



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 **Thursday, 16 November 2017 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 2017.

**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 2017, 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 Directors**

**3.1 Mr Michael Stanley Siddle**

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

**"That** Mr Michael Stanley Siddle, a Non-Executive Director of the Company, being eligible, is re-elected as a Non-Executive Director of the Company."

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

### **3.2 Mr Roderick Hamilton McGeoch AO**

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

"**That** Mr Roderick Hamilton McGeoch AO, a Non-Executive Director of the Company, being eligible, is re-elected as a Non-Executive Director of the Company."

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

### **3.3 Mr Craig Ralph McNally**

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

"**That** Mr Craig Ralph McNally, who was appointed Managing Director of the Company on 3 July 2017, being eligible, offers himself for election as Managing Director of the Company."

Note: Information about Mr McNally appears in Item 3.3 of the Explanatory Notes to this Notice of Meeting.

## **4. Grant of Performance Rights to Executive Directors**

### **4.1 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 47,958 performance rights to the Managing Director, 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 4 of the Explanatory Notes to this Notice of Meeting).

### **4.2 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 67,406 performance rights to the Finance Director, 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 4 of the Explanatory Notes to this Notice of Meeting).

**5. Adoption of New Constitution**

To consider and, if thought fit, to pass the following resolution as a **special** resolution:

“**That** the new Constitution tabled at the meeting, and for the purposes of identification signed by the Chairman of the meeting, be approved and with effect from the close of the meeting, be adopted as the Constitution of the Company in place of, and to the exclusion of, the current Constitution.”

Note: Information about the new Constitution appears in Item 5 of the Explanatory Notes to this Notice of Meeting.

By Order of the Board



**John D C O'Grady**  
Group General Counsel & Company Secretary  
Sydney, New South Wales  
Australia  
12 October 2017

## 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, 4.1 or 4.2, then by signing and returning the proxy form, or by submitting it online, 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 each item of business.
- 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 Tuesday 14 November 2017:**

**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/ramsayaagm2017](http://www.votingonline.com.au/ramsayaagm2017)

**2. Corporate representatives**

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

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

**3. Entitlement to vote**

*For the purposes of the meeting, shares will be taken to be held by the persons who are the registered holders at 7:00pm (Sydney time) on Tuesday 14 November 2017. 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 2017 or the conduct of its audit of the Company's Financial Report for the year ended 30 June 2017.*

*Relevant written questions for the Auditor must be received by the Company by no later than **5:00 pm (Sydney time) on Thursday 9 November 2017**. 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

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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.

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### ITEM 1 – CONSIDERATION OF REPORTS

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The Financial Report of the Company for the year ended 30 June 2017 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

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The Remuneration Report is contained in the Directors' Report for the year ended 30 June 2017 in the 2017 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 DIRECTORS

The Board has undertaken a review of the performance of each Director and has considered the contribution they have made to the Board and to Board Committees and the skills and expertise they bring to the Board in light of the Board's skill matrix.<sup>1</sup>

Mr Michael Siddle and Mr Rod McGeoch AO are submitting themselves for re-election at the 2017 AGM. Their profiles are set out in Items 3.1 and 3.2 below.

Under the Company's current Constitution, one third of the Company's Directors (excluding the Managing Director) must retire at each AGM. In addition, Mr Pat Grier AM is retiring from the Board and will not be seeking re-election. Mr Grier's retirement will bring to an end his almost 30 years of service to Ramsay as CEO and as a Non-Executive Director.

The Board would like to formally thank Mr Grier AM for his significant contribution to the Company.

Mr Craig McNally was appointed as Managing Director & CEO of the Company on 3 July 2017. Mr McNally's profile is set out in Item 3.3 below. Mr McNally, while he holds the position of Managing Director, will not be subject to retirement by rotation under the relevant provisions in the Company's Constitution or under the ASX Listing Rules.

#### 3.1 Mr Michael Stanley Siddle

Non-Executive Director – Appointed Chairman 27/05/14 (appointed as a Director on 26/05/75 and last re-elected on 12/11/2015).

Mr Michael Siddle was appointed as Chairman of the Company on 27 May 2014, having formerly been Deputy Chairman for 17 years and a founding Director. He has built up significant knowledge of the business and the private hospital industry after starting with the Company in 1968. Mr Siddle has extensive experience in the management of private hospitals and has been integrally involved in Ramsay Health Care's successful expansion through construction, mergers and acquisitions. He serves as a member of the Company's Remuneration Committee and is Chair of the Nomination Committee.

