

Notice of Annual General Meeting

Notice is given that the 2018 Annual General Meeting of Healthscope Limited (**Healthscope** or the **Company**) will be held at the Sheraton Melbourne Hotel, 27 Little Collins St, Melbourne Victoria on Wednesday, 31 October 2018 at 10 am (Melbourne time).

Agenda items

1. Financial Report

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

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

2. Re-election and Election of Directors

2.1 That Paula Dwyer, being eligible, be re-elected as a Director of the Company.

2.2 That Michael Stanford AM, being eligible, be elected as a Director of the Company.

3. Remuneration Report

That the Remuneration 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 section 2 of the notes relating to voting).

4. Approval of deferred short term incentive grant of performance rights to the MD and CEO

That approval be given for all purposes, including ASX Listing Rule 10.14, for the grant of performance rights to Gordon Ballantyne as his annual deferred short term incentive grant for the year ended 30 June 2018 on the terms described in the Explanatory Memorandum accompanying this Notice of Meeting.

Note: A voting exclusion statement applies to this resolution (see section 2 of the notes relating to voting).

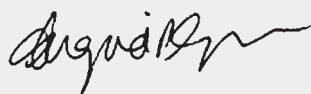
5. Approval of long-term incentive grant of performance rights to the MD and CEO

That approval be given for all purposes, including ASX Listing Rule 10.14, for the grant of performance rights to Gordon Ballantyne as his annual long-term incentive grant for the year ended 30 June 2019 on the terms described in the Explanatory Memorandum accompanying this Notice of Meeting.

Note: A voting exclusion statement applies to this resolution (see section 2 of the notes relating to voting).

The notes relating to voting and the Explanatory Memorandum form part of this Notice of Meeting.

By Order of the Board



Ingrid Player

Company Secretary

27 September 2018

Notes relating to voting

1. Entitlement to vote

In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Board has determined that persons who are registered holders of shares in the Company as at 7:00pm (Melbourne time) on Monday, 29 October 2018 will be entitled to attend and vote at the Annual General Meeting as a shareholder. Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

If more than one joint holder of shares is present at the Annual General Meeting (whether personally, by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

On a poll, shareholders have one vote for every fully paid ordinary share held (subject to the restrictions on voting referred to below).

2. Voting exclusions

Resolution 3

The Company will disregard any votes cast on resolution 3:

- by or on behalf of a member of the Company's key management personnel (**KMP**) named in the Company's Remuneration Report for the year ended 30 June 2018 or their closely related parties, regardless of the capacity in which the vote is cast; or
- as a proxy by a person who is a member of the Company's KMP at the date of the meeting or their closely related parties,

unless the vote is cast as proxy for a person entitled to vote on resolution 3:

- in accordance with a direction in the proxy form; or
- by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy even though resolution 3 is connected with the remuneration of the KMP.

Resolutions 4 and 5

The Company will disregard any votes cast on resolutions 4 or 5:

- in favour of the resolutions, by or on behalf of Mr Ballantyne and any of his associates, regardless of the capacity in which the vote is cast; or
- as a proxy by a person who is a member of the Company's KMP at the date of the meeting or their closely related parties,

unless the vote is cast as proxy for a person entitled to vote on resolutions 4 and 5:

- in accordance with a direction in the proxy form; or
- by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy even though resolutions 4 and 5 are connected with the remuneration of the KMP.

3. Proxies

- a. A shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the shareholder. A proxy need not be a shareholder and can be either an individual or a body corporate. A shareholder can appoint a proxy by completing and returning a signed proxy form (see section 4 of these notes relating to voting, and the enclosed proxy form).
- b. A shareholder that is entitled to cast 2 or more votes may appoint 2 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 of the shareholder's votes.
- c. If a shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:
 - appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the Corporations Act; and
 - provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.
- d. If you wish to indicate how your proxy should vote, please mark the appropriate boxes on the proxy form. If you do not direct your proxy how to vote on a particular item of business, you are authorising your proxy to vote as they decide, subject to any applicable voting exclusions.
- e. Unless the Chairman of the meeting is your proxy, members of the Company's KMP (which includes each of the Directors) will not be able to vote as proxy on resolutions 3, 4 and 5, unless you direct them how to vote. If you intend to appoint a member of the KMP (such as one of the Directors) as your proxy, you should ensure that you direct that person how to vote on resolutions 3, 4 and 5.

