



People caring for people

RAMSAY HEALTH CARE LIMITED

A.B.N. 57 001 288 768

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of members of Ramsay Health Care Limited (**Company**) will be held on **Wednesday, 14 November 2018 at 10.30am (Sydney time)** in the Grand Ballroom 1, Shangri-La Hotel Sydney, 176 Cumberland Street, The Rocks, New South Wales, Australia.

BUSINESS

1. Consideration of Reports

To receive and consider the Financial Report of the Company and its controlled entities and the reports of the Directors and Auditors for the financial year ended 30 June 2018.

2. Adoption of the Remuneration Report

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

"That the Remuneration Report, which forms part of the Directors' Report for the year ended 30 June 2018, be adopted."

Note: The vote on this resolution is advisory only and does not bind the Directors or the Company. A voting exclusion statement applies to this resolution (see Item 2 of the Explanatory Notes to this Notice of Meeting).

3. Re-election and Election of Board endorsed Director candidates

3.1 Mr Peter John Evans

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

"That Mr Peter John Evans, a Non-Executive Director of the Company, being eligible, is re-elected as a Non-Executive Director of the Company."

Note: Information about Mr Evans appears in Item 3.1 of the Explanatory Notes to this Notice of Meeting.

3.2 Mr David Ingle Thodey AO

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

"That Mr David Ingle Thodey AO, a Non-Executive Director of the Company, being eligible, is elected as a Non-Executive Director of the Company."

Note: Information about Mr Thodey appears in Item 3.2 of the Explanatory Notes to this Notice of Meeting.

3.3 Dr Claudia Ricarda Rita Süßmuth Dyckerhoff PhD

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

"**That** Dr Claudia Ricarda Rita Süßmuth Dyckerhoff, a Non-Executive Director of the Company, being eligible, is elected as a Non-Executive Director of the Company."

Note: Information about Dr Süßmuth Dyckerhoff appears in Item 3.3 of the Explanatory Notes to this Notice of Meeting.

4. Election of non-Board endorsed Director candidate

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

"**That** Ms Carlie Alisa Ramsay, who has been nominated for election by a shareholder, is elected as a Non-Executive Director of the Company."

Note: Information about Ms Ramsay appears in Item 4 of the Explanatory Notes to this Notice of Meeting.

5. Grant of Performance Rights to Executive Directors

5.1 Mr Craig Ralph McNally

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

"**That** approval is given for the issue of 65,045 performance rights to the Managing Director, Mr Craig Ralph McNally, under the Ramsay Executive Performance Rights Plan, on the terms and conditions described in the Explanatory Notes to this Notice of Meeting."

Note: A voting exclusion statement applies to this resolution (see Item 5 of the Explanatory Notes to this Notice of Meeting).

5.2 Mr Bruce Roger Soden

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

"**That** approval is given for the issue of 74,713 performance rights to the Finance Director, Mr Bruce Roger Soden, under the Ramsay Executive Performance Rights Plan on the terms and conditions described in the Explanatory Notes to this Notice of Meeting."

Note: A voting exclusion statement applies to this resolution (see Item 5 of the Explanatory Notes to this Notice of Meeting).

6. Approval of Non-Executive Director Share Rights Plan and Grant of Share Rights to Non-Executive Directors

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

"**That** approval is given for all purposes for the Non-Executive Director Share Rights Plan (**NED Rights Plan**) and for the grant of share rights, and the allocation of shares in the Company on exercise of those share rights, under the NED Rights Plan to all current and

future Non-Executive Directors as described in the Explanatory Notes to this Notice of Meeting.”

Note: A voting exclusion statement applies to this resolution (see Item 6 of the Explanatory Notes to this Notice of Meeting).

By Order of the Board

A handwritten signature in black ink, appearing to read 'J. O'Grady', written in a cursive style.

John D C O'Grady
Group General Counsel & Company Secretary
Sydney, New South Wales
Australia
10 October 2018

NOTES**1. Proxies**

- a) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on the member's behalf. A member entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half the member's votes.
- b) A proxy need not be a member of the Company. A body corporate appointed as a member's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the Annual General Meeting. The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.
- c) If:
- a poll is duly demanded at the Annual General Meeting in relation to a proposed resolution;
 - a member has appointed a proxy (other than the Chairman of the meeting) and the appointment of the proxy specifies the way the proxy is to vote on the resolution; and
 - that member's proxy is either not recorded as attending the meeting or does not vote on the resolution,
- the Chairman of the meeting will, before voting on the resolution closes, be taken to have been appointed as the proxy for the member for the purposes of voting on that resolution and must vote in accordance with the written direction of that member.
- d) Where the Chairman of the meeting is appointed, or is taken to be appointed, as a member's proxy and that member has not specified the way in which he is to vote for Items 2, 5.1, 5.2 or 6, then by completing and submitting the proxy form the member is expressly authorising the Chairman of the meeting to exercise the proxy as he decides notwithstanding that the Item is connected with the remuneration of the Company's key management personnel.
- e) The Chairman of the meeting intends to cast all available proxies in **FAVOUR** of Items of business 2-3 and 5-6 and **AGAINST** Item 4.
- f) For an appointment of a proxy for the meeting to be effective, the proxy's appointment and the power of attorney (if any) under which it is signed (or satisfactory proof of that power or a certified copy of it), must be received by the Company at the registered office or at the office of the Company's share registry, Boardroom Pty Limited, no later than **10:30 am (Sydney time) on Monday, 12 November 2018:**