Mr Siddle was a director of Prime Media Group Limited, one of Australia's largest regional television and radio operators, from April 1985 to November 2015.

Mr Siddle is also a director of the trustee of the Paul Ramsay Foundation.

In addition to Ramsay Health Care Limited, during the last three years Mr Siddle has also served as a director of the following listed company:

- Prime Media Group Limited (Retired November 2015).

The Board considers Mr Siddle to be independent.

<sup>1</sup> See pages 17 and 18 of the Company's 2017 Annual Report for further details of the Board's skill matrix.

### **Directors' Recommendation**

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

#### **3.2 Mr Roderick Hamilton McGeoch AO**

Non-Executive Director – Appointed on 03/07/97 and last re-elected on 13/11/14.

Mr Rod McGeoch is a past Chairman of Corrs Chambers Westgarth, a leading Australian law firm and has been a solicitor for 40 years. He was Chief Executive of Sydney's successful bid for the 2000 Olympic Games and served on the Sydney Organising Committee for the Olympic Games until November 1998. Mr McGeoch is also a past Chairman of SKYCITY Entertainment Group Limited.

Currently Mr McGeoch is Chairman of Vantage Private Equity Growth Limited, Chairman of Chubb Insurance Australia Limited, BGP Holdings Plc Malta and is also Deputy Chairman of the Sydney Cricket & Sports Ground Trust. Mr McGeoch also holds a number of honorary positions. In 1990 he was awarded Membership of the Order of Australia for services to Law and the Community and in 2013, also awarded an Officer of the Order of Australia for distinguished service to the Community through contributions to a range of organisations and to sport, particularly through leadership in securing the Sydney Olympic Games. He is also a director of Destination NSW. In January 2013, Mr McGeoch was appointed Honorary Consul General of Luxembourg in Australia.

In addition to Ramsay Health Care Limited, during the last three years Mr McGeoch has also served as a director of the following listed company:

- SKYCITY Entertainment Group Limited (Appointed September 2002) (Resigned October 2014).

The Board considers Mr McGeoch to be independent.

### **Directors' Recommendation**

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

#### **3.3 Mr Craig Ralph McNally**

Managing Director & CEO – Appointed on 03/07/2017.

Mr Craig McNally was appointed Managing Director and Chief Executive Officer of the Company on 3 July 2017, after serving seven years with Ramsay as Chief Operating Officer and 22 years prior to this in various roles including Head of Global Strategy and European Operations.

Mr McNally is one of Ramsay's longest serving Executives having commenced with the Company in 1988. He was initially employed as a Hospital Executive in Ramsay's Sydney-based mental health facilities, before taking over divisional responsibility for acute medical and surgical hospitals in the early nineties.

In 1995, he became Ramsay's Head of Strategic Development, and for the last two decades has been responsible for the development and implementation of Ramsay's growth strategy including brownfield expansions, international market assessments, mergers and acquisitions and new business strategies. As the Company's chief negotiator he has been at the forefront of all the major acquisitions and deals completed by Ramsay Health Care. His unique ability to assess the opportunities and risks associated with new business ventures and to evaluate their



‘strategic fit’, as well as his sound judgement and insight, has ensured the Company’s successful growth both domestically and internationally.

In his role as head of Ramsay’s UK, European and Asian businesses, Mr McNally has been responsible for leading these teams through the challenging acquisition and merger phases and ensuring their successful integration with Ramsay Health Care and adoption of The Ramsay Way culture.

### **Directors’ Recommendation**

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

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## **ITEM 4 – GRANT OF PERFORMANCE RIGHTS TO EXECUTIVE DIRECTORS**

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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 Roger 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.

The Board, on the recommendation of the 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.

As part of the Managing Director succession process, the Remuneration Committee and the Board undertook a comprehensive review and benchmarking of the remuneration package for the Managing Director role. As a result of the review, and after taking into consideration investor feedback and the fact that Mr McNally is new to the role, the Board has recalibrated the total remuneration for the Managing Director role such that the total remuneration package is significantly lower than the previous Managing Director’s package.

