ensure that blood is more readily available to patients in these hospitals and will reduce transport costs.

ISO 15189 implementation

(SANBS) is regulated under the National Health Act chapter 8.

Currently all our Blood Banks are accredited to our Standards for blood transfusion services in South Africa.

Our Quality Control, Donation Testing and Specialized Laboratories are accredited to ISO 17025 for testing and calibration laboratories.

By introducing appropriate **international standards** in our Blood Banks and donor sites we:

- **stay ahead** of the curve;
- prove that we are **customer centric**;
- are serious about **driving down costs**; and
- are streamlining processes for **efficiency**.

SANBS is transitioning to the international ISO 15189

for medical laboratories and Good Manufacturing Practices (GMP) for processing sites. We are working in partnership with South African National Accreditation System (SANAS) who offers the ISO 15189 accreditation programs for medical laboratories in South Africa.

ISO 15189 has been critical to initiatives aimed towards harmonising global practices.

The process involves **testing of effectiveness** within laboratories and laboratory equipment.

By implementing ISO 15189 we are striving to:

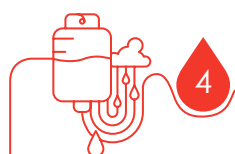
- create systems that are as **failure resistant** as possible,
- **catch mistakes** before they become a problem, and
- **reduce errors** by getting things right the first time.

Our goal is continuous improvement, and for staff members to know exactly what to do, how to do it, who is in charge of a process, and where to find all information necessary to perform their jobs.

SANBS management systems and testing laboratories, quality control laboratories and our specialised laboratories are subject to audits in September 2019, followed by Blood Banks and donor sites in Limpopo, KZN and Egoli zones.



REFLECTING ON OUR PERFORMANCE AGAINST THE 2018/2019 SCORECARD AND HOW WE ADDED VALUE (continued)



Attract and retain donors

Through our donor centres across the country (excluding the Western Cape), we collected about 3 300 units of blood from South African every day. One of our immediate goals is to increase the pool of active blood donors from the current less than 1% of the total population. To ensure this, we developed a solid plan to attract younger and especially black donors.

Each day-because of the dedicated support of thousands of donors, someone is able to receive a unit of red blood cells, plasma or platelets as a gift of life. Our donor centres across the country provide a safe and comfortable experience for our donors. Donors are the backbone of SANBS and their support of our blood drives and regular donations enable us to achieve our mission.

To attract additional donors and retain the ones we have, the following objectives were set:

OBJECTIVES

- Increase black donor base
- Manage collection of agreed targets
- Manage issues of blood to patients
- Collect apheresis platelets from donors
- Increase blood collection by 8%
- Procure sufficient blood

Initiatives that gave effect to achieving these objectives included:

INITIATIVES

- #NewBlood – to source more blood
- #Thumamina – Human Rights Day drive by all collections staff and office staff volunteering. **Over 4 500 units collected**
- #IronStrong
- Collections management system
- Donor optimisation
- Donor experience – Nespresso Coffee, WiFi and Showmax
- Global Citizen

Key performance indicators used to track and monitor progress against this strategic priority:

| Attract and retain donors | Measure | Target | | 2019 |
|---|---|--------|---|---------|
| Increase black donor base | Black donors as % of total donors | 42% | ✓ | 42.55% |
| | % Collections from black donors | 33% | ✓ | 34.85% |
| | % Black new donors from all new donors | 55% | ✓ | 58.12% |
| Enhance donor care program | % All deferrals from all donations | 19% | ● | 19.72% |
| | % Black donors that defer of all donations from black donors | 27% | ● | 27.37% |
| | % Hb deferrals from all donations | 8% | ✗ | 9.60% |
| | Black donor deferrals as a % of all deferrals | 50% | ✗ | 53.38% |
| | Hb deferrals as a % of all deferrals | 40% | ✗ | 46.03% |
| Manage collection of agreed targets | # of units Group O whole blood collected and processed (413 000) | 100% | ✓ | 102.86% |
| | % First time donors aged 16 – 30 Years | 70% | ● | 69.22% |
| Manage issues of blood to patients | % of units issued to patients vs ordered | 95% | ✓ | 96.3% |
| Collect Apheresis platelets from donors | # of units of Apheresis platelets collected (16 000) | 100% | ✓ | 106.70% |
| Increase blood collection by 8% | % increase in blood collections | 8% | ● | 7.1% |
| Procure sufficient blood | Day's cover | 4 | ● | 3.44 |
| | Number of days that the total stocks for group O provides less than 3 days coverage | 60 | ✓ | 35 |

See donor optimisation on page 51.

✓ Targets met ✗ Targets not met ● Targets narrowly missed



Most notable of the 2018/2019 initiatives are:

#IronStrong: Iron replacement for whole blood donors in KwaZulu-Natal (KZN)**This project was initiated in February to:**

- reduce female donor Hb deferrals,
- compare effectiveness of Hemocue 301 versus FBC,
- determine effective Hb deferral period, and
- avoid bleeding of iron deficient donors.

Oral iron tablets were offered to male and female donors aged 16 – 45 years as replacement for the iron lost from donation of a unit of whole blood.

A total of 23 415 donors were offered the tablets, and 13 244 accepted them. No major adverse effects were reported.

Hemocue 201 machines were replaced with **301 machines** at all KZN sites.

The **female donation cut off was decreased from 12.5 g/dL to 12.0 g/dL.**

KZN staff were trained on the project, and all other staff advised of the project.

Public awareness was raised through multiple radio and television interviews and social media.

Donor deferral rates, iron tablet uptake and FBC and Ferritin testing were monitored on a weekly basis. No major adverse effects were reported.

Oral iron replacement is now being rolled out to the rest of SANBS, starting in the Eastern Cape.

#NewBlood

SANBS' Executive Committee resolved to reduce routine cutbacks in the 2018/19 financial year to zero.

To achieve this objective an increase in collections, of approximately **8%** of the 2018/19 target was required.

To increase collection of whole blood to meet all demand, SANBS had to **increase its donor panel by approximately 10%.**

111 donor services positions were approved and filled from mid-2018; these were a combination of permanent and fixed-term appointments. After induction and training new staff become operational late in the financial year.

The donor management team **assessed and identified areas of untapped potential,** as sources of potential new donors and new/resuscitated blood drives.

From mid-January to end March 2019, maximum effort was put into **driving the objectives of the #NewBlood project – 116,3% of the projected target was achieved.**

Targets for group O collections were exceeded, as were collections from Black donors (22 479 additional units collected) and our **total donor panel was expanded by almost 7%.**

Looking ahead, we plan to **increase the donor panel further** to have enough donors and blood donations available to meet the increasing demand from our patients.

#Global Citizen partnership

As part of the organisational drive to increase #NewBlood – a social media campaign aimed at attracting the 18 – 35 age groups was conceptualised that led to a partnership with #global citizen.

Millennials and younger adults are increasingly crucial to our country's future blood sustainability, as the older generation ages and associated health challenges set in.

Donor optimisation

A project was initiated to **reduce bottlenecks in the donor clinics and reduce non Hb related donor deferrals.** It had three components, namely review of:

- 1 Standard Operating Procedures (SOP)** for collecting whole blood. Redundant steps removed and improved staff accountability per procedure in the process flow.
- 2 Donor Questionnaire** completed by donors prior to donation, aimed at assessing the health and lifestyle of donors to eliminate any effects that could pose a risk to the donor's health and the recipient.

The medical department, donor collection, legal and marketing departments **simplified and created a user-friendly donor form** that clarified research, legal and ethical considerations for blood donors.
- 3 The Guidelines** for medical assessment of donors, aimed at meeting the demand for recipients (thorough reduction of non Hb deferrals) whilst ensuring safety of the blood. It also provides **current and reliable information** to healthcare professionals that assess donors and/or consulted upon for donor acceptance or deferral.

The review resulted in **reduction** in deferral periods for most medical conditions, high risk behaviours and surgical procedures. The **age upper limit for first time donors was increased from 65 to 75 years.** Conditions that previously required a treating doctor's letter prior to donation were reduced.

Increased efforts in education and customer service was necessary, both impacting on human resources.

An additional **34 468 donors were recruited onto the panel, 28 096 of whom were Black donors.** This translated to a **14% increase in new Black donors** compared to the 2017/18 financial year.



REFLECTING ON OUR PERFORMANCE AGAINST THE 2018/2019 SCORECARD AND HOW WE ADDED VALUE (continued)



Enhance SANBS' brand

Maintaining a strong and reputable brand is an imperative for the success of SANBS and for the organisation to realize its purpose "Trusted to save lives".

Over the past 82 years the organisation excellence has always been and is important to us. Our blood transfusion and blood products are world-class. In the same vein, we invest heavily in research and training to retain our global standing.

Our reach and support at SANBS extends to other countries on the African continent.

Operational innovation, efficiency and bleeding edge medical science and technology keep our SANBS at the top among its peers.

We are well prepared for the future and our donors, recipients, staff, compares and communities who support our cause have every right to place their confidence in us.

Key performance indicators that are used to track and monitor progress against priorities as they relate to enhancing our brand:

| Enhance SANBS' Brand | Measure | Target | 2019 |
|--|---|---|-------------------|
| Entrench our Global & African position | Academic presence – papers | 4 per year | ✓ 7 |
| Enhance brand equity | Advertising value earned | R500K per month | ✓ R4,4m |
| | Number of social media followers | Increase by 1% per month | ✓ 1.81% |
| | Engagement per post/platform | 1.5% engagement rate | ✓ 2.75% |
| | SANBS' response time on social media | Less than 48 hours | ✓ 56 minutes |
| Attract new black donors | Number of new and joined black donors attended | 10% increase in YOY attendance for the year | ✓ 10.66% increase |
| Attract new donors aged 16 – 30 yrs | Number of new and joined donors aged 16 – 30 yrs attended | 10% increase in YOY attendance for the year | ✗ 3.16% increase |

✓ Targets met ✗ Targets not met

Refer 2019 – 2024 Strategy to attract young donors on page 57.





Ensure financial survival

SANBS strives to achieve a financial performance and position to sustain itself in the short, medium and long-term.

Financial outcomes for 2018/2019 are documented in the Chief Financial Officer's report on pages 74 to 77.

Key performance indicators that are used to track and monitor progress against metrics to ensure financial survival:

| Ensure Financial Sustainability | Measure | Target | 2019 |
|--|---|-----------|-----------|
| Improve revenue | Gross Revenue as a % to budget | 100% | ● 95.15% |
| Sustain surplus of 5% | Surplus % of Revenue | 5% | ✓ 7.90% |
| Sustain core business surplus of 0% | Core Business Surplus % of Revenue | 0% | ✓ 0.20% |
| Manage staff cost as a % of Total Cost – 44% | Staff cost as a % of Total Costs | 44% | ✓ 42% |
| Manage debtors book (public and private customers) to be 90 days | Debtor's days | 115 | ✗ 174 |
| | Bad debt write off as a % of Revenue | 6% | ✓ 5.60% |
| Unlock new revenue streams | Total income for additional streams for the year | R63m/year | ✓ R67m |
| Maintain cash reserves to acceptable levels | Net cash reserves | R1.57bn | ✓ R1.63bn |
| Manage cost per donation | Cost per donation – expenses/ number of donations | R1 748 | ● R1 760 |

✓ Targets met ✗ Targets not met ● Targets narrowly missed

See details described on page 74 to 77.