By hand: Boardroom Pty Limited
Level 12
225 George St
Sydney NSW 2000
Australia

By mail: Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001
Australia

By facsimile: +61 2 9290 9655

Online Voting: www.votingonline.com.au/ramsavagm2018

2. Corporate representatives

Corporate members should either: appoint a proxy (as set out above), appoint a corporate representative, or appoint an attorney (as set out above).

The instrument of appointment of a corporate representative must be produced at the meeting, unless it has previously been provided to the Company.

3. Entitlement to vote

For the purposes of determining entitlements to attend and vote at the meeting, shares will be taken to be held by the persons who are the registered holders at 7:00pm (Sydney time) on Monday 12 November 2018. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

4. Questions and comments on management of the Company

*In accordance with the Corporations Act 2001 (Cth) (**Corporations Act**), a reasonable opportunity will be given to shareholders, as a whole, to ask questions about or make comments on the management of the Company at the meeting.*

5. Questions for the Auditor

Shareholders may submit written questions to the Company's Auditor, Ernst & Young, if the question is relevant to the content of Ernst & Young's Audit Report for the year ended 30 June 2018 or the conduct of its audit of the Company's Financial Report for the year ended 30 June 2018.

*Relevant written questions for the Auditor must be received by the Company by no later than **5:00 pm (Sydney time) on Wednesday, 7 November 2018**. Please send any written questions:*

By hand: Boardroom Pty Limited
Level 12
225 George St
Sydney NSW 2000
Australia

By mail: Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001
Australia

By facsimile: +61 2 9290 9655

A list of written questions will be made available to shareholders attending the meeting. While the Auditor is not obliged to provide written answers, if written answers are tabled at the meeting, they will be made available to shareholders as soon as practicable after the meeting.

EXPLANATORY NOTES

These Explanatory Notes have been prepared to help shareholders understand the business to be put to shareholders at the forthcoming Annual General Meeting (**AGM**). They relate to the resolutions set out in the Notice of Meeting and form part of the Notice of Meeting.

ITEM 1 – CONSIDERATION OF REPORTS

The Financial Report of the Company for the year ended 30 June 2018 and the reports of the Directors and Auditor for the same period will be presented for consideration.

As part of this item of business, the Chairman of the meeting will give shareholders a reasonable opportunity to ask questions about or make comments on the management of the Company.

The Chairman of the meeting will also give shareholders a reasonable opportunity to ask the Company's Auditor, Ernst & Young, questions relevant to:

- a) the conduct of the audit;
 - b) the preparation and content of the Auditor's Report;
 - c) the accounting policies adopted by the Company in relation to the preparation of its financial statements; and
 - d) the independence of the Auditor in relation to the conduct of the audit.
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ITEM 2 – ADOPTION OF THE REMUNERATION REPORT

The Remuneration Report is contained in the Directors' Report for the year ended 30 June 2018 in the 2018 Annual Report.

The Chairman of the meeting will give shareholders a reasonable opportunity to ask questions about, or comment on, the Remuneration Report. A resolution that the Remuneration Report be adopted will then be put to the vote. The vote on this resolution is advisory only and does not bind the Directors or the Company. However, the Board does take the outcome of the vote and discussion at the AGM into account in setting remuneration policy for future years.

Directors' Recommendation

The Directors recommend that you vote in favour of this advisory resolution.

Voting Exclusion Statement

The Company will disregard any votes cast on Item 2:

- by or on behalf of a member of the key management personnel (**KMP**), details of whose remuneration are included in the Remuneration Report or their closely related parties (such as close family members and any controlled companies) regardless of the capacity in which the vote is cast; and
- as a proxy by a member of KMP as at the date of the AGM, or their closely related parties,

unless the vote is cast:

- as proxy for a person entitled to vote on Item 2 in accordance with a direction on the proxy form; or
- by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy as he decides even though Item 2 is connected with the remuneration of KMP.

ITEM 3 – RE-ELECTION AND ELECTION OF BOARD ENDORSED DIRECTOR CANDIDATES

Mr Peter Evans is submitting himself for re-election at the 2018 AGM. His profile is set out in Item 3.1 below.

On 28 November 2017, Mr David Thodey AO was appointed a Director of the Company. Mr Thodey AO is offering himself for election in accordance with clause 7.1(c) of the Company's Constitution and his profile is set out in Item 3.2 below.