Notes relating to voting

- f. If you intend to appoint the Chairman of the meeting as your proxy, you can direct the Chairman how to vote by marking the boxes for the relevant resolution (for example, if you wish to vote “for”, against” or to “abstain” from voting). However, if you do not mark a box next to resolutions 3, 4 and 5, then by signing and submitting the proxy form, you will be expressly authorising the Chairman to vote as they see fit in respect of resolutions 3, 4 and 5 even though they are connected with the remuneration of the Company’s KMP.
- g. If:
- a poll is duly demanded at the Annual General Meeting in relation to a proposed resolution;
 - a shareholder 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 shareholder’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 shareholder for the purposes of voting on that resolution and must vote in accordance with the written direction of that shareholder.
- h. Please note that for proxies without voting instructions that are exercisable by the Chairman of the meeting, the Chairman intends to vote all available proxies in favour of each resolution.

4. Proxy form

A proxy form accompanies this Notice and to be effective must be received no later than 10am (Melbourne time) Monday, 29 October 2018 in one of the following ways:

Online: www.investorvote.com.au
Mail: Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia
Facsimile: (within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

5. Corporate representatives

A body corporate that is a shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the Annual General Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it has been signed, unless it has previously been given to the Company.

6. Voting by attorney

A shareholder entitled to attend and vote may appoint an attorney to act on his or her behalf at the Annual General Meeting. An attorney may but need not be a member of the Company.

An attorney may not vote at the meeting unless the instrument appointing the attorney, and the authority under which the instrument is signed or a certified copy of the authority, are received by the Company in the same manner, and by the same time, as outlined above for proxy forms.

7. Questions for the Auditor

Shareholders may submit written questions to the Company’s Auditor, Deloitte, if the question is relevant to the content of Deloitte’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 (Melbourne time), Wednesday, 24 October 2018. Please send any written questions to:

Company Secretary
Healthscope Ltd
PO Box 7586,
Melbourne VIC 8004
Email: legal@healthscope.com.au

A list of written questions will be made available to shareholders attending the meeting. If written answers are tabled at the meeting, they will be made available to shareholders as soon as practicable after the meeting.

8. Registration

Registration will commence at 9.30am on Wednesday, 31 October 2018. For ease of registration, please bring your proxy form to the meeting.

Explanatory Memorandum

This Explanatory Memorandum has been prepared to help shareholders understand the items of business at the forthcoming Annual General Meeting.

1. Financial Report

The Corporations Act requires:

- the reports of the Directors and Auditors; and
- the annual Financial Report, including the Financial Statements of the Company for the year ended 30 June 2018,

to be laid before the Annual General Meeting. Neither the Corporations Act nor the Company's Constitution requires a vote of shareholders on the reports or statements. However, shareholders will be given an opportunity to raise questions or comments on the management of the Company.

Also, a reasonable opportunity will be given to shareholders as a whole at the meeting to ask the Company's Auditor questions relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the Auditor in relation to the conduct of the audit.

Shareholders can access a copy of the annual report on the Company's website at www.healthscope.com.au.

2. Election of Directors

2.1 Re-election of Paula Dwyer

Paula Dwyer (BComm, FCA, SF Fin, FAICD) has been the Non Executive Chairman of Healthscope and Chair of the Nomination Committee from June 2014. She is a member of the Audit, Risk and Compliance and the People and Remuneration Committees.

Paula's executive career was in finance, holding senior positions in investment management, investment banking and chartered accounting with Ord Minnett (now JP Morgan) and PricewaterhouseCoopers.

Paula has held the following directorships of listed companies (past three years) and other directorships/appointments:

- Tabcorp Holdings Limited (Chairman from 2011, Director from 2005);
- Australia and New Zealand Banking Group Limited (from 2012);
- Lion Pty Limited (from 2012);
- Leighton Holdings Limited (Deputy Chairman from 2013 - 2014, Director from 2012 - 2014);
- Baker IDI Heart and Diabetes Research Institute (2003 - 2013);
- Suncorp Group Limited (2007 - 2012);
- Astro Japan Property Group Limited (2005 - 2011);
- Fosters Group Limited (2011); and
- Healthscope Limited (2010).

The Board considers Ms Dwyer to be independent.

Recommendation

The Board (with Ms Dwyer abstaining) recommends that shareholders vote **in favour** of Ms Dwyer's re-election.