In addition, while the Board believes that much of a Managing Director’s / CEO’s remuneration should be at risk (total ‘at risk’ remuneration continues to comprise a majority of the overall remuneration opportunity for Mr McNally), it also recognises that the proportion of LTIs in the previous Managing

Director's package was high and has adjusted that component. The Board will continue to review Mr McNally's remuneration annually with particular regard to performance.

In relation to Mr Soden, the number of PRs to be offered to him is less than in previous years, having regard to the Remuneration Committee's and the Board's previously disclosed journey to recalibrate executive PR grants downwards.

Please refer to pages 45 to 47 of the FY2017 Remuneration Report contained in the Company's Annual Report for full details of Mr McNally's remuneration package.

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

Director	Grant Number	Minimum Performance Period
Mr Craig McNally	47,958 PR*	3 years, commencing 1 July 2017
Mr Bruce Soden	67,406 PR**	3 years, commencing 1 July 2017

\* For Mr McNally, the number of PRs granted was determined by dividing the FY2018 grant value of \$3,500,000 (which is equivalent to 175% of his total fixed remuneration) by the share price as at the close of trading on 3 July 2017, in accordance with the terms of the Executive Services Agreement between the Company and Mr McNally dated 28 March 2017.

\*\* For Mr Soden, the number of PRs granted was determined by reducing the FY2016 grant value of \$5,567,949 by 10%, and dividing the reduced FY2016 grant value (\$5,011,154) by the 5-day Volume Weighted Average of the Company's share price up to and including 3 July 2017 (\$74.3425), with 3 July being the first trading day of the performance period.

#### 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 FY2018 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:

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

The first test date for Parcel A PRs proposed to be granted to Mr McNally and Mr Soden will be on 30 June 2020. Any unvested PRs will be retested twice at six monthly intervals. Any PRs from Parcel A that remain unvested following the third and final test will automatically lapse.

**b) EPS Performance Hurdle:**

For the FY2018 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 set by the Board based on Ramsay's market guidance for EPS disclosed at the start of the financial year. 'EPS' is defined as core earnings per share from continuing operations, calculated before specific items, amortisation of intangibles and divested operations.

The vesting scale that will apply for the FY2018 grants is the same as the vesting scale for the FY2017 grants. Parcel B PRs that are tested against the EPS performance hurdle will vest as follows:

- 0% of the Parcel B PRs will vest where EPS performance falls well short of the Company's market guidance;
- 25% of Parcel B PRs will vest where EPS performance is just below the lower end of the Company's market guidance;
- 50% of Parcel B PRs will vest where the lower end of the Company's market guidance is achieved;
- 75% of Parcel B PRs will vest where the mid-point of the Company's market guidance is achieved;
- 90% of Parcel B PRs will vest where the upper end of the Company's market guidance is achieved; and
- 100% of Parcel B PRs will only vest where EPS performance is well above the upper end of the Company's market guidance, 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 table below illustrates the level of growth required for the FY2018 targets having regard to Ramsay's published market guidance for FY2018 of an increase in EPS of 8% to 10% over FY2017 performance.

<b>Percentage increase in EPS for FY2018 over FY2017</b>	<b>Percentage of 'Parcel B' PRs available to vest</b>
Less than 7%	Nil
7%	25%
8%	50%
9%	75%
10%	90%
11%	100%

The percentage of Parcel B PRs that will vest will be determined after the actual EPS achieved in FY2020 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.

- 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.
- 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.
- No loans will be made in relation to the acquisition of PRs or shares under the Plan.
- Mr Chris Rex, the Company's former Managing Director, and Mr Soden were the only Directors to receive securities under the Plan since approval was obtained for grants to be made to Mr Rex and Mr Soden at last year's AGM. The numbers of PRs granted to Mr Rex and Mr Soden after shareholders' approval last year are as follows:
  - Mr Rex – 178,121; and
  - Mr Soden – 76,916.
 The PRs were issued for nil monetary consideration as they formed part of the Executive Directors' respective remuneration packages.
- 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.
- If shareholders approve the resolutions, 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. 16<sup>th</sup> November 2018).
- 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 4.1 and 4.2.

#### **Voting Exclusion Statement**

The Company will disregard any votes cast on Items 4.1 and 4.2:

- by or on behalf of Mr Craig McNally and Mr Bruce Roger Soden (being the only Directors entitled to participate in the Ramsay Executive Performance Rights Plan) and any of their associates (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 Items 4.1 and 4.2 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 4.1 and 4.2 are connected with the remuneration of KMP.