On 25 September 2018, the Company announced that Dr Claudia Süßmuth Dyckerhoff PhD will be joining the Board as a Director. Dr Süßmuth Dyckerhoff is offering herself for election in accordance with clause 7.1(c) of the Company's Constitution and her profile is set out in Item 3.3 below.

Ms Patty Akopiantz and Ms Margie Seale are not seeking re-election at the 2018 AGM. The Board would like to formally thank both Ms Akopiantz and Ms Seale for their significant contribution to the Company.

3.1 Mr Peter John Evans

Non-Executive Director – Appointed Deputy Chairman 27/05/14, Chair of the Audit Committee and Global Risk Management Committee and member of the People & Remuneration Committee (appointed as a Director on 29/12/90 and re-elected last on 12/11/15)

Mr Peter Evans was appointed as Deputy Chairman of the Company on 27 May 2014, having formerly served as a Non-Executive Director since his appointment to the Board in 1990. Mr Evans began working with Ramsay Health Care in 1969. He is a Chartered Accountant who was in public practice for over 20 years with predecessor firms of KPMG. He has specialised in the financial management of hospitals and has had extensive experience in the health care field for 45 years. Mr Evans is Chairman of both the Company's Audit and Risk Management Committees and a member of the People & Remuneration Committee.

Mr Evans is also a director of the trustee of the Paul Ramsay Foundation and has been actively involved with several other charitable organisations over many years.

During the last three years, Mr Evans has not served as a director of any other listed company.

The Board considers Mr Evans to be independent.

Directors' recommendation

The Directors (with Mr Evans abstaining) unanimously recommend that you vote in favour of this resolution.

3.2 **Mr David Ingle Thodey AO**

Non-Executive Director, member of the Global Risk Management Committee and Nomination & Governance Committee – Appointed 28/11/17

Mr Thodey AO is a global business leader who has had a strong executive career in the technology and telecommunications industries, with more than 30 years of experience creating brand and shareholder value.

In addition to being a non-executive Director of Ramsay Health Care, Mr Thodey AO is currently Chairman of Australia's national scientific research agency, the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and Chairman of JobsNSW focused on job creation in NSW, as well as an Ambassador for business events in NSW. He is also the Chairman of the NSW Government's Quantum Computing Fund Advisory Panel.

Mr Thodey AO is on the Advisory Boards of SquarePeg Capital and Unified Healthcare Group (UHG) and is on the Investment Committee of Evans and Partners Global Disruption Fund. He also had a successful career as CEO of Telstra, Australia's leading telecommunications and information services company, and prior to that he was CEO of IBM.

Mr Thodey AO holds a Bachelor of Arts in Anthropology and English from Victoria University, Wellington, New Zealand, attended the Kellogg School of Management postgraduate General Management Program at Northwestern University in Chicago, USA, was awarded an Honorary Doctorate in Science and Technology from Deakin University in 2016 and also has an Honorary Doctorate in Commerce from the University of Technology Sydney.

He was awarded an Order of Australia in 2017 for his service to business and the promotion of ethical leadership and workplace diversity.

During the last three years Mr Thodey AO has not served as a director of any other listed company.

The Board considers Mr Thodey AO to be independent.

Directors' recommendation

The Directors (with Mr Thodey AO abstaining) unanimously recommend that you vote in favour of this resolution.

3.3 **Dr Claudia Ricarda Rita Süßmuth Dyckerhoff PhD**

Non-Executive Director – Appointment announced on 25 September 2018

Dr Süßmuth Dyckerhoff is a global expert in healthcare across Europe, Asia and the USA.

Dr Süßmuth Dyckerhoff has been with McKinsey & Company for 21 years, became a Board member of Hoffmann La Roche in March 2016 and a Board member of Clariant in April 2016. At Hoffmann La Roche she is a member of the Audit and Corporate Governance and Sustainability Committee. For McKinsey & Company, she remains in the role of an external Senior Advisor. She also supports 3 start-ups, and in September 2017 joined the Board of Cyncadia, a med tech start-up.

Dr Süßmuth Dyckerhoff joined McKinsey & Company in Switzerland in 1995 and was transferred to the USA focusing her work on supporting healthcare companies including pharmaceutical/medical device companies, payor, provider and health systems in Europe and the USA. In January 2006, she and her family transferred to China where she supported the build-up of the healthcare sector – supporting Pharma and Med Tech companies in strategic as well as

operative topics. As a Senior Partner, she took on the leadership of McKinsey's Asia wide Health Systems and Services Sector serving healthcare companies as well as governments.

Most of her work focuses on market entry or market growth strategies, business development, assessment of potential privatization assets in the health services arena, commercial excellence, organizational redesign and capability building, and operational performance improvement in hospitals.

Dr Süssmuth Dyckerhoff studied Business Administration at the University of St. Gallen, Switzerland as well as at ESADE, Barcelona where she graduated with an MBA/CEMS Master. She also holds a PhD in Business Administration from the University of St. Gallen/University of Michigan Ann Arbor.