Explanatory Memorandum

2.2 Election of Michael Stanford AM

Dr Michael Stanford AM (CitWA, MB BS, MBA, FAICD, FAIM) has been a Non Executive Director of Healthscope since March 2018 and a member of the Audit, Risk and Compliance and Nomination Committees.

Michael brings deep healthcare experience gained from a successful executive career in the Australian healthcare sector. In his executive career, Michael was the Group CEO of St John of God Healthcare Inc (2002 - 2018). He was previously the Managing Director of Australia Hospital Care Ltd and has held managing director roles in several significant public hospital networks. Michael's expertise, including his experience and focus on operational excellence and best practice patient safety and quality, complements the Board's existing broad range of skills and expertise.

Michael has held the following directorships of listed companies (past three years) and other directorships/appointments:

- Clinical Laboratories Pty Ltd (from 2016)
- Nucleus Network Ltd (from 2018)
- Curtin University (2008 – 2017);
- National Health Performance Authority (2015 - 2016); and
- St Ives Group (2013 - 2016).

The Board considers Dr Stanford to be independent.

Recommendation

The Board (with Dr Stanford abstaining) recommends that shareholders vote **in favour** of Dr Stanford's election.

3. Remuneration Report

Shareholders will have a reasonable opportunity at the meeting to ask questions about or make comments on the Remuneration Report. The Remuneration Report on pages 36 to 54 of the Company's 2018 Annual Report sets out the remuneration policies of the Company and reports on the remuneration arrangements in place for the Company's KMP during the year ended 30 June 2018.

As prescribed by the Corporations Act, the vote on the adoption of the Remuneration Report is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote and discussion at the meeting into account in setting remuneration policy for future years.

A voting exclusion statement applies to this resolution, as set out in the Notice of Meeting

Recommendation

The Board recommends that shareholders vote **in favour** of the adoption of the Remuneration Report.

4. Approval of deferred short term incentive grant of performance rights to the MD and CEO

Pursuant to ASX Listing Rule 10.14, the Company is seeking shareholder approval for the grant of performance rights to Mr Gordon Ballantyne, Managing Director and Chief Executive Officer (**MD and CEO**), as part of his Short Term Incentive (**STI**) award for the year ended 30 June 2018 (**FY18**).

Subject to shareholder approval, the performance rights will be granted under Healthscope's Equity Incentive Plan within 12 months of the meeting.

Key terms of the FY18 STI award

The STI plan (including its performance conditions) is designed to provide increased focus on, and reward for, performance against those areas that most significantly drive the delivery of the Company's strategic initiatives. For FY18, the MD and CEO was entitled to receive an STI award of up to 150% of his total fixed remuneration with:

- 70% of his STI award payable in cash; and
- 30% deferred into equity in the form of performance rights, subject to shareholder approval.

Explanatory Memorandum

As disclosed in the 2018 Remuneration Report, Mr Ballantyne was awarded a total STI of \$1,079,145 for FY18. This award equates to an achievement of 45% of the maximum STI opportunity (or 67% of the target STI opportunity). 30% of this award is to be deferred into STI performance rights.

Subject to shareholder approval, the Board proposes to grant the MD and CEO 145,177 STI performance rights. The number of STI performance rights to be granted has been determined by dividing the deferred STI amount (i.e. 30% of Mr Ballantyne's total STI award relating to FY18 performance, being \$323,744) by the volume weighted average share price of Healthscope shares traded over the ASX on the five trading days following the release of the FY18 full year financial results, rounded up to the nearest whole number.

As the STI performance rights will form part of Mr Ballantyne's remuneration for FY18, they will be granted at no cost and there will be no amount payable on vesting.

Each performance right entitles Mr Ballantyne to one ordinary share in the Company on vesting. The Board retains a discretion to make a cash equivalent payment in lieu of an allocation of shares. Prior to vesting, performance rights do not entitle Mr Ballantyne to any dividends or voting rights.

Vesting condition

STI performance rights will vest after the satisfaction of a two-year service period ending on 31 August 2020 (**Deferral Period**).

Other key terms of the STI performance rights

Cessation of employment

Where employment is terminated for cause or ceases due to resignation (other than due to death, ill health or disability) all unvested performance rights will automatically lapse.

In all other circumstances, the performance rights will remain on foot and subject to the terms of the offer, as if the MD and CEO had not ceased employment.

However, pursuant to the Equity Incentive Plan Rules, the Board retains discretion to vest or lapse some or all performance rights in all circumstances.