» Our strategic priorities

AND HOW WE INTEND TO DELIVER VALUE 2019 – 2024

Our strategy is clear and sharply defined and is designed to future-proof our organisation. The next five years represent an important milestone for the SANBS and our five-year strategy reflects this.

We are an organisation on the move within a fast changing macro and micro environment. People and relationships remain our greatest assets. Innovation is our path towards future success and that is why iHEALTH is such an important part of our strategic thrust. iHEALTH renders visible and measurable objectives.

These objectives have been simplified for everyone's collaborative input and understanding. As the SANBS, we have to ensure that we align our human and financial resources to meet our strategic objectives and priorities as identified in this strategy.

Anchored by our vision, mission and core values, our strategy for 2019 – 2024 will serve as a guide for our strategic alignment over the next period. The new

strategy sets concise and measurable outcomes (see pages 56 – 59) based as it is on the standards and framework of the SANBS. The success of the new strategy depends on buy-in from everyone, including the Board, the executive committee and the all employees.

The strategy employs seven new strategic objectives that build on what the SANBS has achieved along the path of continuous improvement.

At the heart of our strategy are the following strategic objectives that have been identified as integral pillars for effectively executing the SANBS 2019 – 2024 strategy. Each of these objectives contribute to the sustainable running of the organisation because they enhance operational excellence, effectiveness and innovation:

WHAT WE WILL FOCUS ON AS OUR NEW STRATEGIC OBJECTIVES 2019 – 2024

| i | H | E | A | L | T | h |
|--|--|--|--|---|---|---|
| Innovation | Human centred collections | Excellence in processes | Administrative rigour | Logistics benchmark | Testing & quality | Hearts & minds |
| Improve and expand current products and services through innovation. | Enhance donor experience through a human centred approach. Enhance brand advocacy. | Achieve operational excellence that consistently produces efficient and effective products and services. | Build administrative rigour in all order to pay processes. | Move blood products in the value chain in a timely, effective and efficient manner. | Provide top quality testing in an efficient manner. | Win the hearts and minds of SANBS employees and stakeholders. |

To ensure that we deliver our 2019 – 2024 strategy we are considering revisions to our Target Operating Model. We intend to move from a function aligned to a process aligned organisation where there is clearly defined process ownership; minimised delays; automated repetitive tasks; removal of non-value adding activities and cleared bottlenecks.



To remain relevant we have to remain on top of global healthcare trends. Add to this our close ties with the South African healthcare sector, we are able to maintain our high standard of service delivery. Our processes ensure that we operate at optimal levels. We are committed to remain an admired organisation and to this end, we will do all in our power to meet stakeholder expectations.

We deliver value in the following critical areas:



RELIABILITY

Reliability, for SANBS is a foundational value that aligns our organisation with the quality of being able to perform well, irrespective of the challenges that we encounter, as well as being trustworthy.

We continue to maintain stakeholder reliability through:

- Resilience of infrastructure**
 - Standardised donor infrastructure with state-of-the-art digital technology, integrated with process automation at blood banks.
- Consistency of delivery**
 - Accountability and effective cost control contribute immensely to consistency of delivery
- Constantly improving our process reliability**
 - Feedback system available to donors, patients and staff – invaluable insights re expectation and requirements
 - Feedback facilitates identification of weaknesses – continuous improvement – staff training and new systems
- Turnaround time**
 - The amount of time taken to complete a process/fulfil a request
 - Reduced blood delays
 - Reduced idle time by key staff/employees



COST

Cost management is an important consideration. Over the past few years, operating costs have increased above inflation. We will need to contain these costs going forward. Unpaid debts from public and private entities also need to be urgently reduced. Addressing these issues head-on will ensure SANBS' financial sustainability in the long run.

We will achieve reduced costs by:

- Improving variable cost per unit**
 - Minimising expenditure
 - Become more prudent
 - Maintain disciplined cost management
- Reducing logistic and peripheral costs**
 - Review fleet and related activities to optimise process and costs for delivery of blood products
 - Optimise inventory levels
- Reducing costs of collections**
 - Increased mobile units and reduce number of fixed sites
- Reducing levels of wastage**
 - Minimise blood wastage and wasteful expenditure



QUALITY

Quality is a crucial part of SANBS, and an important pillar for the future. Quality processes will ensure we are able to track our activities and manage them optimally, from the screening process of blood donors to the transfusion of blood products to patients.

DMS and Notifications systems have been enhanced and streamlined for an improved user experience. Staff log improvement opportunities responding proactively to deficiencies. The quality team is integrated into the operational areas and is approached as advisory experts.

Optimal quality of SANBS is, and will be achieved through:

- An entrenched quality culture**
- International standards accreditation**
- Quality improvements through quality failure logging**
- Reducing wastage and adverse effects**
- Improving service quality with insight from our stakeholder experience**



COVERAGE

It is imperative for the SANBS to have its blood and blood products made available to all, irrespective of distance. As an organisation, we provide trusted blood products and service, and these needs to be available to all patients. We also have to be able to meet growing expectations and demands.

We will extend coverage to all through:

- Collecting blood at key population concentration points**
- Services available in traditional and new areas**
- Curbing blood shortages in previously under serviced areas**
- Initiatives including use of:**
 - mobile units in collections
 - smart fridges
 - drones to rural areas



Creating value in a sustainable manner


THROUGH OUR STRATEGY 2019 – 2024

Our seven strategic objectives (iHeaLth) have been formulated to guide our execution. Their successful implementation will foster change and growth that translates into financial sustainability and successful accomplishment of the SANBS mission.

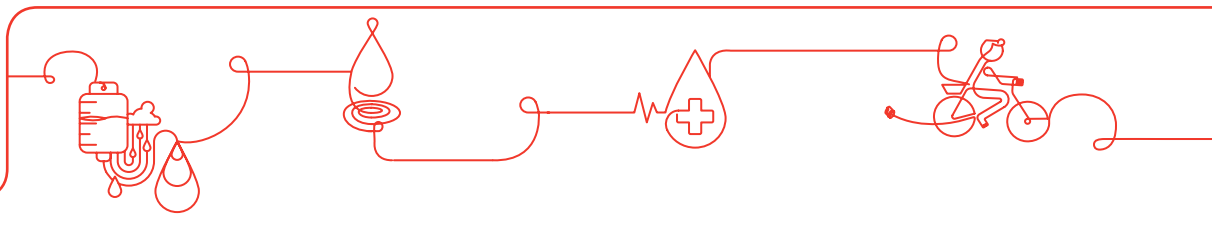
Our strategic priorities reflect:



- What will be achieved
- How success will be measured, i.e. strategic measures
- What will be done to achieve the strategy, i.e. strategic initiatives

The information contained in the tables below provides a comprehensive view of the above and, an indication of how value is created. Each initiative is tracked in the organisation's scorecard and progress against plan is reported at the Executive Committee and Board meetings.

| Strategic objective | Strategic priorities | Key measured initiatives | What will be achieved and how it links to value creation |
|---|--|---|---|
|  <p>Innovation</p> <p>Improve and expand current products and services through innovation</p> | <ul style="list-style-type: none"> • Unlock other revenue streams – enhance services and innovative product mix • Lead the development, commercialisation and delivery of cellular therapies | Alternative revenue Includes CellITAN, SLS, Operations Testing & TR #Novel products: platelets lysate ▲ – Individual patients for HPC-A, Plex, Leukopheresis-clinical, Leukopheresis-research, Other-research, Eye serum ▲ | Expansion of our product range to reduce cost base and improve health of our community/population |
| | | #Translational Research Department Publications in national and international journals ✓ | Increased ability to develop blood products and ability to demonstrate SANBS' abilities |
| | | #Translational Research Department 1. Research & Advisory Academy strategy plan 2. Academy implementation ✓ | Taking new products from bench to bedside |
| | | Drone Project • CAA registration by 31 Oct 2019 • Flown POC by end Dec ✓ | Improved coverage where blood can be delivered and increase ability to deliver emergency blood |
| | | Mount Edgecombe Campus construction ✓ | Showcase the journey of blood to community |
| | | BECS system implementation ✓ | Increasing operational efficiencies and stakeholders collaboration capabilities |
| | | Smart fridges installation ✓ | Increased availability of blood |
| | | Mobile collection clinics ✓ | Increased blood collection ability and donor experience |

✓ New initiative on track against current plan (no concerns) ▲ Improvement YOY ● No concerns yet ▼ Below target





| Strategic objective | Strategic priorities | Key measured initiatives | What will be achieved and how it links to value creation |
|---|---|--|---|
|  <p>Human centred collections</p> <p>Enhance donor experience through human centred approach</p> | <ul style="list-style-type: none"> • Increase capacity and capability to collect more blood • Determine true blood demand • Manage deferrals to acceptable levels through strategic initiatives • Ensure improved Patient outcomes and excellence and deliver excellence in Donor care • Focus on new donors, youth and black donors | #IronStrong – Roll out of iron in 6 Zones ✓ | Improve overall community health |
| | | No. of source plasma collections | Increased collections |
| | | Days' cover ▲ | Sufficient blood is the core of our operations and this is how we monitor our collections to deliver on our purpose |
| | | #of units of Apheresis platelets collected ▲ | Supply enough platelets to patients |
| | | % First time donors aged 16 – 30 years ✓ | Monitor sustainability of our donor pool |
| | | Black donors as a percent of total donors ▲ | Increased black donors – increased collection |
| | | Social media engagement ▲ | Development of SANBS' visibility and brand enhancement |
| | | Whole blood collection (Group O) ✓ | Fulfilling our core purpose |
|  <p>Excellence</p> <p>Achieve operational excellence that consistently produces efficient & effective products & services</p> | <ul style="list-style-type: none"> • Decrease wastage and promote appropriate use of blood • Improve efficiency of all identified and mapped processes • Enhance visibility of our value chain • Re-engineer procurement processes • Manage internal controls to acceptable levels • Implement Six Sigma | Modernise ERP/SAP systems. ▲ | Improving internal processes to be efficient and effective with acceptable levels of internal control |
| | | #Use everything – reduce short bleeds ▲ | Reduce wastage |
| | | Meet SLA TAT for standard crossmatches ✓ | Ensuring correct blood type is delivered in an acceptable timeframe |
| | | Working Capital (cents per rand of turnover) ▲ | Monitoring efficient use of resources |
| | | Greening SANBS ✓  Refer pages 60 to 61. | Increasing SANBS' social responsibility environmental impact and reducing cost |
| | | % Ordered vs Issued ▲ | Monitoring our ability to deliver blood ordered by doctors |
| | | Wastage – % of blood discarded ▲ | Monitoring unused blood to enable treatment actions if required |
| | | | |

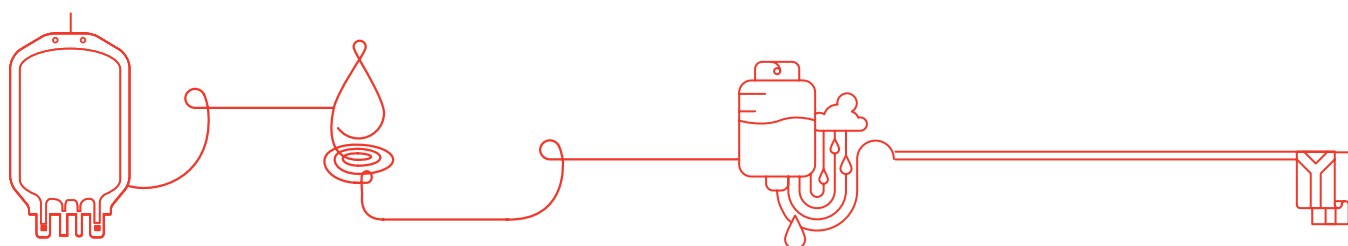
✓ New initiative on track against current plan (no concerns) ▲ Improvement YOY ● No concerns yet ▼ Below target