The Board considers Dr Süssmuth Dyckerhoff to be independent.

Directors' recommendation

The Directors (with Dr Süssmuth Dyckerhoff abstaining) unanimously recommend that you vote in favour of this resolution.

ITEM 4 – ELECTION OF NON-BOARD ENDORSED DIRECTOR CANDIDATE

Resolution not supported by the Board

Ms Carlie Alisa Ramsay, an external non-Board endorsed candidate, has been nominated to stand for election as a Non-Executive Director by a shareholder of the Company in accordance with the Company's Constitution.

Ms Ramsay has provided biographical details for inclusion in this Notice of Meeting, a summary of which follows. The Board does not endorse Ms Ramsay's nomination and the Company has not been able to verify the material provided by Ms Ramsay and makes no representation as to its accuracy.

Summary of information provided by Ms Ramsay

Ms Ramsay has over 15 years' experience in the Information and Communications Technology industry in Australia with her most recent appointment as a National Sales Manager with the Australian Computer Society (ACS). In this role, she was primarily responsible for Membership and Sponsorship to the ACS and its events.

As part of Ms Ramsay's engagement and work with the ACS, she developed an intricate and in-depth understanding and knowledge of Workforce Planning and Development initiatives utilising SFIA (Skills Framework for the Information Age). SFIA is an internationally recognised framework that is used by private companies and government departments in Australia to identify not only skills gaps in their workforce but also uncover unknown skills that their employees already possess, thereby negating the need to hire externally. Ms Ramsay was also a key driver on a number of large multinational projects and deals, engaging with companies and executive leadership teams to implement the strategies needed in order for the growth and creation of jobs of the future.

Prior to Ms Ramsay's most recent experience with the ACS, she had an extensive and successful career in the IT, Systems Integration and Communications space where she has been a subject matter expert on Optical Transport Networking. She also successfully launched new technology projects within assigned territories and won a number of contracts across multiple disciplines and vertices including

Legal and Accounting Firms, Healthcare, Banking and Financial Institutions, suppliers of Hydro Electricity and Mining and Gas companies.

Why the Board does not support Item 4?

For the reasons outlined below, the Board does not support the election of Ms Ramsay to the Board and unanimously recommends that shareholders vote **AGAINST** this resolution.

Members of the Nomination & Governance Committee and a representative of Korn Ferry have met with Ms Ramsay. Following this meeting and after due consideration, the Board does not consider Ms Ramsay to have the relevant skills and experience to add value to the Board for the benefit of shareholders. Among other things, the Board notes Ms Ramsay does not have any experience as a senior executive in a large enterprise, has limited relevant business experience and does not have any public company Board experience.

The Board has a well-defined succession planning process to identify and nominate Directors in a professional structured manner. By using the Company's Board's skill matrix, each year the Board assesses its collective skills and experience and identifies skills and characteristics that would be desirable for any new Board candidates. The development of a list of potential Board candidates is managed by the Nomination & Governance Committee with the assistance of expert external advice. Prospective Director candidates with the requisite skillset, experience and independence are then reviewed and references sought with appropriate external assistance. The Board's process balances the introduction of new skills to the Board while maintaining sufficient continuity and aims to ensure that shareholders are given the opportunity to elect the most appropriately qualified and experienced candidates to the Board. For example, the Board's appointment of Mr Thodey AO as a Director during the year ensures the Board has global technology expertise. Further, the Board's recent appointment of Dr Süßmuth Dyckerhoff ensures that the Board has international healthcare experience.

The Board considers Ms Ramsay to be independent.

Directors' recommendation

The Directors unanimously recommend that you vote **AGAINST** this resolution.

ITEM 5 – GRANT OF PERFORMANCE RIGHTS TO EXECUTIVE DIRECTORS

ASX Listing Rule 10.14 requires the Company to obtain shareholder approval for the issue of securities to a Director under an employee incentive scheme.

The Company is seeking shareholder approval for the proposed grant of performance rights (**PRs**) to the Managing Director, Mr Craig McNally, and to the Finance Director, Mr Bruce Soden, under the Ramsay Executive Performance Rights Plan (the **Plan**). The Board, consistent with past practice, is intending to source the shares to satisfy the vesting of PRs through on-market purchases which are excluded from the operation of Listing Rule 10.14.

Despite the fact that no new shares are intended to be issued in respect of the PRs, the Board is nonetheless seeking this shareholder approval in the interests of transparency and good corporate governance and to preserve flexibility in case, for any reason, it is ultimately considered in the Company's best interests to issue shares rather than source them on-market.

Under the Company's Long Term Incentive (**LTI**) programme each PR is an entitlement to receive a fully-paid ordinary share in the Company on terms determined by the Board, including vesting conditions linked to service and performance over a minimum 3 year period. If the vesting conditions

are satisfied, the PRs vest and shares (or, in limited instances, an equivalent cash payment) will be delivered to the executives. While the number of PRs to vest will primarily be determined by testing against the performance conditions, the Board retains the discretion to reduce the PR vesting outcome where it considers it appropriate in light of the Group's performance overall and any other relevant circumstances.