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## ITEM 5 – ADOPTION OF NEW CONSTITUTION

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The Company's current Constitution was adopted in 1997 and last updated in 2010. The Board proposes that a new Constitution be adopted to take into account the changes in law and shifts in corporate governance principles and corporate practice since that time.

A copy of the proposed Constitution will be tabled at the meeting and can also be obtained from the Company's website before the meeting at <http://www.ramsayhealth.com/2017AGM/New-Ramsay-Constitution>.

The changes to the Constitution are intended to facilitate the efficient operation of the Company. Many are administrative or relatively minor in nature. The key changes are outlined below.

### SHARES

#### Preference Shares

The preference share provisions in rule 2.2 of the proposed Constitution are less prescriptive than the equivalent provisions under the current Constitution, conferring greater flexibility regarding the terms of any preference shares issued in the future. The Company has no intention of issuing additional preference shares at this stage. The rights and entitlements relating to Convertible Adjustable Rate Equity Securities that were issued pursuant to rule 4.1 of the Company's current Constitution remain unchanged.

#### Transfer and Transmission of Shares

The procedures for the transfer and transmission of shares and the right to refuse registration of transfers of shares have been updated to reflect current practice and applicable market rules, including that the Company must not charge a fee for registering a transfer unless permitted by the ASX Listing Rules.

### DIVIDENDS AND DISTRIBUTIONS

#### Distribution of Dividends

Rule 4.1 of the proposed Constitution provides that, subject to any rights attached to any shares or class of shares, interest is not payable by the Company on any dividends.

Proposed Rule 4.1 also sets out the process for paying dividends and other amounts including by direct credit into a member's nominated account and clarifies the ability to require bank account details before a dividend needs to be paid. If no bank account is nominated, the dividend can be withheld or paid into a separate account and held without interest. Proposed rule 4.1(n) extends this concept to where a member is uncontactable. Proposed rule 4.1(p) also provides that the Company can reinvest unclaimed dividends in shares of the Company.

#### Compulsory Sale of Non-marketable Parcels

The provisions in proposed rule 5.4 relating to the Company's ability to compulsorily sell non-marketable parcels of shares, being parcels valued at under \$500, have been updated to more closely align with the ASX Listing Rules. These provisions assist ASX listed entities to reduce administrative costs associated with maintaining the share register but enable the shareholders affected to opt out of the procedure if they wish to retain their holding.

## **PROCEDURES FOR MEMBERS' MEETINGS**

### **Amending Resolutions at General Meetings**

Proposed rule 7.2(c) provides that, unless the Corporations Act provides otherwise, no business may be transacted at a general meeting beyond what is stated in the Notice of Meeting and limits the circumstances in which amendments can be made to a proposed resolution set out in the Notice of Meeting or to a document which relates to the resolution. This is intended to protect the interests of members who have lodged proxies and directed their proxy to vote for or against a motion and who would not have the benefit of making a decision on any new or amended motions proposed at the meeting.

### **Quorum at General Meetings**

Proposed rule 7.4 increases the quorum from 3 to 5 members present at the meeting and entitled to vote. The proposed Constitution provides that the election of a Chairman and the adjournment of the meeting may be transacted where there is no quorum.

### **Adjournment and Postponement of General Meetings**

In line with market practice, the proposed Constitution clarifies that no vote may be taken or demanded by the members concerning any adjournment unless the Chairman requires otherwise. Where a meeting is adjourned and then reconvened at a new time, the proposed Constitution provides that if quorum is not present at that meeting the meeting must be dissolved.

The proposed Constitution does not limit the number of times a general meeting can be postponed. It also provides the Chairman with power to postpone the meeting before it has started.

### **Chairman's Powers**

Proposed rule 7.3 contains greater details regarding the Chairman's power to take appropriate action to ensure the safety of persons attending general meetings and the orderly conduct of the meeting, including the power to refuse a person admission in certain circumstances.

Proposed rule 7.6 contains greater details regarding the Chairman's power to regulate conduct at general meetings.