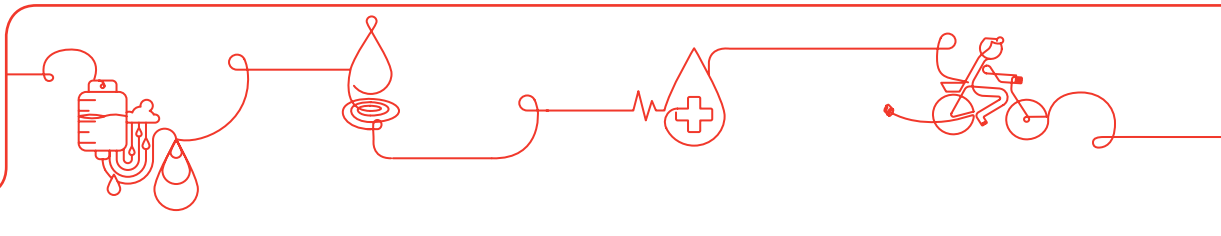




CREATING VALUE IN A SUSTAINABLE MANNER THROUGH OUR STRATEGY 2019 – 2024 (continued)

| Strategic objective | Strategic priorities | Key measured initiatives | What will be achieved and how it links to value creation |
|--|--|--|---|
|  <p>Administration rigour</p> <p>Build administrative rigor in all order to pay processes</p> | <ul style="list-style-type: none"> Manage bad debts rigorously by enhancing debt collections tactics | Debtors' days ▲ | Low debtors days ensure that funds are available to fulfill SANBS' purpose |
| | | Bad debt as a % of Revenue ▲ | Debt write offs result in financial losses impacting the future price of blood |
| | | Gross Revenue as a % to budget ✓ | Achievement of targets that are set |
| | | Surplus % of Revenue ▲ | |
| | | Availability of critical IT services during agreed operating times ✓ | IT service uptime maximises ability to render efficient operations |
| | | Net cash reserves ▲ | Sufficient cash to fund ability to fulfil purpose |
|  <p>Logistics and benchmark</p> <p>Move blood products in the value chain in a timely, effective and efficient manner</p> | <ul style="list-style-type: none"> Ensure 100% of critical consumables are available to support the value chain 100% of the time Investigate and implement the state of art design for mobile donor centres Optimise process cost efficiency for delivery of blood products | Driver behaviour score ✓ | Drivers form part of the face of SANBS to the public. Good driver behaviour results in positive community impacts |
| | | Kilometres travelled ✓ | Reduced product costs and carbon footprint |
| | | Blood bank courier fulfilled on time ✓ | On-time deliveries improve SANBS' ability to save lives |
| | | NBI plasma targets met (Litres) ✓ | SANBS delivers on its contracted plasma production delivery targets |
| | | Manage critical stock levels ▲ | Availability of consumables are critical to production continuity |

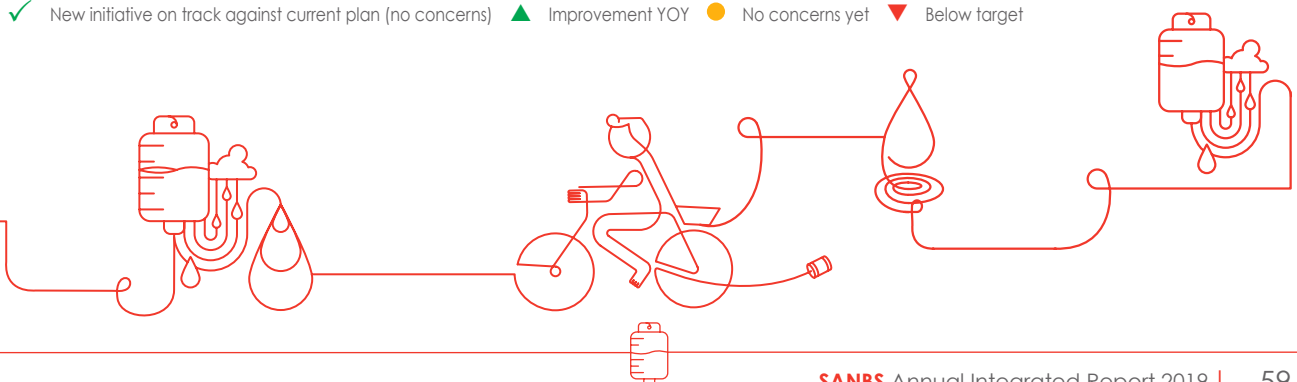
✓ New initiative on track against current plan (no concerns) ▲ Improvement YOY ● No concerns yet ▼ Below target





| Strategic objective | Strategic priorities | Key measured initiatives | What will be achieved and how it links to value creation |
|--|--|--|--|
|  <p>Testing and quality</p> <p>Provide quality testing in an efficient manner</p> | <ul style="list-style-type: none"> Harmonise quality standards to meet international benchmarks SANBS products and services meet the quality control requirements at regulatory bodies and national standards to meet internal and external customer requirements | TTI calculated HIV residual risk (Weuston) ▲ | Ensure safe blood supply |
| | | #Harmonization of standards – No. of sites | Products and services meet quality control requirements |
| | | SANAS Accreditation Target = 100% ▲ | |
| | | Turn around time for units to become available for use ▲ | On time fulfilment of our purpose |
|  <p>Hearts and Minds of SANBS employees and stakeholders</p> <p>Win the hearts and minds of SANBS employees and stakeholders whilst enhancing brand advocacy</p> | <ul style="list-style-type: none"> Reflect the diversity of South Africa society in a workplace defined by our B-BBEE initiatives – measure our contribution to society Align the 360 Degree Assessment feedback results with employee development needs Drive a performance culture in SANBS with differential reward based on performance | Skills development ▲ | Knowledgeable employees are critical to SANBS saving lives |
| | | Employment Equity ▲ | Achieving broad based transformation goals |
| | | 360° Review and implementation of development plans ✓ | An effective performance measurement process enables us to achieve our goals in a structured fashion |
| | | Staff turnover rate ✓ | Retaining effective employees is critical to SANBS saving lives |
| | | DNA culture survey results | Engaged employees are crucial to fulfill purpose |
| | | Stakeholder satisfaction results ▲ | Meeting needs, interests and expectations of all our stakeholders |

✓ New initiative on track against current plan (no concerns) ▲ Improvement YOY ● No concerns yet ▼ Below target



Environmental imperatives that have been CONSIDERED IN SANBS' STRATEGY

We are committed to minimising the environmental impact of our activities.

WHAT HAVE WE DONE SO FAR?



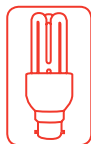
Monitoring devices

Real-time electricity monitoring devices installed at most sites. Consumption data is gathered via an online dashboard.



Lights assessments

An assessment of the type of light bulbs used at our sites is underway. We will migrate to energy efficient light bulbs.



Travel information relating to business flights undertaken, fleet vehicles, outbound distribution partners and staff using their own vehicles for company business has been gathered.



At Head Office, a borehole services the entire campus' water needs as a primary source – municipal water supply is a backup.



ELECTRICITY CONSUMPTION

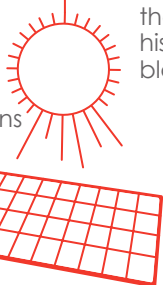
BUSINESS TRAVEL

WATER CONSUMPTION

Information gathered shows **seasonality** in power consumption and high usage sites where our reduction initiatives will focus.

These include:

- 1 Install monitoring devices.
- 2 Set reduction targets.
- 3 Consider installation of solar photovoltaic technologies. (National power grid used as a backup.) Start with Mt Edgecombe campus.
- 4 An inventory of the rated power consumption for equipment in use will be documented and used as a baseline for future replacement.
- 5 Adopt established "green building" standards for renovations and ensure newly acquired premises are "environment friendly".



Measures to reduce our carbon footprint include:

- 1 Video conference facilities to obviate the need to travel.
- 2 Install video conference technologies for smaller sites.
- 3 Replace aging fleet with fuel efficient vehicles and explore electric vehicles as an option.
- 4 Reduce the number of kilometres travelled for the distribution of our products using route optimisation software.
- 5 Increased blood collections in parts of the country that were historically short on blood supply.



Develop a Water Management plan to reduce our water consumption:

- 1 Prioritise water efficiency in buildings that use lots of water.
- 2 Implement rainwater harvesting to service toilets and gardens.
- 3 Fit low flow taps and water saving devices.
- 4 Install monitoring devices for usage and leaks.
- 5 Explore the installation of boreholes at other SANBS owned sites.



WHAT WILL WE DO IN 2019 AND BEYOND?



"Greening SANBS"

During 2018 a volunteer task team, sponsored by our CEO, was established to "Green SANBS". Their mandate was simple – **reduce SANBS' impact on the environment**. The task team comprises cross-functional staff and managers.

The information in this report covers the progress we have made to date, and our plans for the short, medium and long term. Targets for focus areas are being set as we gather more accurate baseline data. An environmental policy and a set of objectives has been drafted. To get buy-in from employees, a communication process, including an intranet page, has been established to ensure two-way greening ideas.

IV 3, 11, 13, 16

Healthcare waste
Healthcare waste is either incinerated or sent to landfill.

Canteen polystyrene and plastic

- Replaced all disposable polystyrene take-away containers and plastic cutlery in our canteens with bio-degradable equivalents.
- Paper cups replaced polystyrene cups.



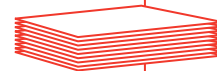
Computer power rating
All notebooks purchased are at a minimum Energy Star 6.1 rated; this will form part of all future specifications for procurement.

Electronic equipment disposal
An E-waste Management System affiliated service provider undertakes this in accordance with the guidelines published by them.

Printer usage and consumables
Over 12 months, we printed nearly 13 million pages equating to about 54 tons of CO₂ or 1,560 trees.

Conscientise employees regarding cost and impact.

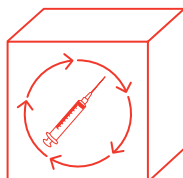
Ipads and iboardpapers introduced as paperless Board meeting packs.



WASTE MANAGEMENT

Initiatives to manage waste include:

- Phasing in use of reusable sharps (needles) containers, which have a useful life of 10 years – also results in substantial reduction in costs.
- A service provider to separate and recycle general waste – Recyclable materials sold offsets part of the cost of this service.
- Optimise route collection of waste from our sites.
- Promote the "reduce, recycle, reuse" for general waste.



ELECTRONIC WASTE

Initiatives include:

- Spent toner cartridges sent back to service provider for recycling.
- Only the "green range" of printer paper is procured.
- Introduce default duplex printing for all printers throughout the organisation.
- Introduce PIN number printing.
- A mobile app for the online completion of the donor questionnaire and digitisation of a number of manual forms as soon as possible.

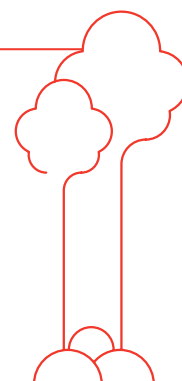


SUSTAINABLE PROCUREMENT

With vendors, develop sustainable procurement strategies and optimise inbound receiving and distribution of raw materials.

