Australian Shareholders' Association

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Company/ASX Code	Ramsay Healthcare Limited
AGM date	14 November 2019
Time and location	10.30am The Grand Ballroom, Sheraton Grand Sydney, Hyde Park.
Registry	Computershare
Webcast	No
Poll or show of hands	Poll on all items
Monitor	Elizabeth Fish assisted by Helen Manning
Pre-AGM Meeting?	Yes with Chair Michael Siddle, Henrietta Rowe, Group General Council; Colleen Harris, Group Chief People Officer; and Michael Hirner, Group Deputy CFO.

Item 1	**Consideration of accounts and reports**
ASA Vote	No vote required

Summary of ASA Position

The company delivered a strong performance in the 2019 financial year (FY19), with revenues up 24% to $11.4 billion. Without Capio, revenue would have increased by just 5.3%. Statutory Net profit for the year was $572.3m an increase of 39% on FY18. By reporting segment, the Asia/Pacific earnings before interest and tax (EBIT) increased by 5%, the UK by 8% and France by 18%. Some of the increase in revenue is due to increased admissions in the UK and Australia/Pacific as well as increased tariffs in France in the second half of FY19, in addition to Capio.

The big event in FY19 was the purchase of Capio by Ramsay's partially owned subsidiary Ramsay Generale de Sante (RGdS, Reuters code GDSF.PA). Ramsay Health Care (RHC) owns just 50.9% of RGdS. Capio runs clinics and hospitals in Sweden, Norway, Denmark, France and Germany. The acquisition contributed a negative net profit after tax (NPAT) of $3.0m to the Ramsay Group, after factoring in interest costs from Capio's debt and interest expense associated with the debt funding of this acquisition. At the pre-AGM meeting we asked when shareholders would see some benefit from this acquisition and were told "not until FY21 and FY22". Three of the French hospitals acquired from Capio will be disposed of in line with the Ramsay strategy of maintaining business clusters and to meet French local regulatory requirements.

To fund the acquisition, RGdS initially issued subordinated bonds totalling €550,000,000 to Ramsay Health Care (UK) Limited and Predica Prévoyance Dialogue du Crédit Agricole (a 40% shareholder of RGdS's) in October 2018. The subordinated bond monies together with RGdS's own debt facilities were used to fund RGdS's acquisition of the Capio Group. On 15 April 2019, Ramsay Health Care UK Limited and Predica Prévoyance Dialogue du Crédit Agricole were issued new RGdS shares amounting to €318,072,513 and €239,900,566 respectively, representing the amounts owing under the subordinated bonds as at 15 April 2019. Funding is described in detail at Note 9 of the FY19 annual report (AR).

There are a number of costs relating to the acquisition of Capio spread through the RHC FY19 financial reports and in tables relating to the reports. However, for the ordinary shareholder there is a lack of transparency, given that the costs occurred in a partially owned subsidiary using consolidation rather than equity accounting. In any event the transaction has increased RHC's goodwill balance by $1.4Billion.

The re-structuring programme in France to centralise non-core hospital functions is on track but timeline is extended due to recent acquisitions and is still being recorded as a non-core expense.

Two long serving executives Mr John O'Grady and Mr Bruce Soden, retired in FY19. Both these executives were very approachable and supportive of the Australian Shareholders' Association and we thank them for giving their time so generously. Ms Henrietta Rowe has stepped into Mr O'Grady's shoes as Group General Secretary and Company Secretary. It is pleasing to see a female executive in the ranks of the key management personnel (KMP). A further addition to the KMP is Mr Oliver Chretien, Ramsay's group chief strategy officer, recruited in May 2018. He appears to have significant retail background and holds an MSc in Engineering.

Ms Claudia Sussmuth Dyckerhoff and Mr David Thodey were elected to the board as non-executive directors in November 2018. Ms Margaret Seale and Ms Patricia Akopiantz retired in the first half of FY19, each having served three years.