The Board, on the recommendation of the People & Remuneration Committee, proposes to grant PRs to Mr McNally and Mr Soden in accordance with the terms of the Plan. The proposed grants of PRs to Mr McNally and Mr Soden are in accordance with the Company's LTI strategy of aligning the LTI element of executive remuneration with the creation of shareholder wealth by linking reward with the strategic goals and performance of the Company.

The implied value of the proposed grant of PRs to Mr McNally in FY2019 has been set at 175% of his total fixed remuneration (i.e., \$3,570,000). For Mr Soden, the implied value of his proposed grant of PRs has been reduced from the value of his FY2018 grant as part of the People & Remuneration Committee's and the Board's previously disclosed journey to recalibrate PR grants downwards.

Please refer to pages 48 to 52 of the FY2018 Remuneration Report contained in the Company's Annual Report for full details of Mr McNally's and Mr Soden's remuneration packages.

The terms of grants for PRs being offered are summarised below.

Director	No. of PRs to be granted	Minimum Performance Period
Mr Craig McNally	65,045 ^a	3 years, commencing 1 July 2018
Mr Bruce Soden	74,713 ^b	3 years, commencing 1 July 2018

- a) For Mr McNally, the number of PRs to be granted has been determined by dividing the FY2019 grant value of \$3,570,000 (which is equivalent to 175% of his total fixed remuneration) by the 5-day Volume Weighted Average of the Company's share price up to and including 2 July 2018 (\$53.8083), with 2 July being the first trading day of the performance period.
- b) For Mr Soden, the number of PRs to be granted has been determined by reducing the value of his FY2018 grant of \$4,466,868 by 10% and dividing the reduced FY2018 grant value (\$4,020,181) by the 5-day Volume Weighted Average of the Company's share price up to and including 2 July 2018 (\$53.8083), with 2 July being the first trading day of the performance period. The FY2018 grant value was calculated by multiplying the number of FY2018 PRs granted to Mr Soden (67,406 PRs) by the 5-day Volume Weighted Average Price of the Company's share price up to and including the grant date, 17 November 2017, being \$66.2681.

Performance Conditions:

The PRs proposed to be granted to Mr McNally and Mr Soden will be divided into two equal tranches that are to be tested independently from each other:

- The first tranche will be subject to a relative total shareholder return (TSR) performance hurdle (**Parcel A**).
- The second tranche will be subject to an earnings per share (EPS) performance hurdle (**Parcel B**).

a) TSR Performance Hurdle:

The relative TSR hurdle will be determined by measuring and ranking the Company's TSR relative to a comparator group comprising the S&P/ASX 100 index (adjusted as set out below) at the end of the 3 year performance period.

The Board has determined that the S&P/ASX 100 index is the most appropriate comparator group for the Company for the FY2019 grant given the Company's sustained growth in market capitalisation in recent years. This comparator group is adjusted to exclude companies in sectors having different drivers of operating performance, being those in the real estate, financial and resources industries. Further, companies which have undergone mergers, takeovers or insolvency during the performance period will also be excluded.

Relative TSR is the most prevalent performance measure used in LTI plans within ASX100 companies. The Board is of the view that use of a TSR hurdle is appropriate as it provides a strong link between executive remuneration levels and shareholder value, such that executives benefit where there is a corresponding relative benefit delivered to shareholders over the relevant period. The Board also considers that it is appropriate to use a broad index-based comparator group rather than a sector-specific peer group as there are too few Australian healthcare companies of similar size and scope of operations to Ramsay for benchmarking purposes.

The following table sets out the percentage of Parcel A PRs that may vest based on the Company's TSR ranking:

Company's TSR ranking in the comparator group	Percentage of 'Parcel A' PRs available to vest
TSR below 50 th percentile	Nil
TSR at 50 th percentile	50%
TSR between 50 th and 75 th percentile	Between 50% and 100%, increasing on a straight line basis
TSR above 75 th percentile	100%

Having considered feedback from shareholders and other stakeholders on the structure of the Company's LTIs, the Board has determined that, unlike previous PR grants, the FY2019 grant of Parcel A PRs will not be subject to retesting. This means that there will be only one test date for Parcel A PRs on 30 June 2021 with any unvested PRs following testing to automatically lapse.

b) EPS Performance Hurdle:

For the FY2019 grants, the EPS hurdle will again be measured by reference to Ramsay's market guidance for EPS each year to ensure that the EPS targets set for the LTI align closely with the market's expectations of the Group's performance communicated at the start of each financial year.

The EPS performance hurdle will be measured by comparing the Company's aggregate EPS over the 3 year performance period against the aggregate EPS targets calculated based by reference to Ramsay's market guidance for EPS disclosed at the start of the financial year. The annual EPS targets are then aggregated to provide the threshold and maximum 3 year targets for vesting of PRs.