OFFSETTING CARBON EMISSIONS

A carbon offset is a greenhouse gas (GHG) reduction initiative that is used to counterbalance, or offset, a GHG emission – a way to "give back" to the environment. In the SANBS context, we will explore the practicality and commercial aspects of planting a tree for every milestone (25th, 50th, etc.) donation on behalf of our donors. It is envisaged that this will be done at a community level e.g. at schools and community centres.



Meeting the needs, interests and expectations OF OUR STAKEHOLDERS

Engaging, understanding, responding to and meeting the needs of our stakeholders to create value for them and SANBS

IV

Refer page 33.

As one of two of South Africa's National Blood Service Providers, we are deeply connected to the environment we operate in and the communities we serve. Our ability to deliver value is dependent on our relationships, the level of trust in SANBS of our many stakeholders and the attendant contributions and activities of our many stakeholders. By regularly engaging with our stakeholders and really understanding their needs, interests and expectations of us, we are better able to identify the risks and opportunities that they present us with and respond with an applicable response strategy. This approach ensures that we create suitable value for our stakeholders and for SANBS alike.

Stakeholder group



EMPLOYEES

SANBS Employees

Ongoing engagement

Board

Regular engagement



DONORS

Blood Donors

Ongoing engagement



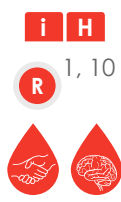
Stakeholders needs, interests and expectations

- Reward and recognition
- Conducive and safe working environment/job satisfaction
- Job security
- Growth and development
- Transformation
- Diversification
- Integration

- Relevant, accurate and timeous information and reporting
- Achievement of strategic objectives
- Improved governance and ethics

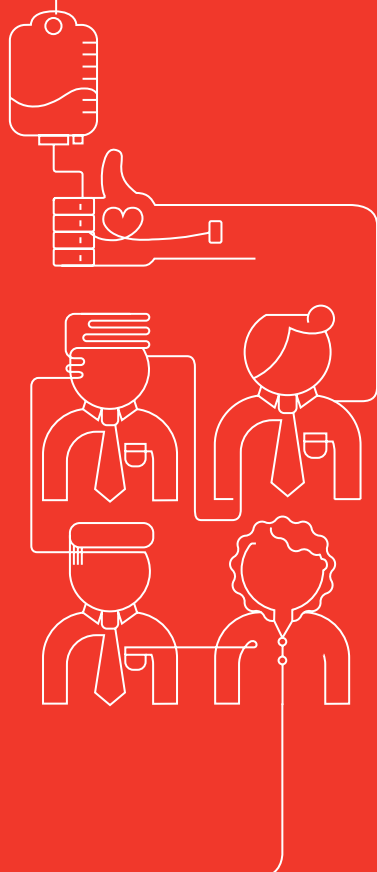
- Donor pool
- Iron deficiency
- Platelet donors
- Adequate donor
- Health and education
- Donor satisfaction
- Levels




Stakeholders are important to the SANBS. As an organisation, we value the contributions, inputs and efforts of our stakeholders. They help us remain focused on the tactical planning and execution of our strategy. By engaging them robustly, transparently and honestly, we can ensure that they assist us to achieve our goals and help us mitigate risks and maximise opportunities. We conduct stakeholder surveys bi-annually to solicit feedback from our stakeholders as their views on our business and effectiveness of our communication allowing us to improve our work and remain relevant to them. In our last survey we had a score of 84% stakeholder satisfaction result. We are aiming for 90% in our next stakeholder survey.

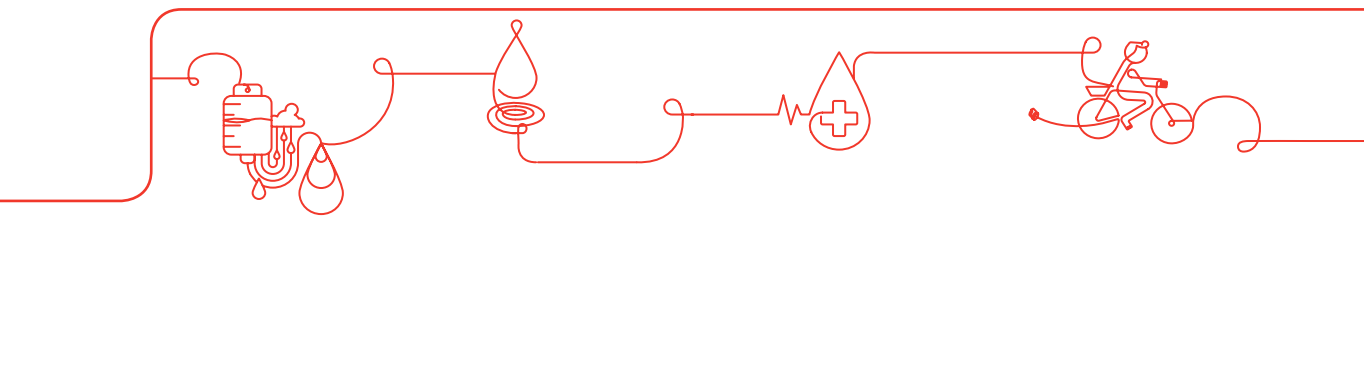
| | Key Risks | Opportunities | SANBS Response | Links |
|--|--|--|--|---|
| | <ul style="list-style-type: none"> Loss of key employees Disengaged Employees and underperformance Industrial action Damage to SANBS reputation by disengaged employees Lack of disclosure | <ul style="list-style-type: none"> Empower and engage Skills development Diverse workforce Multiskilling Performance management Recognition and Reward Building trust | <ul style="list-style-type: none"> Talent management Succession planning Transformation plan Effective performance management system Role diversification DNA 360 feedback Remuneration Policy Heightened disclosure in Integrated Report |  |
| | <ul style="list-style-type: none"> Transparency Inaccurate reporting Under performance Poor decision making Potential liability for directors | <ul style="list-style-type: none"> Integrated business planning Digitalisation Organisational alignment and transformation Creation of blood committee | <ul style="list-style-type: none"> Improved planning and communication Performance reviews Business scorecard reporting Automation King IV™ gap analysis Ethics assessment and framework implementation Board evaluations |  |
| | <ul style="list-style-type: none"> Insufficient pool – over bleeding Donor health issues Unhappy donors Donor retention Reputation of SANBS SANBS employee sabotage Eligible donors | <ul style="list-style-type: none"> Sustainability Sustainable supply Diversified donor pool Synthetic blood Pathogen inactivation More frequent donations Digitalisation Donor education and experience (SANBS Theme Park) | <ul style="list-style-type: none"> Digitalisation Donor-focused research Education iron deficiency and disease prevention Donor satisfaction surveys Donor rewards program Increased awareness regarding platelet donation Donor education and magazine Iron replacement initiative |  |



MEETING THE NEEDS, INTERESTS AND EXPECTATIONS OF OUR STAKEHOLDERS (continued)



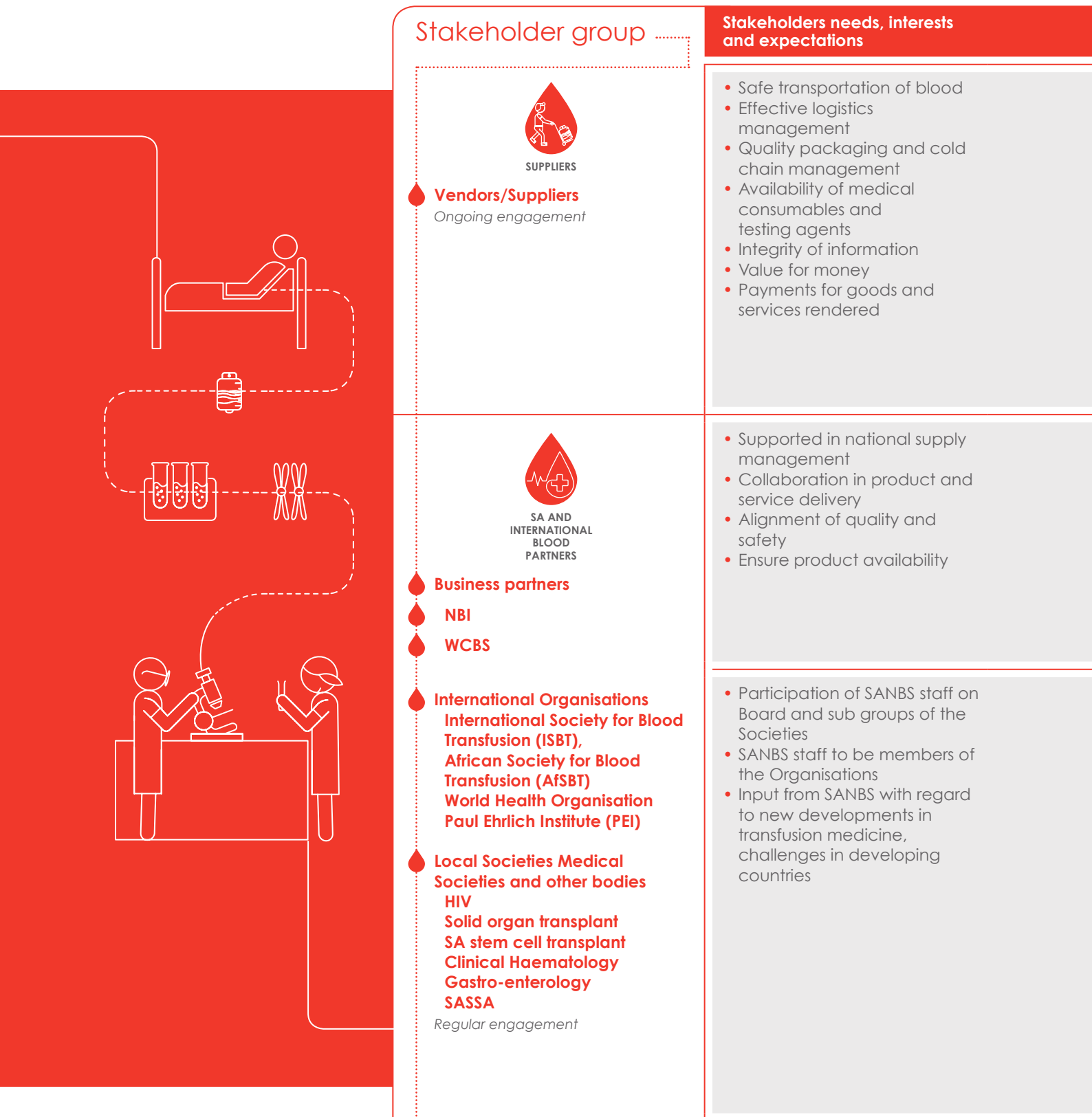
| Stakeholder group | Stakeholders needs, interests and expectations |
|--|--|
|  REGULATORS National Department of Health (DoH) Provincial Department of Health <i>Ongoing engagement</i> National Council, Zone Donor Committees, Branch Donor Committees <i>Periodic engagement</i> Regulators South African National Accreditation System South African Health Products Regulatory Authority (SAHPRA) ISO, SABTS, SANAS <i>Regular engagement</i> | <ul style="list-style-type: none"> • Improved patient outcome • Improved healthcare • Sufficient quality blood products • Right product, right patient and right time • Monitoring of side effects • Information and escalation of all major decisions <ul style="list-style-type: none"> • Donor interests and wellbeing taken into account • SANBS carries out its mandate effectively <ul style="list-style-type: none"> • Compliance • Global interaction • Harmonising of standards world wide |
|  MEDICAL FRATERNITY Doctors, Nurses, Patients, Medial Aid Schemes <i>Ongoing engagement</i> | <ul style="list-style-type: none"> • Sufficient quality blood products • Other services stem cells, diversity of products, • Customer satisfaction levels |
|  SOCIETY Unions <i>Ongoing engagement</i> Media <i>Ongoing engagement</i> | <ul style="list-style-type: none"> • Fair and equitable working conditions • Employee safety • Annual wage negotiations • Transparency • Consultation • Fair and equitable remuneration <ul style="list-style-type: none"> • Reputation/goodwill • Education and awareness • Accurate and effective communication • Public image |