Change of control

In the event of a takeover bid or other transaction, event or state of affairs that in the Board's opinion is likely to result in a change in control of the Company, the STI performance rights will vest, unless the Board determines otherwise.

Clawback

The Board has broad "clawback" powers to determine that performance rights lapse, any shares allocated on vesting are forfeited, or that amounts are to be repaid in certain circumstances (for example, in the case of serious misconduct).

Restrictions on dealing

Mr Ballantyne must not sell, transfer, encumber, hedge or otherwise deal with performance rights.

Mr Ballantyne will be free to deal with the shares allocated on vesting of the performance rights, subject to the requirements of Healthscope's Policy for Dealing in Securities.

Additional information provided in accordance with ASX Listing Rule 10.15

- This is the first time the Company is seeking approval for a grant of STI performance rights under the Company's Equity Incentive Plan for Mr Ballantyne. Since the last shareholder approval at the 2017 Annual General Meeting, no STI performance rights were issued and 1,090,910 LTI performance rights were issued (at no cost) to Mr Ballantyne as his FY18 LTI. No other STI or LTI performance rights have been issued to the Company's current directors under the Company's Equity Incentive Plan.

Explanatory Memorandum

- Mr Ballantyne is the only Director entitled to participate in, and receive performance rights under, the Equity Incentive Plan.
- No loan will be made by the Company in relation to the acquisition of STI performance rights or allocation to Mr Ballantyne of any shares on vesting of those rights.
- If approval is given under ASX Listing Rule 10.14, approval will not be required under ASX Listing Rule 7.1. A voting exclusion statement applies to this resolution, as set out in the Notice of Meeting.

Recommendation

The Board (with Mr Ballantyne abstaining) recommends that shareholders vote **in favour** of the grant of performance rights to Mr Ballantyne.

5. Approval of long-term incentive grant of performance rights to the MD and CEO

Pursuant to ASX Listing Rule 10.14, the Company is seeking shareholder approval for the grant of performance rights to Mr Ballantyne, MD and CEO, as part of his long-term incentive (**LTI**) award for FY19 as well as for the issue of any shares on vesting of the performance rights.

Subject to shareholder approval, the performance rights will be granted under Healthscope's Equity Incentive Plan within 12 months of the meeting.

Key terms of the FY19 LTI award

The LTI plan is designed to align the interests of the MD and CEO with the interests of shareholders by providing him with the opportunity to receive an equity interest in Healthscope through the granting of performance rights.

It is proposed that Mr Ballantyne be granted 860,987 LTI performance rights, which have been determined by dividing Mr Ballantyne's LTI opportunity (i.e. 120% of Mr Ballantyne's total fixed remuneration, being \$1,920,000) by the volume weighted average share price of Healthscope shares traded on the ASX over the five trading days following the announcement of the FY18 full year financial results (being \$2.23), rounded up to the nearest whole number.

As the LTI performance rights will form part of Mr Ballantyne's remuneration, they will be granted at no cost and there will be no amount payable on vesting. The Company may issue new shares or acquire shares on market to satisfy awards under the Equity Incentive Plan. Each performance right entitles Mr Ballantyne to one ordinary share in the Company on vesting. The Board retains a discretion to make a cash equivalent payment in lieu of an allocation of shares. Prior to vesting, performance rights do not entitle Mr Ballantyne to any dividends or voting rights.

Performance conditions

The LTI award will be split into two tranches:

- Tranche one – 50% of the performance rights will be subject to an Earnings Per Share (**EPS**) hurdle.
- Tranche two – 50% of the performance rights will be subject to a Relative Total Shareholder Return (**RTSR**) hurdle. Additionally, this tranche will not be tested or vest unless the absolute TSR gate or threshold of 7.5% is achieved.

EPS measures the earnings generated by the Company attributable to each share on issue on a fully diluted basis.

RTSR measures the performance of an ordinary Healthscope share (including the value of any cash dividend and any other shareholder benefits paid during the period) against total shareholder return performance of a comparator group of companies, comprising the S&P ASX100 Index as at 1 July 2018, over the same period.