'EPS' is defined as core earnings per share from continuing operations, calculated before specific items, amortisation of intangibles and divested operations. The Board has the discretion to adjust (either or both of) the calculation of EPS and achievement against the EPS hurdle where it

considers it appropriate (e.g. to make further adjustments for unusual or non-recurring items). In exercising this discretion, the Board will seek to ensure that the application of the EPS hurdle and resulting vesting outcomes strike an appropriate balance between executive and shareholder interests.

The vesting scale for Parcel B PRs that are tested against the EPS performance hurdle is as follows:

- 0% of the Parcel B PRs will vest where the aggregate EPS performance falls well short of the Company's market guidance over the performance period;
- 25% of Parcel B PRs will vest where the aggregate EPS performance is just below the lower end of the Company's market guidance over the performance period;
- 50% of Parcel B PRs will vest where, in aggregate, the lower end of the Company's market guidance is achieved over the performance period;
- 75% of Parcel B PRs will vest where, in aggregate, the mid-point of the Company's market guidance is achieved over the performance period;
- 90% of Parcel B PRs will vest where, in aggregate, the upper end of the Company's market guidance is achieved over the performance period; and
- 100% of Parcel B PRs will only vest where, in aggregate, EPS performance is well above the upper end of the Company's market guidance over the performance period, in line with the 'stretch' incentive intended.

Vesting will occur on a 'step' basis. This means that no additional PRs will vest for EPS performance that is between the specified points set out above.

The percentage of Parcel B PRs that will vest will be determined after the actual EPS achieved in FY2021 is reported, based on the audited accounts for that year and the 2 years prior to that. The aggregate EPS targets will be calculated by:

- converting the percentage growth targets for each financial year of the vesting period at each vesting level into dollar amounts; and
- aggregating the amounts for each of the 3 years to obtain the aggregate EPS amount for each vesting level.

PRs from Parcel B that remain unvested following testing at the end of the 3 year performance period will automatically lapse and will not be eligible for re-testing.

Hedging of Performance Rights:

The Company prohibits the hedging of PRs by senior executives.

Rights Attaching to Performance Rights:

PRs do not carry voting or dividend rights, however shares allocated upon vesting and exercise of PRs carry the same rights as other ordinary shares in the Company.

In the event that, prior to vesting of the PRs, there is either:

- a reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company, then the number of PRs and shares to which the Executive Director is entitled will be reconstructed in accordance with the ASX Listing Rules; or
- a bonus issue of shares in the Company, then, subject to the ASX Listing Rules, the number of shares received upon vesting of the PRs will be increased by the number of shares the Executive Director would have received if the PRs had vested before the record date for the bonus issue.

Treatment of PRs on Termination of Employment:

Where Mr McNally's or Mr Soden's employment ceases before their PRs have vested, the treatment of their unvested PRs depends on a number of factors, including the circumstances in which they have ceased employment.

Where an Executive Director's employment is terminated:

- for serious misconduct, their unvested PRs will lapse; or
- in other circumstances, their unvested PRs will remain on foot and will be tested in the ordinary course subject to the performance hurdles outlined above.

The Board retains a discretion to vest or lapse unvested PRs with effect from the termination date in appropriate circumstances. It is intended that the discretion to accelerate vesting would only be exercised in the event of death or total and permanent disablement.

Additional Information:

The Company provides the following additional information.

- a) As the PRs form part of Mr McNally's and Mr Soden's remuneration package, the acquisition price for a PR is nil and no money is payable by the holder for a share on exercise of a PR.
- b) Mr McNally and Mr Soden are the only Directors entitled to participate in the Ramsay Executive Performance Rights Plan. Non-Executive Directors are ineligible to participate in this Plan.
- c) No loans will be made in relation to the acquisition of PRs or shares under the Plan.
- d) Since approval was obtained for grants to be made to Mr McNally and Mr Soden at last year's AGM, no other Directors have received securities under the Plan. The numbers of PRs granted to Mr McNally and Mr Soden after shareholders' approval last year are as follows:
 - Mr McNally – 47,958 PRs; and
 - Mr Soden – 67,406 PRs.

The PRs were issued for nil monetary consideration as they formed part of the Executive Directors' respective remuneration packages.
- e) As noted above, it is intended that shares allocated on vesting of PRs under the Plan will be satisfied through on-market purchases of shares at the prevailing market price.
- f) If shareholders approve Items 5.1 and 5.2, then PRs will be granted to Mr McNally and Mr Soden as soon as practicable after the date of the meeting and in any event no more than 12 months after the meeting (i.e. 14 November 2019).
- g) If approval is given for the purposes of ASX Listing Rule 10.14, approval is not required under ASX Listing Rule 7.1.

Directors' Recommendation

The Non-Executive Directors recommend that you vote in favour of Items 5.1 and 5.2.