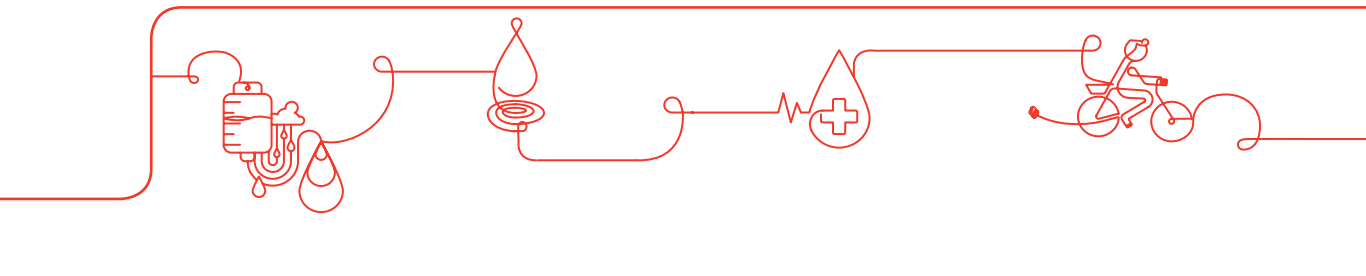


| | Key Risks | Opportunities | SANBS Response | Links |
|--|---|---|---|------------------------------------|
| | <ul style="list-style-type: none"> Loss of licence to operate Inability to meet demand Morbidity/spread of disease/epidemics Poor patient outcomes Increased costs Delayed payments | <ul style="list-style-type: none"> Efficiencies Digitalisation Pathogen inactivation Product diversity Reduce wastage Use of big data | <ul style="list-style-type: none"> Adherence to service level agreements B-BBEE Provision of data/metrics Portal for debtors' payments Interdependent projects to improve blood product management | A L T R 2, 9 |
| | <ul style="list-style-type: none"> Not adhering to prescribed governance rules and structures Ineffective interaction between management and the committees | <ul style="list-style-type: none"> Leverage the passion and commitment of Committee members to increase our donor base | <ul style="list-style-type: none"> This is a key focus area for Donor management Plans put in place to strengthen interaction with Committees | h |
| | <ul style="list-style-type: none"> Loss of licence to practise | <ul style="list-style-type: none"> Improvement of the quality our products and services Global collaboration | <ul style="list-style-type: none"> Disciplined Adherence to Standards | T E R 7 |
| | <ul style="list-style-type: none"> Insufficient blood stocks – mortality Insufficient quality Unhappy customers Increasingly ill patients Reputation of SANBS | <ul style="list-style-type: none"> New income streams SANBS Academy Big data Digitalisation | <ul style="list-style-type: none"> Continued customer engagements to meet requirements Delivery of right product at right time Research and development Clinical trials to improve donor and patient care Accurate demand planning | i L R 1, 4, 8 |
| | <ul style="list-style-type: none"> Misaligned expectations Industrial action Negative publicity Reputation damage Genie coefficient | <ul style="list-style-type: none"> Improved working conditions Improved engagement and planned meetings Greater understanding of the SANBS environment Further transparency in Integrated Report to build trust | <ul style="list-style-type: none"> Continued engagement and consultation Bargaining forum meetings Long-term agreements Communication improvement DNA Formula 360 Degree Assessment Remuneration Policy Disclosure of remuneration in Integrated Report | h R 1 |
| | <ul style="list-style-type: none"> Negative publicity Poor brand value and reputation Poor communication to stakeholders | <ul style="list-style-type: none"> Positive brand value Increased positive coverage Free airtime – social media platforms Bloggers | <ul style="list-style-type: none"> Formal media strategy Communication plan and delegated spokesperson Social media policy Celebrity brand ambassadors | h R 1 |



MEETING THE NEEDS, INTERESTS AND EXPECTATIONS OF OUR STAKEHOLDERS (continued)



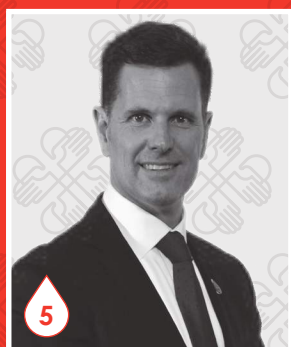
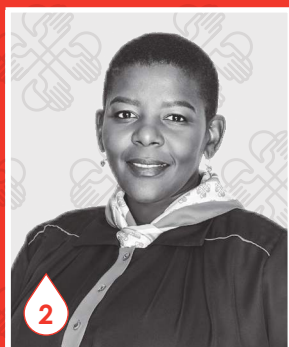


| | Key Risks | Opportunities | SANBS Response | Links |
|--|---|--|--|------------------------------------|
| | <ul style="list-style-type: none"> • Goods and services not delivered at the right time, right quality and as per specifications • Product quality failure and wastage • Delayed or no blood delivery to patients • Cyber security risk • Business continuity • System downtime • Increased costs • Poor contract management • Lack of B-BBEE • Reputation Risk | <ul style="list-style-type: none"> • Formal engagement plan for critical vendors • Efficiencies • Improved supply chain management • Just-in-time inventory management • Digitalisation • Improved contract management • Encourage B-BBEE | <ul style="list-style-type: none"> • Critical vendor list • Supply chain management improvement plan • Logistics management improvement plan • Demand planning • Procurement plan to address B-BBEE • Flexible procurement and strategic partnership | <div>IV</div> <div>A L</div> |
| | <ul style="list-style-type: none"> • Poor relationships and cooperation • Loss of income • Reputation | <ul style="list-style-type: none"> • Integrated South African blood service • Improved service delivery | <ul style="list-style-type: none"> • Service-level agreements • Collaboration on common policies, procedures and standards • NHI response | <div>H E T</div> <div>R 1, 4</div> |
| | <ul style="list-style-type: none"> • Lack of contribution by SANBS staff to these organisations leading to staff not being invited to serve on committees • Failure to renew membership with the organisations | <ul style="list-style-type: none"> • Showcase the work of SANBS at conferences and in publications of these organisations • Improve SANBS' reputation globally by active participation in these organisations | <ul style="list-style-type: none"> • SANBS staff member President of Board of ISBT 2016 to 2018 and is currently Past President. • Many SANBS staff members serve on Working Parties of ISBT and play important role in international surveys and projects. • SANBS assisted AfSBT with its stepwise accreditation program for African Countries – allocated staff to perform audits of Blood Services in neighbouring countries • Members of executive committees • Invited speakers/ presentations • Benchmarking projects | <div>i H</div> <div>R 1</div> |



» Transformative leadership

Meet the executive committee



1 Jackie Thomson (4 yrs)
Medical Director
 MBChB (Stellenbosch University), MMed Internal Medicine (Stellenbosch University), Certificate in Haematology (College of Medicine SA)
 Executive Committee member since 2016

2 Tshepi Maesela (3 yrs)
Chief Financial Officer
 CA (UK), Accountants' Conversion Course (UCT), B.Sc Economics and Computer Science (Trinity College)
 Executive Committee member since 2017

3 Ravi Reddy* (34 yrs)
Chief Operations Officer
 BTech Biomedical Technology
 Executive Committee member since 2002
 *this page was updated on 23 June 2022 to correctly reflect the CEO's qualifications.

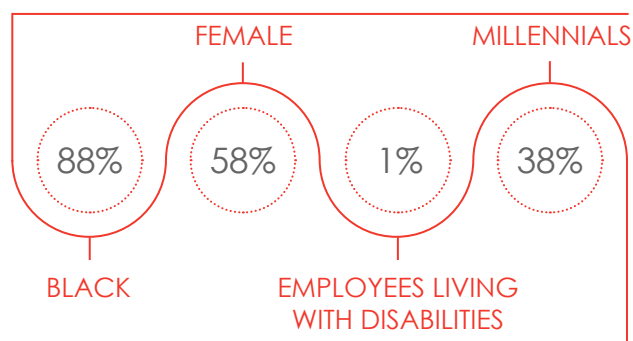
4 Silungile Mlambo (6 yrs)
Chief Marketing Officer
 BBA Hons – Marketing Communications, IMM diploma – Advertising, IMM diploma – Marketing
 Executive Committee member since 2018

5 Jonathan Louw (2 yrs)
Chief Executive Officer
 MB.ChB (University of Cape Town), MBA (University of Cape Town)
 Executive Committee member since 2018

6 Abbey Mothokoa (9 yrs)
Chief Human Capital Officer
 B.Juris (Law), Honours Human Resources Management, Executive Development Programme
 Executive Committee member since 2010

7 Frans Monkwe (2 yrs)
Chief Information Officer
 BCom (IS), Master of Business Administration, Master of Information Technology
 Executive Committee member since 2018

THE ORGANISATION'S PROFILE IS CURRENTLY:



Idea generation from our employees helped to discover the SANBS Formula

Employees gave thousands of ideas of what they believed to be the most important things we need to do more, and thousands of ideas of what they believed are the most important things we need to do less to take SANBS to the next level. These ideas were grouped into common themes and then voted on in a company-wide election to discover which of these cultural factors are the most critical. Having taken all the opinions into account, we were able to discover the SANBS Formula.

Living it is what really matters

Living it is what really matters, so, we launched the DNA formula on the 29th July 2019 across the organisation with SANBS employees demonstrating their understanding of the DNA formula through performance art at various sites across the country. We have also conducted a baseline assessment in April 2019 and we aim to increase on this baseline score biannually as we measure the progress against the baseline information. Each division and zone/department had an opportunity to rate their specific location and develop their individual action plans to address their local environment. The target is 50% increase in baseline score in 18 months.

OUR DNA... THE SANBS FORMULA

85% of employees participated in defining the aspects of the organisation that we want to do more of (enablers) and things we want to do less of (disablers)

ENABLERS

Action orientated + Attraction and retain the best talent + Celebrate success + Empowering and including our people + Honest, ethical and transparent + Innovation/breaking new ground + Keeping our donors motivated + Positive energy and Passion + Quality driven + Relationship building with key stakeholders + Respect and dignity + Training and knowledge sharing

DISABLERS

9 – 5 mentally/disengaged people + Backstabbing and politics + Bad planning/Ineffective change initiatives + Blaming/lack of accountability + Communication breakdown + Favouritism and discrimination + Negativity + Pointless meetings + Sense of entitlement + Us and them + Wastage + Wrong people in wrong jobs



The formula expressed in Emoji's





TRANSFORMATIVE LEADERSHIP (continued)

SANBS IS COMMITTED TO DEVELOPING ALL OUR EMPLOYEES

Leadership development is a key component in successfully executing our strategy. SANBS is keen to deepen our leadership bench strength.

360 DEGREE ASSESSMENT

360°

In 2018, **154 leaders participated in a 360 degree assessment** against our 8 leadership competencies.

A further 321 next level leaders will undergo the assessment in 2019. The development actions from these assessments have been built into the broader Leadership Architecture as we prepare to be the cornerstone of the healthcare sector.