Explanatory Memorandum

The percentage of performance rights subject to each tranche that vest will be determined by reference to the following vesting schedules:

Tranche one: EPS Performance (50% Weighting)	
Achievement against EPS Hurdle	Portion of tranche 1 performance rights that will vest
Less than the threshold hurdle (7% CAGR)	Nil
Equal to the threshold hurdle (7% CAGR)	50%
Between threshold hurdle (7% CAGR) and target hurdle (10% CAGR)	Straight line vesting between 50% and 90%
Equal to target hurdle (10% CAGR)	90%
Between target hurdle (10% CAGR) and maximum hurdle (12% CAGR)	Straight line vesting between 90% and 100%
At or above maximum hurdle (12% CAGR)	100%
Tranche two: Relative TSR Performance (50% Weighting)	
Achievement against RTSR Hurdle	Portion of tranche 2 performance rights that will vest
Less than the 50th percentile	Nil
At 50th percentile	50%
Between 50th and 75th percentile	Straight line vesting between 50% and 100%
At or above the 75th percentile	100%

Testing of the performance conditions

The performance period will run from 1 July 2018 to 30 June 2021.

Tranche one: EPS

50% of Mr Ballantyne's LTI Performance Rights will be subject to an EPS growth hurdle, which measures Healthscope's EPS compound annual growth rate (CAGR) over the three year performance period. EPS is calculated using operating NPAT (which is statutory NPAT for continuing operations, excluding non operating items unrelated to business as usual operations) divided by the weighted average number of shares on issue during the year.

The Board will assess EPS growth over the three year performance period and test achievement of the EPS hurdle against the threshold hurdle (7% CAGR), target hurdle (10% CAGR) and maximum hurdle (12% CAGR) set by the Board. Testing of the EPS growth hurdle will occur shortly after the end of the performance period.

In assessing performance against the EPS growth hurdle, the Board retains discretion to review outcomes to ensure that any aberrant results of testing are avoided.

Tranche two: RTSR

50% of Mr Ballantyne's LTI Performance Rights will be subject to a RTSR performance condition. Before the RTSR hurdle is assessed for vesting, the Company must obtain a minimum absolute TSR of 7.5% over the performance period. If this gateway is not achieved, no performance rights in this tranche will vest, regardless of the RTSR performance.

For the FY19 LTI award, RTSR performance will be independently assessed over the performance period against a comparator group of companies comprising the S&P ASX100 index as at 1 July 2018.

No retesting is permitted.

Explanatory Memorandum

Other key terms of the LTI performance rights

Cessation of employment

Where employment is terminated for cause or ceases due to resignation (other than due to death, ill health or disability) all unvested performance rights will automatically lapse.

In all other circumstances, the performance rights will remain on foot and subject to the original performance conditions, as if the MD and CEO had not ceased employment.

However, pursuant to Healthscope's Equity Incentive Plan Rules, the Board retains discretion to vest or lapse some or all performance rights in all circumstances.

Change of control

Where there is likely to be a change of control, the Board has the discretion to accelerate vesting of some or all of the performance rights. Where only some of the performance rights are vested on a change of control, the remainder of the performance rights will immediately lapse.

If a change of control occurs before the Board exercises its discretion, a pro-rata portion of the performance rights (equal to the portion of the relevant performance period that has elapsed up to the change of control) will vest.

Clawback

The Board has broad "clawback" powers to determine that performance rights lapse, any shares allocated on vesting are forfeited, or that amounts are to be repaid in certain circumstances (for example, in the case of serious misconduct).

Restrictions on dealing

Mr Ballantyne must not sell, transfer, encumber, hedge or otherwise deal with performance rights.

Mr Ballantyne will be free to deal with the shares allocated on vesting of the performance rights, subject to the requirements of Healthscope's Policy for Dealing in Securities.

Additional information provided in accordance with ASX Listing Rule 10.15

- Since the last shareholder approval at the 2017 Annual General Meeting, no STI performance rights were issued and 1,090,910 LTI performance rights were issued (at no cost) to Mr Ballantyne as his FY18 LTI. These are the only performance rights that have been granted under the Company's Equity Incentive Plan since last shareholder approval was received. No other STI or LTI performance rights have been issued to the Company's current directors under the Company's Equity Incentive Plan.
- Mr Ballantyne is the only Director entitled to participate in, and receive performance rights under, the Equity Incentive Plan.
- No loan will be made by the Company in relation to the acquisition of performance rights or allocation to Mr Ballantyne of any shares on vesting of those rights.
- If approval is given under ASX Listing Rule 10.14, approval will not be required under ASX Listing Rule 7.1.

A voting exclusion statement applies to this resolution, as set out in the Notice of Meeting.

Recommendation

The Board (with Mr Ballantyne abstaining) recommends that shareholders vote **in favour** of the grant of performance rights to Mr Ballantyne.

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