Voting Exclusion Statement

The Company will disregard any votes on Items 5.1 and 5.2:

- cast in favour of the Item by or on behalf of Mr Craig McNally and Mr Bruce Soden (being the only Directors entitled to participate in the Ramsay Executive Performance Rights Plan) or any of their associates (regardless of the capacity in which the vote is cast); and

- cast as a proxy by a member of KMP as at the date of the AGM, or their closely related parties,

unless the vote is cast:

- as proxy for a person entitled to vote on Items 5.1 and 5.2 in accordance with a direction on the proxy form; or
- by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy as the Chairman decides even though Items 5.1 and 5.2 are connected with the remuneration of KMP.

ITEM 6 – NON-EXECUTIVE DIRECTOR SHARE RIGHTS PLAN

The Company is seeking shareholder approval for the Non-Executive Director Share Rights Plan (**NED Rights Plan**) and for grants of share rights in FY2019, FY2020 and FY2021 to all current and future Non-Executive Directors under the Plan which are exercisable into shares in the Company.

The NED Rights Plan was last approved by shareholders at the 2015 AGM.

There are no changes to the terms of the NED Rights Plan since shareholder approval was obtained at the 2015 AGM.

Background

At the 2015 AGM, shareholders approved the NED Rights Plan so that remuneration paid by the Company to Non-Executive Directors for their services as directors could be delivered partially in cash and partially in equity. In each of FY2016, FY2017 and FY2018, Non-Executive Directors have been granted share rights at a value equal to 20% of the relevant Non-Executive Director's base fees (excluding committee fees and superannuation).

Structuring Non-Executive Director remuneration in this way has supported Non-Executive Directors in building their shareholdings in the Company and continues to enhance the alignment of interests between Non-Executive Directors and shareholders generally.

The Company notes that governance bodies continue to be supportive of non-executive directors holding a meaningful shareholding in the companies on which they serve, and the proposed NED Rights Plan helps facilitate this for Ramsay's Non-Executive Directors (particularly those who are new to the Board).

Share rights granted to Non-Executive Directors under the NED Rights Plan will not be subject to performance conditions or service requirements which could result in potential forfeiture. This is in line with best practice governance standards which recommend that non-executive directors generally should not receive equity with performance hurdles attached as it may lead to bias in their decision-making and compromise their objectivity.

Consistent with past practice in relation to share rights and the Company's employee incentive schemes, the Company will source the shares allocated on exercise of the share rights through on-market purchases which are excluded from the operation of Listing Rule 10.14.

Despite the fact that no new shares will be issued in respect of the share rights, the Board is nonetheless seeking this shareholder approval in the interests of transparency and good corporate governance and to preserve flexibility in case for any reason it is ultimately considered in the Company's best interests to issue shares rather than source them on market.

Summary of terms

Under the NED Rights Plan, Non-Executive Directors will be granted fully vested share rights which will be automatically exercised and convert into shares in the Company around 3-6 months after they are granted.

Share rights will be granted following the AGM (for financial years where shareholder approval is required or considered desirable) or following announcement of the full-year results for the previous financial year (where no shareholder approval is sought).

For FY2019, the value of the share rights that will be granted has again been set equal to 20% of the relevant Non-Executive Director's base fees (excluding committee fees and superannuation). The Board has discretion to adjust this percentage in future years including where a Non-Executive Director elects to receive a greater proportion of their base fees under the NED Rights Plan. The number of share rights granted will be calculated in accordance with the following formula:

$$\frac{\text{Non-Executive Director's grant quantum (in dollars) for the financial year}}{\text{Value per Share Right}}$$

Where the Value per Share Right = the volume weighted average price of the Company's ordinary shares traded on the ASX over the 5 trading day period commencing on the trading day after the preliminary full year results are released for the prior financial year. For FY2019, the VWAP used to determine the number of share rights to be granted to each Non-Executive Director (if shareholders approve Item 6) is \$55.5344.

It is intended that share rights will be automatically exercised (at no cost to the Non-Executive Director) and convert into shares in the Company during the trading window following the grant of the rights. In general, each share right is an entitlement to receive one fully-paid ordinary share in the Company. As noted above, the share rights will not be subject to performance conditions or service requirements which could result in potential forfeiture.

Share rights will be satisfied by allocating shares from Ramsay's employee share plan trust, which have been purchased on-market. There is also flexibility for new shares to be issued (at market value), however it is not the Company's current intention to issue any shares to satisfy conversion of the share rights.

For FY2019, upon transfer to the relevant Non-Executive Director, the shares will be subject to disposal restrictions until the earlier of:

- (a) the Non-Executive Director ceasing to be a director of the Company; and
- (b) 3 years from the date of grant of the share rights or such longer period nominated by the Non-Executive Director at the time of the offer (up to a maximum 15 years from the date the share rights were granted).

In future years, the Board has discretion to adjust the disposal restriction in paragraph (b) above and the mechanism that will be used to enforce the dealing restriction.