TRANSFORMING OUR WORKPLACE

In our quest to continue to transform our workplace; we have partnered with **Siyaya Skills institute** and **Alexander Forbes** to give **20 young people with disabilities** an opportunity to get workplace experience for their national certificate (NC) in business administration.

The learnership period is from 1 May 2019 – 31 June 2020.

PLACING VALUE ON DIVERSITY – SANBS as a transforming organisation (Transformation)

SANBS has taken the transformation of the organisation with the seriousness it deserves.

In 2018 the overall employment equity for the organisation was 86% and we are currently 88% black against a target of 87% %.

The organisation has a progressive employment equity plan and at senior management level, we have achieved our targets regarding the appointment of black people (80.59% actual vs a target of 60%) and have improved our appointment of black women in senior management.

The focus areas for the organisation remain persons with disability and black people at the occupational level junior management.

Through our organisational culture renewal program (SANBS DNA) we are engaging with employees about key topics of being empowered and having clear opportunities for their personal and organisational development.

Regarding to specific skills development programs, the development of a SANBS learning academy is underway with a clear mandate to improve our research and leadership capability in the blood transfusion and broader healthcare sector. In 2018, our Internships were as follows:

- Medical Technicians – 51 learners converted and 4 in progress
- Phlebotomists – 14 learners converted and 24 in progress

65 of these learners were absorbed into the organisation as part of that talent pipeline. We are committed to empowering our own employees and have implemented a program for Lab Assistants and Technician Assistants; and 60 employees as (learners) are participating on these development options.

Current status against the Corporate scorecard
88% black
(target = 87%).

The area of focus in the current 2019/20 financial year is on improving the employment equity at middle management level and improving our persons with disabilities numbers.

We have already commenced sensitisation workshops and completed a disability audit. We will collaborate with organisations, that can support us at the workplace, with interventions for people with disabilities.

Our DNA Culture program will inform our activities to ensure continued deepening of the appreciation of diversity in our organisation.

WE HAVE HEALTHY ENGAGEMENTS WITH OUR LABOUR PARTNERS THROUGH OUR NATIONAL LABOUR FORUMS.
Refer page 64.



Remuneration report

SANBS' REMUNERATION PHILOSOPHY AND BENCHMARKING OF PAY FOR VALUE DELIVERED

IV



The organisation's remuneration philosophy is aligned to the SANBS iHEALTH strategy in that it ensures that employees are able to work towards and promote the achievement of the strategic objectives within the organisation's affordability. The remuneration approach is designed to support the behaviours, skills and superior performance required, to underpin and embed the desired organisational culture of accountability and performance.

REMUNERATION PHILOSOPHY

The organisation's remuneration philosophy is aligned to the SANBS iHEALTH strategy in that it ensures that employees are able to work towards and promote the achievement of the strategic objectives within the organisation's affordability. The remuneration approach is designed to support the behaviours, skills and superior performance required, to underpin and embed the desired organisational culture of accountability and performance.

As part of the broader talent management framework, we have updated our Remuneration Policy to include promotion opportunities, in that an increase to the minimum of the new pay scale or a 5% increase, whichever is greater, can be considered, for our key talent.

The revised remuneration approach also includes the development of dual career paths for specialists and management roles.

The organisation encourages career growth and upward mobility for all employees, whilst we have also clearly identified our critical and scarce roles.

FACTORS INFLUENCING THE REMUNERATION STRATEGY

Although SANBS is a not-for-profit organisation and therefore not ordinarily able to afford to remunerate its employees in accordance with the private sector market related salaries and incentive bonuses, the remuneration scales and policies are bench marked with similar size organisation nationwide.

SANBS has recently reviewed and updated a number of relevant policies: namely the Remuneration, Performance Management and the Incentive Bonus Policies. All three policies provide guidance to the organisation's rewards programs. The organisation also introduced the Pay Progression Policy whose main objectives are to supplement provisions in the Remuneration Policy and also provide a "Dual Career Ladder" opportunity for employees in specialist roles, who might not have direct reports.

The organisation uses the services of independent remuneration service consultants to review and benchmark remuneration levels of both the NED and staff on a bi-annual basis. The last benchmark was done in May 2018.

It is the organisation's philosophy that no employee is paid below the minimum of the applicable salary scale and is verified through a process conducted by internal auditors annually.

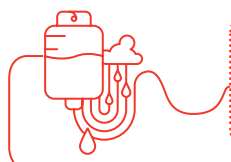
SANBS is committed to remaining sustainable whilst equally important is the, equitable reward of our valued employees. Our philosophy is meant to attract, develop, and celebrate the successes of our individual employees within the context of our altruistic mandate of being "Trusted to save lives".



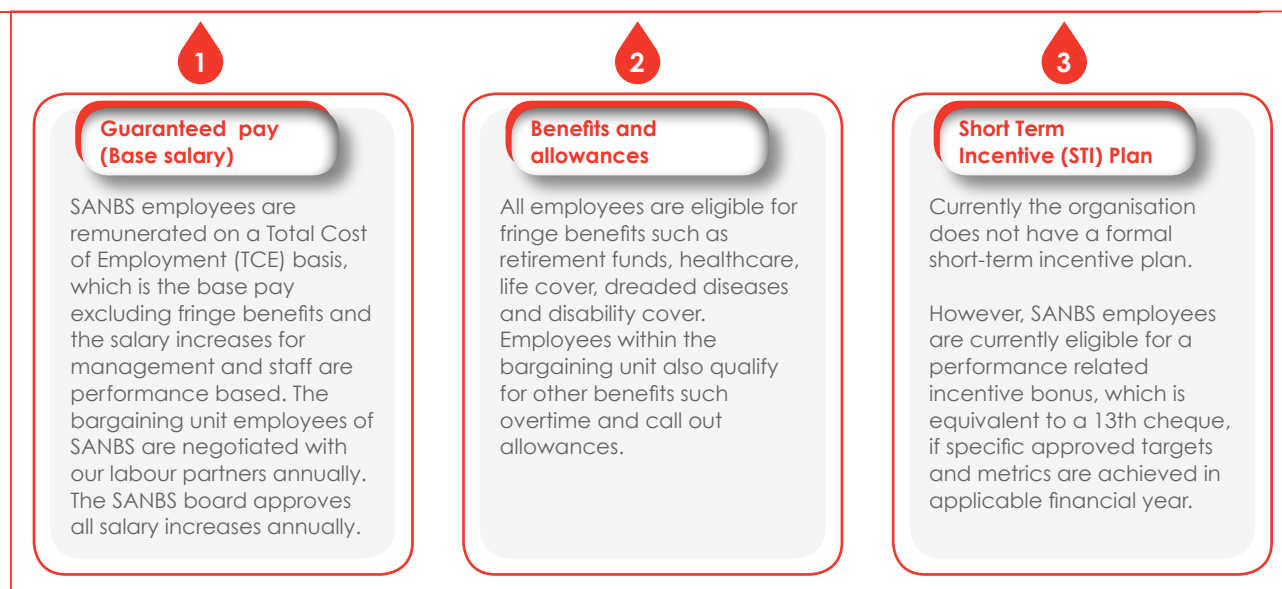


REMUNERATION REPORT – SANBS' REMUNERATION PHILOSOPHY AND BENCHMARKING OF PAY FOR VALUE DELIVERED (continued)

REMUNERATION STRUCTURING



The organisation's remuneration structuring consists of three components namely:



The Board approves the targets at the beginning of every financial year and the reviews the results at the end of the year before making final decision.

REMUNERATION GOVERNANCE

The governance of remuneration falls under the scope of the Human Resources division and the Human Resources and Remuneration Committee, which in turn advises the Board.

Refer pages:

- 22 – Human Resources and Remuneration Committee in the SANBS governance structures
- 24 – Human Resources and Remuneration Committee mandate/roles and responsibilities
- 31 – Governing fair and responsible remuneration
- 36 – Key focus areas of the Human Resources and Remuneration Committee for the period under review and future focus areas of the Committee

TOTAL REMUNERATION APPROACH

The organisation's remuneration mix consist of the following components namely:

| Component | Strategic intent |
|--|--|
| Cash salary | Attraction and retention of skilled high-performance employees |
| Benefits – All organisational contributions to fringe benefits such as retirement fund, medical aid, disability income protection, dread disease and group life assurance | Risk mitigation |
| Incentive bonus – Short-term performance based incentive (STI) scheme | Motivation Retention Performance improvement Communication of strategic imperatives |
| Recognition – Informal recognition and celebration of achievement (Long Service Awards); Formal awards for recognition of extraordinary achievement and service above and beyond the call of duty | Identification/belonging Team spirit Creation of role models Motivation Acknowledgement of the contribution of employees' families |



OUTCOMES OF THE MAY 2018 EXECUTIVE REMUNERATION BENCHMARKING

In the most recent independent audit on Executive salaries, the remuneration service consultants were requested, by the Human Resources and Remuneration Committee, to review and benchmark remuneration levels of the following roles:

- Chief Executive Officer
- Chief Operations Officer
- Medical Director
- Chief Financial Officer
- Chief Marketing and Communications Officer
- Chief Human Capital Officer
- Chief Information Officer
- Company Secretary

Recommendations made by the remuneration consultants are based on the following:

SANBS competes in the market for a range of specialist skills and the corporate remuneration policy:

- states that superior performance, which contributes to both the short and long term sustainability of SANBS, should be motivated and rewarded.
- supports a culture of accountability and individual performance excellence through the display of the required competencies, technical skills and experience. SANBS' remuneration approach therefore aims to:
 - Attract and retain key staff
 - Motivate and reward performance excellence

Recommendations are that:

- the organisation is advised to use the national market for benchmarking remuneration and not the public sector.
- Because the benchmark found that on average SANBS executives are rewarded in line with the market 50th percentile but below the 75th percentile – remuneration levels of executives that are currently below the market 25th percentile, are adjusted to align with the market over a reasonable period (18 to 24 months) where the pay gap is significant.

 Refer to the Annual Financial Statements for further disclosures relating to Remuneration.