It has not happened yet, but in FY20 the Board plans to introduce a minimum shareholding requirement for the MD, the CEO, executives and non-executive directors. Also a clawback policy will be introduced, providing for the board to apply malus and clawback to remuneration in circumstances of fraud, misconduct, financial misstatement and material reputational damage.

Although not strictly a RHC matter we asked the Chair why the Paul Ramsay Foundation had sold $1.4bn of RHC shares. His response was that as the Foundation had only one asset, being the RHC shares, cash was needed to fulfil its function of helping disadvantaged Australians. He continued saying that the foundation saw itself as a long-term investor.

The following summary shows some significant figures for the year compared with earlier years.

(As at FYE)	**2019**	**2018**	**2017**	**2016**	**2015**
NPAT ($m)	545.5	388.3	550.9	511.3	419.1
UPAT ($m)	590.9	579.3	601.9	539.5	412.1
Share price ($)	72.24	53.98	73.60	71.76	61.47
Dividend (cents)	151.5	144.0	134.5	119.0	101.0
TSR (%)	36.63%	-24.71%	4.4%	18.68%	37.32%
EPS (cents)	264.9	186.7	236.5	217.6	185.0
CEO total remuneration, actual ($m)	4.803	7.519	22.23	17.98	11.42

For 2019, the CEO's total actual remuneration was 51 times the Australian Full time Adult Average Weekly Total Earnings based on May 2019 data from the Australian Bureau of Statistics.

Item 2	Adoption of Remuneration Report
ASA Vote	**Against**

In December 2018 the ASA monitor and an assistant were invited to participate in a discussion with Ramsay's Group Chief People Office and a KPMG consultant regard the FY18 remuneration report and 24.88% vote against the remuneration report resolution at the AGM. Allan Goldin and I attended the meeting, spending some time on detailed discussion of the issues the ASA thought did not align with shareholders interests.

Having analysed the FY19 report it is disappointing to see in particular, the core earnings per share (EPS) measure (subject to interpretation as to which expenses are core and which are not) remains as a key measure of long-term incentive (LTI) performance. We also note the lack of clarity around when performance rights (PR) for this hurdle vest as "just below the lower end of guidance" and "well above the upper end of guidance" is again open to interpretatiion.

We recognise that retesting of the relative total shareholder return (TSR) hurdle has been eliminated from 2020, but we note that vesting of PR relating to this performance hurdle starts at the 50th percentile when 50% of PRs vest, with 100% vesting where the companies TSR is equal to or above the 75th percentile against the comparator group. While the ASA's view is that only 30% of PRs should vest at the 50th percentile and 100% should vest only when the 85th percentile is reached. We believe this target is too easily reached.

The LTI performance period is still 3 years while the ASA considers it should be at least 4 preferably 5 years. We mentioned this at our meeting.

For the short-term incentive (STI) awarded and in regard to the scorecard categories we asked how each of the categories related to the final score awarded to a KMP. We were told that there are no prescribed weightings for any of the 5 categories in FY19. When we asked how the STI results had been measured, by whom and what they were measured against we were told the STI results were measured internally and reviewed and approved by the People and Remuneration Committee and the full Board. The information on how the STI has been awarded is less clear than in FY18.

Following is a table showing executive take home pay for 2019

KMP	Fixed $	Non-Monetary	Cash STI	Tax + STI Ord shares	LTI grant - Vested	Total
C R McNally	2,060,531	30,533	700,000	700,000	1,312,802	4,803,866
B Soden	1,580,000	20,538	531,795	-	2,078,636	4,210,969
D A Sims	940,000	-	273,812	-	875,239	2,089,051
O Chretien	1,000,482	-	-	-	-	1,000,482
	5,581,013	51,071	1,505,607	700,000	4,266,677	12,104,368

In FY19 there was 2% increase in the CEO's fixed annual remuneration (FAR). There were similar FAR increases for Mr Soden and Mr Sims and increases to their maximum potential STI of 24% and 12% respectively. These increases are discussed in more detail later in the report.