Directors do not have dividend or voting rights with respect to share rights until they are exercised. Following exercise, shares acquired by Non-Executive Directors will rank equally (in relation to dividend and other rights) with other fully paid ordinary shares.

Upon retirement from the Board, Non-Executive Directors are entitled to retain any share rights which have been granted but not exercised. In these circumstances, the share rights will be automatically

exercised in accordance with their original terms. Any shares received as a result will not be subject to disposal restrictions.

If at any time the Board determines that the allocation of share rights or shares would result in the Company breaching the Company's Constitution, Group policy, any law, the ASX Listing Rules, or is otherwise inappropriate in the circumstances, the Board may defer the allocation of rights or shares until a more suitable time or, in the case of share rights, pay a Non-Executive Director an equivalent cash amount.

Additional information

The Company provides the following additional information in respect of the proposed grant of share rights to current Non-Executive Directors under the NED Rights Plan for FY2019, FY2020 and FY2021.

- a) The maximum number of securities that may be acquired by current and future Non-Executive Directors cannot be precisely calculated at present as it depends on:
- the amount of remuneration the Board determines to be paid in the form of share rights and, if applicable, any additional amount a Non-Executive Director elects to sacrifice to acquire share rights;
 - the share price at the time when share rights are granted to Non-Executive Directors; and
 - the number of Non-Executive Directors in office from time to time.
- b) Since shareholders approved the NED Rights Plan at the 2015 AGM, the names of the Non-Executive Directors who received share rights under the NED Rights Plan as well as the number of share rights received are set out in the following table.

Year	NED Participants	No. of share rights granted to each NED
FY2016	Michael Siddle, Peter Evans, Patricia Akopiantz, Tony Clark AM, Pat Grier AM, Rod McGeoch AO, Kerry Roxburgh, Margaret Seale	692
FY2017	Michael Siddle, Peter Evans, Patricia Akopiantz, Pat Grier AM, Rod McGeoch AO, Kerry Roxburgh, Margaret Seale	537
FY2018	Michael Siddle, Peter Evans, Patricia Akopiantz, Rod McGeoch AO, Kerry Roxburgh, Margaret Seale	658
	David Thodey AO ¹	387

Note 1: Mr David Thodey AO was appointed a Director on 28 November 2017 and received a pro-rata allocation of share rights in FY2018.

Share rights are granted for nil consideration but the number of rights granted is determined by calculating 20% of the base NED fee (\$43,000 in FY2016 and \$44,075 in each of FY2017 and FY2018) and dividing this number by the 5 day VWAP of Ramsay shares commencing on the trading day after the preliminary full-year results are released for the prior financial year. The 5 day VWAP of Ramsay shares used to calculate the number of share rights to be granted was \$62.1181 in FY2016, \$81.9394 in FY2017 and \$66.9709 in FY2018.

- c) Non-Executive Directors in office from time to time may participate in the NED Rights Plan. Current Non-Executive Directors are Mr Michael Siddle, Mr Peter Evans, Mr Rod McGeoch AO, Mr Kerry Roxburgh, Mr David Thodey AO and Dr Claudia Süßmuth Dyckerhoff. Current and future Executive Directors, including the Managing Director and Group Finance Director, are not eligible to participate in the NED Rights Plan.

- d) No loans will be made available in relation to the acquisition of share rights or shares under the NED Rights Plan.
- e) Details of any securities issued under the NED Rights Plan will be published in each Annual Report of the Company relating to a period in which securities have been issued and that approval for the issue of securities was obtained under ASX Listing Rule 10.14.
- f) If Item 6 is approved, it is anticipated that Non-Executive Directors will be able to participate in the NED Rights Plan from the time shareholder approval is granted. While it is intended that the NED Rights Plan will continue to operate indefinitely, new securities will only be issued under the NED Rights Plan up until 14 November 2021, unless shareholder approval for the issue of securities under the NED Rights Plan is refreshed prior to that date.
- g) As noted above, it is intended that shares received on the automatic exercise of share rights under the NED Rights Plan will be satisfied through on-market purchases of shares at the prevailing market price.
- h) If approval is given by shareholders under ASX Listing Rule 10.14, approval will not be required under ASX Listing Rule 7.1.

Directors' Recommendation

Each Non-Executive Director abstains from providing a recommendation in respect of the resolution due to their interest in the outcome of the resolution.

Each remaining Director recommends that shareholders approve the adoption of the NED Rights Plan.

Voting Exclusion Statement

The Company will disregard any votes on Item 6:

- cast in favour of the Item by or on behalf of each Non-Executive Director (being the only Directors entitled to participate in the NED Rights Plan) or any of their associates (regardless of the capacity in which the vote is cast); and
- cast as a proxy by a member of KMP as at the date of the AGM or a KMP's closely related party,

unless the vote is cast as proxy for a person entitled to vote on Item 6:

- in accordance with a direction on the proxy form; or
- by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy as he decides even though Item 6 is connected with the remuneration of KMP.

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