» Reflections from our CHIEF FINANCIAL OFFICER



Tshepi Maesela
Chief Financial Officer



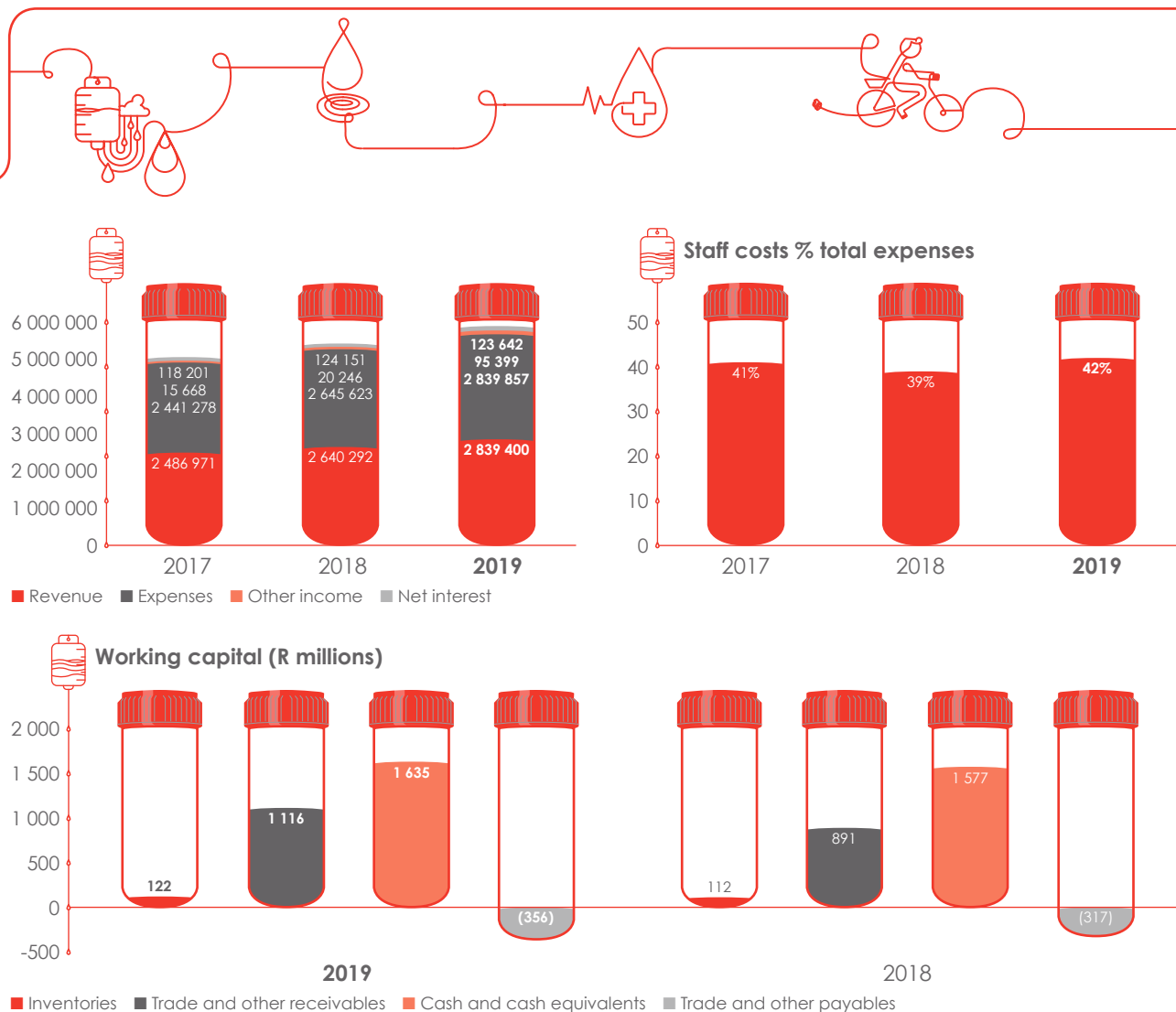
» *"The financial performance and position of SANBS reflects the positive effects of various value adding initiatives over the period."*

INTRODUCTION

The financial performance and position of SANBS reflects the positive effects of various value adding initiatives over the period – most significant being reduced logistics and overtime costs following improved blood collection, innovative scheduling. We have continued good expense management, even with significant expenditure to recruit new collections employees and new organisational culture initiatives.

The South African National Blood Service achieved a great financial result over the 2018/2019 financial year with an overall surplus of R218.6 million. This was a 57% increase on prior year surplus of R139.1 million. The increased surplus follows the challenging 2017/2018 financial year, which saw a decrease in the achieved surplus from R179.6 million to R139.1 million, a reduction of 23%. The higher surplus follows continued focus on efficiencies across the business, striving to provide the reliable and best quality service to all our areas across the country, at the lowest cost possible.





The surplus will assist in future expenses necessary to attract more donors with the advent of NHI; compliance with other new regulations; meet any additional accreditation requirements; expansion projects and associated capital expenditure on property, plant and equipment; mitigate non-payments by debtors; bolster reserves which will position SANBS in a more stable financial position in the future.

Revenue increased 6% from 2016/2017 to 2017/2018, and a further 8% increase in 2018/2019 to R2.8 billion. Cellular products, at 76% of total revenue, remain the higher portion of total revenue, as well as the highest growth from prior year at 8%.

Expenses increased 7% due to more than 150 new employees hired during the year for the #NewBlood initiative, and a number of new initiatives in Human

Resources which focused on improving the culture of the organisation. With the new employees and efficiencies introduced in other types of expenditure, staff costs as a percentage of total costs has increased to 42% during the year.

Other income includes the R64.7 million from the sale of the Pinetown Campus to the National Bioproducts Institute. Efficient cash flow management has ensured that R123.6 million is generated in interest, in line with the R124.2 million generated in the 2017/2018 financial year.

Net working capital increased to R2 516 million at 31 March 2019, from R2 263 million at 31 March 2018. Accounts receivable has increased during the year, as collection of debt remains an issue. The total gross amount due at 31 March 2019 was:

| | 2019 R'000 | % | 2018 R'000 | % |
|-------------------|------------------|----|------------------|----|
| Private Sector | 552 811 | 34 | 396 224 | 31 |
| Government Sector | 1 089 216 | 66 | 864 609 | 69 |
| Total | 1 642 026 | | 1 260 833 | |



REFLECTIONS FROM OUR CHIEF FINANCIAL OFFICER (continued)

HIGHLIGHTS

REVENUE
increased

6% + 8%
2016 – 2018 2018/2019

> R2.8 billion

57%
R139.1 million 2017/2018
R218.6 million 2018/2019

OVERALL SURPLUS
increased
over the 2018/2019
financial year

> 150
NEW EMPLOYEES
#NEWBLOOD
INITIATIVE

Debtors days increased from 149 days to 174 days. A task team which includes CEO, CFO, COO, and Medical Director has been established and meets weekly to review the debtors balance, collections, and progress on engagement with large debtors. These engagements include provincial departments of health and some medical aids to ensure that we can collect amounts due to us timeously.

During the year we made the unfortunate discovery of credit note irregularities that had been taking place at the organisation for several years. For details of this refer to the Audit committee feedback report of focus for 2019 on page 34.

We have **considered and applied new accounting standards including IRFS 9 as it relates to our debtors and IFRS 16 for the accounting of leases**. The application of these accounting standards have been reviewed and accepted by our external auditors, Deloitte & Touche ("Deloitte"). The independence of our external auditors is very important and any non-audit services performed by Deloitte are approved prior by the Audit Committee. During the year, Deloitte assisted with the establishment of the SANBS Millennial Board and with the administration of our anonymous tipoff line.

As of August 2019 we have appointed new outsourced internal auditors, Mazars. Mazars replaced Outsourced Risk and Compliance Assessment (ORCA) as our internal auditors.

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

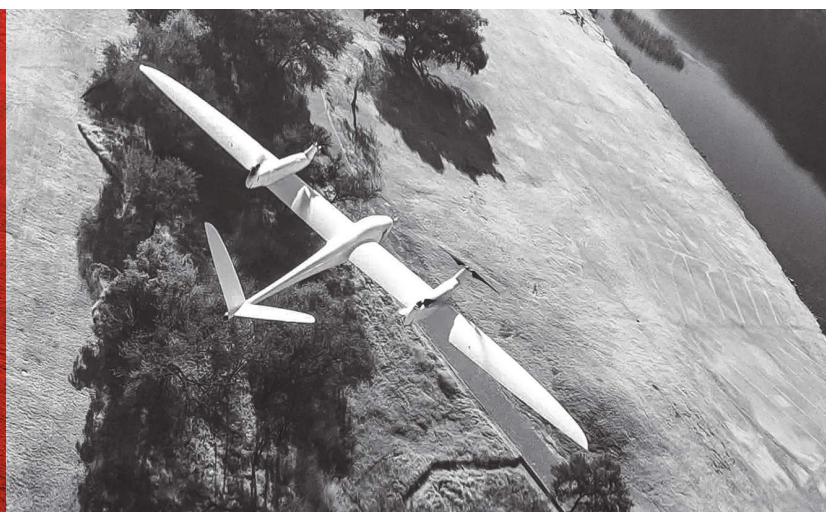
| | 2019 R'000 | 2018 R'000 |
|---|------------------|---------------|
| REVENUE | 2 839 400 | 2 640 292 |
| Expenses | (2 839 857) | (2 645 623) |
| Other income | 95 399 | 20 246 |
| Profit on sale of assets | 64 674 | 286 |
| Other | 30 725 | 19 960 |
| Net interest received | 123 642 | 124 151 |
| Interest received | 123 684 | 124 760 |
| Interest expense | (42) | (609) |
| SURPLUS FOR THE YEAR | 218 584 | 139 066 |
| Other comprehensive surplus for the year | 222 320 | 139 321 |
| Actuarial (losses)/gain | (3 736) | (255) |
| COMPREHENSIVE SURPLUS FOR THE YEAR | 218 584 | 139 066 |

For details refer AFS on the SANBS webpage.





“The successful rollout of the use of a drone to transport blood products to rural and far flung hospitals will also have a significant reduction in logistics costs, and more importantly in achieving our purpose of being trusted to save lives.”



SUMMARY STATEMENT OF FINANCIAL POSITION

| | 2019 R'000 | 2018 R'000 |
|---|------------------|------------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 372 405 | 372 418 |
| Current assets | | |
| Inventories | 121 802 | 111 519 |
| Trade and other receivables | 1 116 090 | 891 080 |
| Asset held-for-sale | 149 | 890 |
| Cash and cash equivalents | 1 634 543 | 1 576 894 |
| Total current assets | 2 872 584 | 2 580 383 |
| Total assets | 3 244 989 | 2 952 801 |
| RESERVES AND LIABILITIES | | |
| Reserves | 2 702 874 | 2 484 290 |
| Non-current liabilities | | |
| Interest bearing liabilities | 199 | 539 |
| Provision for post-retirement medical aid obligation | 50 211 | 54 158 |
| Total non-current liabilities | 50 410 | 54 697 |
| Current liabilities | | |
| Interest-bearing liabilities | 340 | 340 |
| Current portion of provision for post-retirement medical aid obligation | 3 063 | 2 852 |
| Trade and other payables | 219 548 | 180 080 |
| Provisions | 131 953 | 93 741 |
| Medical Aid Reimbursement | 136 801 | 136 801 |
| Total current liabilities | 491 705 | 413 814 |
| Total reserves and liabilities | 3 244 989 | 2 952 801 |

For details refer AFS on the SANBS webpage.

FINANCIAL OUTLOOK OVER THE MEDIUM TO LONG TERM

In the medium and longer term, we will continue to review all processes, identifying efficiencies which could further reduce our cost base. We will continue to save on our logistics and overtime costs as we maintain the higher days cover.

The successful rollout of the use of a drone to transport blood products to rural and far flung hospitals will also have a significant reduction in logistics costs, and more importantly in achieving our purpose of being trusted to save lives. In line with our new strategic objectives, we will review and map the full Order to Pay processes within the organisation to have efficient procedures that ensure the most efficient process between billing and debtor collection.

APPRECIATION

To the Executive committee, thank you for your support during the year. Thank you to the dedicated and hardworking finance team for your continued effort to ensure that we procure all our goods and services in line with our approved policy and best practice; that the organisation's financial management and reporting is completed timeously and accurate; that risk management is at the forefront of all decisions, actions and processes; and that we maintain the required governance and compliance to all laws and regulations. Also thank you to our medical aid partners for their understanding and assistance as we unpack and fully resolve the credit note issue. And most importantly to the National and Provincial Departments of Health for your cooperation and engagement regarding the debtors balances, and our billing and collection processes.





Outlook

LOOKING FORWARD

Improving our organisations agility through the various innovations, leadership, transformational and cultural initiatives, will result in SANBS continuing to be an important role player and cornerstone of healthcare services in South Africa, through the gift of life, in the years to come.

The Core business of SANBS is the provision of life-saving blood and blood products to the people of South Africa. The discipline of blood transfusion is constantly changing as new processing and testing technologies come to market resulting in ever safer provision of our products to those in need.