In FY19, 75% of PRs tied to the Core EPS hurdle vested and none of the PRs tied to the Relative TSR vested. The ASA notes that the Core EPS hurdle announced in November 18 was just 2%.

The TSR performance hurdle is relative to the S&P ASX 100. Real estate, finance and resources sectors are excluded from the comparator group. From 2019 there will be no retesting for either LTI targets. Core EPS is measured against market guidance. The vesting scale for the core EPS, starting where 25% vests when EPS performance is just below the lower end of Ramsay's market guidance, then at 50% and 75% stepped so that 90% vesting occurs when the upper end of Ramsay's market guidance is achieved and 100% vests only when performance is well above the upper end of guidance. What "well above" means has not been defined.

The company included an actual remuneration table at p49 of the FY19 AR, although with some additional information. Based on the FY19 table of % of total remuneration annualised, The CEO's potential remuneration has increased in FY 19 by 33% to $8.2m. There has been an increase to the potential remuneration of CEO Ramsay Australia of 6%. A table showing the CEOs remuneration make-up is shown below. In FY18 his fixed remuneration was 32% fixed, 32% STI and 36% LTI.

CEO	Target $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	2.040	25%	2.040	25%
STI – Cash	1.275	15.6%	1.275	15.6%
STI – Equity	1.275	15.6%	1.275	15.6%
LTI	3.570	43.7%	3.57	43.7%
Total	8.166	100%	8.166	100%

For KMP other than the CEO the at risk proportion varies between 75% and 55% of their total salary, STI is 50% of FAR. The CEOs Performance measures are unclear. His KPI measures are not clearly defined The ASA notes that Core EPS over budget is the only financial measure, with budget being the target, see p 36 for details of Mr McNally's KPI's. Mr McNally achieved 90% of his maximum potential STI, (70% in Fy18). Other KMP's have a set of KPIs that apply to the entire STI bonus (p 31 FY19 AR). The weighting of each KPI measure is not defined. We are told they consist of financial, strategic and functional targets. The STI results were measured internally and reviewed and approved by both the People and Remuneration Committee and the Full Board. KMP excluding Mr Chretien, achieved 80% to 90% of potential STI in 2019. STIs are paid in cash except for the CEO where 50% is paid in cash and the remaining 50%, less applicable tax applied to the purchase of on-market shares at the prevailing market price (VWAP), a holding lock for 3 years is applicable to these shares.

LTI for the four KMP range from between 36-63% of total remuneration and is granted as Performance Rights (PR). In 2019 the number of PR granted was calculated by dividing the face value of the FY19 grant by the VWAP as at the start of FY19. For most Senior Executives, there are two independently applied performance hurdles – Relative TSR and Core EPS, 50% for each measure. For executives who have control over discrete business units, grants for PR are subject to a third Business Unit Performance hurdle, 1/3 for each measure. Performance is measured over three years.

TSR - Ramsay's performance relative to companies on S&P ASX 100, has resulted in no FY17 performance rights (PR) vesting. FY17 PRs also subject to business unit performance failed to vest. The FY17 PRs relating to TSR are not subject to retesting and have lapsed.

Core EPS - resulted in 75% of PR granted in FY17 vesting. The remaining unvested FY17 performance rights subject to Core EPS performance hurdle have lapsed. This target is measured against Ramsay's market guidance, issued when FY18 results were released and referenced growth of up to 2%, corresponding with core earnings before interest tax depreciation and amortisation growth of 4 to 6%. Details of the core EPS performance hurdles are shown on p 39 of the FY19 AR. It should be noted that many items showing in the reconciliation between core and statutory could be considered normal expense items p 73 FY19 AR.

For 2019 the vesting scale allows 25% of PR to vest when the core EPS performance is just below the lower end of market guidance, vesting then continues on a stepped basis until 90% vests at the upper end of market guidance, core EPS must be well above the upper end of market guidance for 100% to vest. There should be more clarity around, "just below the lower end of market guidance", and well above the upper end of market guidance.