### **Direct Voting**

Proposed rule 7.8 permits the Company to enable shareholders to vote directly on resolutions considered at a general meeting, as an alternative to appointing a proxy to attend and vote at the meeting. This rule does not require the Company to implement direct voting – it merely facilitates direct voting should the Company elect to implement it. The Company does not currently intend to implement direct voting but would like the flexibility to do so if it was considered appropriate in the future to facilitate effective member participation at general meetings.

### **Voting Rights**

Proposed rule 7.9 confirms that if a proxy represents more than one member, on a show of hands the proxy is only entitled to one vote and provides that if a member is not entitled to vote under the Corporations Act or ASX Listing Rules that member must not vote or their vote should be disregarded. The proposed rule includes provisions about where an objection is raised to the validity of a vote, and provides the Chairman with power to decide any dispute which arises as to the number of votes that may be cast by a member.

### **Representation at General Meetings**

Proposed rule 7.10 provides more clarity around the proxy appointment process and outcomes, including situations where a member who has lodged a proxy attends a general meeting and a proxy's right to vote on motions or resolutions that are not covered in the Notice of Meeting. In addition, it confirms the ability of the Company to clarify with a member by written

communication any instruction on a proxy form that is incomplete or unclear and make any necessary amendments to ensure the proxy appointment is valid and reflects the member's intended instructions. Such provisions will give the Company maximum flexibility to accept proxy appointments, as proxies that would otherwise be invalid can be counted if the Company seeks to correct the proxy form based on further instructions from the member.

## **DIRECTORS**

### **Appointment and Retirement of Directors**

The proposed Director retirement provisions remove the requirement that one-third of the Directors retire at each AGM to avoid the situation where Directors are regularly required to seek re-election at intervals shorter than the 3 years contemplated under the ASX Listing Rules. In addition, the Managing Director has been excluded from the requirement to offer himself or herself for election at the next general meeting following appointment by the Board. The proposed provisions remain consistent with the requirements under the ASX Listing Rules.

The proposed Constitution includes an updated list of circumstances where the office of Director becomes vacant, which are in line with market practice and the Corporations Act.

The provisions regarding Board size (maximum of 12 Directors) remain the same under the proposed Constitution as they are under the current Constitution.

### **Nomination of Directors**

Proposed rule 8.1(k) extends the time within which nominations for election as a Director must be given to the Company from 30 business days to at least 45 business days before the meeting at which the election is to occur. This will ensure that the Company has sufficient time to include the nomination of a candidate for election in the Notice of Meeting and will avoid nominations being received late in the nomination period which can potentially result in additional costs being incurred to prepare and mail a supplementary notice to shareholders. The thresholds and eligibility requirements for nomination as a Director remain unchanged aside from this process modification.

### **Remuneration of Directors**

Proposed rule 8.3 clarifies the basis on which Directors are remunerated, including the components of remuneration that are paid within the shareholder approved cap and those that may be paid outside of that cap. Fees for services on the Board and its standing Committees are included in the shareholder approved cap, as are statutory superannuation contributions paid on behalf of Directors.

### **Director Meetings and Written Resolutions of Directors**

Consistent with current corporate practices, proposed rule 8.8 includes a standing consent to the use of technology to conduct Board meetings.

Directors can pass written resolutions of the Board where all Directors (other than those excluded as outlined below) sign or consent to the resolution, and the Directors who sign or consent would have constituted a quorum. Directors will be excluded where (i) they are on a leave of absence approved by the Board, (ii) they have notified the Chairman or the Company Secretary they may be uncontactable during the period the resolution is being considered, (iii) they are incapacitated (eg due to ill health), (iv) they have disqualified themselves from considering the resolution or (v) they would be prohibited under the Act from voting on the resolution.

## **INDEMNITY**

The provisions in relation to the Directors' indemnity have been updated to provide clarity in relation to the mechanics of the indemnity and to extend the coverage to officers of related bodies corporate.



**NOTICES**

The notice and service provisions under proposed rule 14 have been amended and expand on the corresponding provisions under the current Constitution, and specifically include deemed time of service in relation to electronic transmissions.

**GENERAL UPDATES**

Rules which were outdated or restated Corporations Act or ASX Listing Rule requirements have been omitted to simplify the document and minimise the need for updates in the event of any legislative or regulatory change. The provisions of the Constitution have been amended to reflect changes in terminology now contained in the Corporations Act, the ASX Listing Rules and ASX Settlement Operating Rules.

**Directors' Recommendation**

The Directors recommend that you vote in favour of Item 5.

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