The many initiatives and structure changes implemented in the last year should certainly yield positive results in the short term.

Continued engagement with our stakeholders around regulation, NHI and further improving access to life-saving products will continue in the medium to long term.

Some of the major issues facing the long term sustainability of the organisation include:

REDUCED USAGE OF BLOOD PRODUCTS:

In response to both an increasing demand for blood products in developing countries and concerns regarding potential over-transfusion of patients in developed countries, the World Health Assembly recommended the implementation of patient blood management (PBM) to its member states in 2010. PBM is an evidence-based bundle of care that optimises medical and surgical patient outcomes by clinically managing and preserving a patient's blood.

This has resulted in **a renewed focus on PBM** to ensure the effective and efficient use of blood products. **PBM is a multidisciplinary approach to preserve the patient's own blood. It is a paradigm shift from product focus to patient focus for the blood service.**

SANBS is **actively engaging with our key stakeholders** in transfusion medicine **globally and locally** to ensure that South Africa remains at the forefront of therapeutic algorithms and protocols to ensure efficient use of blood with minimal wastage. As it stands today our best estimates

still suggest that **we need to supply more blood to the public sector of South Africa**, while ensuring minimal wastage. Even the benchmark PBM countries like Australia have only managed to bring their blood usage down to 18 transfusions per 100,000 population from a 'Developed Country' norm of close to 35 per 100,000, whereas SANBS only supplies around 12 units per 100,000 in the public sector. If one takes into account, the quadruple burden of disease in SA, the outlook is still positive for increasing demand of blood products over the medium term.

SUPPLY CHALLENGES:

SANBS is currently supported by around 560,000 regular donors, close to 1% of the registered population. Given our high burden of infectious disease and ever increasing prevalence of non-communicable diseases as our urban population increases, supply of blood from regular low risk donors is likely to be an increasing challenge. The large **increase in the donor pool** in the last year has resulted from a renewed focus on **engaging communities to supply enough blood for their own needs.**

The more we foster a culture of blood donation in our diverse regions, cities and rural areas; the less the logistical burden on the business to ship blood between regions.

SANBS is cognisant of the weak economic outlook and low projected GDP growth for South Africa. We continue to enhance our value chain, with improved logistics (and thereby reduction of our carbon footprint), and many innovations, to reduce overall costs. Adequate stock levels of more than 5 days cover results in improved safety and lower costs as frenzied activity and excessive overtime is reduced.

Initiatives like Iron supplementation to improve donor wellness, increased mobile collection clinics to make it easier to donate, and ultimately digitalisation of our value chain to connect donors with receiving patients, will continue to drive a culture of blood donation. Continually investing in training and offering a sustainable values driven workplace with clearer communication, will hopefully also address some of the reputational issues SANBS has faced through disgruntled staff going to the media to address their concerns.

We will continue to employ doctors, professional nurses, medical technologists and medical technicians and compete with both the private and public healthcare sectors for these scarce skills. To retain our staff, we will continue to ensure that our benefits and remuneration are competitive with regularly benchmarking.



Strategy 2019 – 2024 POISED TO SUSTAIN US AND ENGENDERS VALUE CREATION OVER THE SHORT, MEDIUM AND LONG-TERM

- Shift from product focus to patient focus
- Further embracing B-BBEE and NHI
- Enhancing a culture of blood donor in diverse regions to reduce logistical burden
- Digitalisation

- Fastidious management responses to reputational issues
- Attract and retain staff-competitive remuneration
- Innovative products – Cellular therapies
- Improving organisational agility

NHI AND FINANCING CONSIDERATIONS

SANBS has had historical issues with debt collection, but through the efforts made in the last year, is now in a far more sustainable position. Medical Aids pay us regularly now that blood is mostly accepted as a PMB (Prescribed Minimum Benefit). **The implementation of NHI will undoubtedly change the way SANBS is re-imbursed for the provision of blood but we are working closely with the Department of Health to unpack new models that improve our viability in the long term through faster payment and integration of electronic patient records.**

DIVERSIFYING OUR OFFERING

At SANBS we continue to diversify our offering through constant innovation in the field of cellular therapies and support for research in South Africa and globally. We will continue to invest in and expand this exciting part of our business as we grow our internal competence and collaborate extensively with global and local experts. These adjacent categories will ensure that SANBS is well positioned to be a value added partner to any company that may develop artificial blood, as an example. The logistical footprint, cold chain and staffing infrastructure of SANBS is incredibly hard to replicate and hence leveraging this platform to create further global partnerships will be increasingly important to ensure the sustainability of SANBS in a rapidly changing world.

Improving our organisations agility through the various leadership and cultural initiatives will result in SANBS continuing to be an important role player and cornerstone of healthcare services in South Africa, through the gift of life, in the years to come.

SANBS has collaborated extensively with regional Blood Services and International Organisations through research initiatives, presentations at conferences and providing technical assistance. Ongoing collaborative projects will continue to be a focus area to ensure that SANBS remains a Centre of Excellence.

Recent advances in stem cell culturing techniques have seen an increase in approaches aimed at manufacturing red blood cells and platelets ex vivo. In South Africa, this development will address the risk of decreasing blood donor pools compounded by an ageing donor population and a growing national blood demand, as well as blood safety issues posed by the current HIV epidemic and emerging pathogens, all of which are predicted to be a threat to blood supply in South Africa.

The UK's National Health Service is one of the first services to take up the challenge to produce red cell products grown ex vivo. Although there are infrastructural, technological and financial challenges, these will most likely be overcome as technology becomes faster, better and cheaper, making the production of blood products ex vivo in a financially sustainable manner feasible in the medium term.

When one considers the history of blood services, from the first transfusion of non-tested blood products in 1625 to the quality and blood safety standards of today, it is no surprise that blood services are at the forefront of implementing new technologies and products to improve patient outcomes.

SANBS aims to contribute to this field in a step-by-step manner and our strategy is reflective of this over the short, medium and long term. (see pages 54 to 61 – strategy 2019 – 2024)



Glossary

| | | | |
|----------------|---|--------------------|--|
| AFSBT | African Society for Blood Transfusion | King IV™ | King IV Report on Corporate Governance for South Africa 2016 |
| AFS | Annual Financial Statements | KPA | Key Performance Area |
| ATM | Automated Teller Machine | KPI | Key Performance Indicator |
| B-BBEE | Broad Black Based Economic Empowerment | KZN | KwaZulu-Natal |
| BCM | Business Continuity Management | LAN | Local Area Network |
| BCP | Business Continuity Planning | LoA | Level of Assurance |
| BECS | Blood Establishment Computer Systems | Mol | Memorandum of Incorporation |
| CAA | Civil Aviation Authority | NAT | Nucleic Acid Amplification Testing |
| CEO | Chief Executive Officer | NBI | National Bioproducts Institute |
| CFO | Chief Financial Officer | NCOP | National Council of Provinces |
| CGC | Clinical Governance committee | NDOH | National Department of Health |
| CMH | Charlotte Maxeke Hospital | NEDs | Non-Executive Directors |
| CIO | Chief Information Officer | NHI | National Health Insurance |
| COO | Chief Operating Officer | ORCA | Outsourced Risk and Compliance Assessment |
| COI | Conflict of interest | PBM | Patient Blood Management |
| CoSec | Company Secretary | PEI | Paul Ehrlich Institute |
| CSR | Corporate Social Responsibility | PO | Purchase Order |
| DoA | Delegation of Authority | POC | Proof of Concept |
| DoH | Department of Health | PT | Proficiency Testing |
| DRP | Disaster Recovery Plans | QC | Quality Control |
| D&O | Directors and Officers | RBC | Red blood cells |
| DNA | Culture renew program | R&D | Research and Development |
| ERM | Enterprise Risk Management | RED | Recipient Epidemiology and Donor |
| ERP | Enterprise resource planning | RTIG | Risk Technology and Information Governance |
| EWP | Employee wellness program | SABMR | South African Bone Marrow Registry |
| Ex vivo | Experiments/measurements in/on tissue in an external environment | SADC | Southern African Development Community |
| FBC | Full blood count | SAHPRA | South Africa Health Products Regulatory Authority |
| FY | Financial year | SLA | Service level agreement |
| g/dL | Grams Per Decilitre | SANAS | South African National Accreditation Systems |
| GDP | Gross Domestic Product | SABTS | South African Blood Transfusion |
| GMP | Good Manufacturing Practice | SANBS | South African National Blood Service |
| Hb | Haemoglobin | SAP | Systems Applications and Products in Data Processing |
| HCM | Human Capital Management | SASSA | South African Social Security Agency |
| HIV | Human Immunodeficiency Virus | SLS | Specialised Laboratory Services |
| HPC-A | Haematopoietic Cell Collection Apheresis | STI | Short Term Incentive |
| HR | Human Resources | SOP | Standard Operating Procedures |
| ICU | Intensive Care Unit | TAT | Turn Around Time |
| IFRS | International Financial Reporting Standards | TIG | Technology and Information Governance |
| iHEALTH | SANBS Strategic objectives 2019 – 2024 | T.H.R.E.A.D | SANBS' core values |
| IIRC | International Integrated Reporting Council | TTI | Transfusion Transmissible Infection |
| IIRF | International Integrated Reporting Framework | TR | Translation Research |
| IR | Integrated Report | VTOL | Vertical Take Off and Landing |
| ISBT | International Society for Blood Transfusion | VUCA | Volatile Uncertain Complex Ambiguous |
| ISMS | Information management Security Services | WAN | Wide Area Network |
| ISO | International Organisation for Standardisation | WCBS | Western Cape Blood Service |
| IT | Information Technology | WHO | World Health Organisation |
| JACIE | International Standards for Hematopoietic Cellular Therapy Product Collection, Processing, and Administration | YOY | Year-on-Year |



Administration

SANBS REGISTRATION NUMBER

2000/026390/08

REGISTERED OFFICE ADDRESS

1 Constantia Boulevard
Constantia Kloof
Roodeport, 1709
Tel: +27 (0)11 761 9000
Email: customerservice@sanbs.org.za

POSTAL ADDRESS

Private Bag X14
Weltevreden Park
1715

WEBSITE

www.sanbs.org.za

EXECUTIVE COMMITTEES

Jonathan Louw – Chief Executive Officer*
Jackie Thomson – Medical Director*
Ravi Reddy – Chief Operations Officer
Frans Monkwe – Chief Information Officer
Abbey Mothokoa – Chief Human Resources Executive
Silungile Mlambo – Chief Marketing Officer
Tshepi Maesela – Chief Financial Officer

*Executive Directors**

NON-EXECUTIVE

Getty Simelane
Rob Theunissen
Patricia Knox
Ansie Ramalho
William Gumede
Rodney Brand
Vanessa Moodley
Phindile Mthethwa (joined 10 November 2018)
Faith Burn (joined 10 May 2018)
Morongwe Malebye (resigned 10 November 2018)

COMPANY SECRETARY

Mduduzi Luthuli

AUDITORS

Deloitte & Touche
Deloitte Place, The Woodlands
20 Woodlands Drive
Woodmead
Sandton
Johannesburg, Gauteng
2052
South Africa

Phone: +27 (0) 11 806 5000
Fax: +27 (0) 11 806 5003





REGISTERED OFFICE ADDRESS

1 Constantia Boulevard
Constantia Kloof
Roodeport, 1709
Tel: +27 (0)11 761 9000
Email: customerservice@sanbs.org.za

WEBSITE

www.sanbs.org.za