At June 2019, the CEO held 323,834 Ramsay shares worth approximately $23.3m, Mr Sims also held a significant parcel of Ramsay shares valued at approximately $7.4m.

There were no changes to non-executive director (NED) remuneration in FY19.

Item 3	**Election of Ms Catriona Alison Deans as a Director**
ASA Vote	**For**

Summary of ASA Position

Ms Deans holds an MBA from the Stanford Graduate School of Business and a Master of Arts from Trinity College at Cambridge University. She has had extensive experience building technology-enabled businesses, including media, financial services and health. Ms Deans was previously the CEO of ebay, cCorp Limited, Hoyts Cinema and Netus Pty Ltd and has spent seven years as a consultant with McKinsey and Company and is presently a senior advisor with the firm.

Ms Deans presently sits on the Board of Westpac Banking Corporation, Cochlear Limited, SCEGGS Darlinghurst and Deputy Pty Limited. She also sits on the investment committee of MainSequence Ventures and more recently on Ramsay's People and Remuneration Committee. Ms Deans joined the Ramsay Board in November 2018 and holds 4,495 shares in Ramsay Healthcare. We support Ms Dean's election and hope she will speak to the meeting.

Item 4	Election of Mr James Malcolm McMurdo
ASA Vote	Undecided

Summary of ASA Position

Mr McMurdo holds a degree in economics from the University of Newcastle upon Tyne and is a member of the Institute of Chartered Accountants for England and Wales. He has held senior management roles in Europe and the Asia Pacific regions for Goldman Sachs and other investment banks and is currently Vice Chairman of Investment Banking for Deutsche Bank based in Hong Kong, an executive position. He was appointed to the Ramsay Health Care Board in September 2019.

At the pre-AGM meeting we asked if Mr McMurdo would continue with his executive position at Deutsche Bank and were told that in the short-term he would but that he planned to resign his role in the first half of FY20. We understand that investment banking expertise is important to the board of directors and the company but we would like an assurance that Mr McMurdo will attend all board meetings and that his executive position gives him sufficient time to devote to Ramsay Health Cares business. We hope he will speak to the meeting.

Item 4.1	Approval of FY 2020 Performance Rights LTI grant to CEO/Managing Director Mr McNally
ASA Vote	Against

Summary of ASA Position

That approval is given for the issue of 50,483 performance rights to the Managing Director, Mr Craig McNally, under the Ramsay Executive Performance Rights (PR) Plan. The terms and conditions are outlined in the Explanatory Notes to the Notice of Meeting. The face value of the proposed grant has been set at $3,650,325, 175% of his total fixed remuneration. The performance period is three years. The number of PR issued is 50,483, this quantity being arrived at by dividing the 5-day VWAP over the period up to 1 July 2019 ($72.3075) into $3,650,325.

There are two hurdles used to satisfy the vesting conditions, relative TSR and Core Earnings per share. Details of these hurdles are covered in item 3. There is no retesting of unvested 2020 PR. 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.

Item 4.2	Corrective grant of FY2019 Performance Rights to the Managing Director Mr McNally
ASA Vote	**For**

Summary of ASA Position

There was an administrative error in determining the number of FY19 LTI PRs to which Mr McNally was entitled, with the value of the grant being correctly described in the 2018 Notice of Meeting, but the number of PRs to be granted was understated by 1301 PRs. The Board considers this error should be rectified so as not to unfairly treat Mr McNally, but also feels it appropriate to be transparent to shareholders. Accordingly, this resolution is being put to the AGM.

The additional PRs will be granted on exactly the same terms as Mr McNally's FY19 LTI PRs approved at the 2018 AGM (including with regard to applicable performance conditions, calculation methodology for the number of PRs and treatment on termination of employment). 651 PRs to be subject to the relative TSR performance hurdle and 650 PRs to be subject to the earnings per shares (EPS) performance hurdle. The ASA approved the FY2019 grant of performance rights to Mr McNally, so will approve this adjustment.

The individuals involved in the preparation of this voting intention have shareholdings in this company.