



Connected Healthcare

Company/ASX Code	Healius / HLS
AGM date	Thursday 20 October, 2022
Time and location	11am AEDT Level 2, Gallery 1,2,3 Four Seasons Hotel, 199 George Street Sydney and online at https://meetnow.global/M7QMN7P
Registry	Computershare
Type of meeting	Hybrid
Poll or show of hands	Poll on all items
Monitor	Patricia Beal and Elizabeth Fish
Pre AGM Meeting?	Yes with Chair Jenny McDonald, Janet Payne (Investor Relations), and (by web) Sally Evans (Remuneration Chair)

Monitor Shareholding: One of the individuals (or their associates) involved in the preparation of this voting intention has a shareholding in this company.

Summary of issues for meeting

New LTI plans: A new plan has been adopted for after the Transformation Long-Term Incentive Plan (TLTIP). It is mostly in keeping with ASA guidelines.

Operationally, Healius had a strong year with a large increase in dividends.

Proposed Voting Summary

No.	Resolution description	
2	Adoption of Remuneration Report	For
3	Re-election of Mr Gordon Davis as a Director	For
4	Re-election of Prof John Mattick as a Director	For
5	Approval of Long-Term Incentive Plan	For
6	Approval of equity grant to CEO/Managing Director Dr Malcolm Parmenter under STI Plan and LT Incentive Plan	For
7	Approval of grant of securities under NED Share Plan	For
8	Renewal of proportional takeover provisions	For

Summary of ASA Position

Key events

July 2021 acquired Axis Diagnostics; announced strategic partnership with Qure.ai. August 2022 rebranded Imaging as Lumus imaging. Jan 2022 acquired Agilex Biolabs.

Adora fertility clinics were sold early in the Financial Year (FY).

Day Hospitals: including Montserrat, being held for sale in FY2023.

Strategy is being concentrated basically on the core of diagnostics, ie pathology and imaging, together with future prospects like genomics and clinical trials through agilex.

Overall: During the year there were Delta and Omicron COVID-19 outbreaks / waves, with again very large numbers of PCR tests. Also, there was increasing demand for non-COVID-19 tests, as well as imaging and day hospital demands. HLS had to scale workflow up and down with these waves of changes in numbers. Efficiency in 'flexing' up and down with demand was shown.

Results, shown in Summary Table, do show significant gains, mainly in the Pathology section. The dividend rose commensurately, though the share price has been influenced by ongoing instability in markets worldwide.

Key Board or senior management changes

Prof John Mattick appointed as NED in April 2022. In September 2022, it was announced that Mr Robert Hubbard, Chairman of the Board, was stepping down immediately for health reasons. Ms Jenny Macdonald was appointed Chair. Long serving director Dr Paul Jones will be standing down after the AGM. Further refreshing of the board will be undertaken carefully and deliberately.

Mr Dean Lewsam, Chief Executive of Imaging, 'departed Healius' in July 2022.

Summary

(As at FYE)	2022	2021	2020	2019	2018
NPAT (\$m)	307.9	43.7	(70.5)	55.9	4.1
UPAT (\$m)	309.3	148.4	55.4	93.2	87.5
Share price (\$)	3.67	4.63	3.05	3.02	3.37
Dividend (cents)	16	9.9	3.4	7.2	10.6
Simple TSR (%)	(17.1)	55	2.1	(7.7)	(4.2)
EPS (cents)	52.8	7.1	(11.3)	9.2	0.8
CEO total remuneration, actual (\$m)	5.9	1.732	1.625***	2.05	1.41*
CEO remuneration awarded for FY22 performance \$m	4.6	6.4	1.5	1.65	1.9

Note: Underlying profit after tax (UPAT) (alone in the above table) is not an audited figure. Its significance is that it is HLS's measure of profits from "ongoing businesses", significant in calculating possible Transformation Long-Term Incentive Plan (TLTIP) payments in future years. HLS will use only Pathology costs, as that is effectively the "ongoing business" now.

***CEO's 2020 remuneration was reduced by 30% from late March to end of June 2020 due to COVID-19.

*for 2018, CEO rem was for 10 months only (new appointment)

Simple total shareholder return (TSR) is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year).

Resolution 2 Adoption of Remuneration Report

Fixed salary of the key management personnel (KMPs) is not excessive.

Short-term Incentive (STI) has a gateway which is determined by company strategy and operations (including new sustainability targets), with targets in varying categories set individually, but not released in advance. It is determined after the close of the FY, so 67% is received (in cash) in the following FY, but 33% a year later in equity.

A new long-term incentive (LTI) scheme is starting this FY, to take over from the previous TLTIP (which has its first tranche assessed on FY22 results, and 2 later tranches subsequently). So, the first tranche of the new scheme will become available for FY25. Targets will be assessed on 3-year averages, delivered in years 4 to 6, described in Resolution 5.

Election or re-election of directors

Resolution 3 and Resolution 4

Gordon Davis has been on the board since 2015, and in fact was re-elected last year. He chairs the Risk Management Committee. Prof John Mattick AO (appointed to the board in March 2022) has excellent qualifications and experience for this position.

Resolution 5. Approval of Long-Term Incentive Plan.

See notice of meeting (NOM), p 9

New plan, for after the TLTI, which has its first tranche of rewards this FY, with further tranches over the next 2 FY. This new one to pay out its first tranche after the next 2 years so that it doesn't coincide with possible high STI in FY23, and FY24. Rewards will be as **Performance Rights**, determined at **face value**. The mix to be 36: 23:41 (FR: STI: LTI).

Weighting for the LTI to be 66.7% on relative TSR (rTSR); 33.3% on earnings per share (EPS); to be measured over 3 years (FY23-25). These measurements should align the incentives with LT returns to shareholders.

Comparator group for rTSR to be the S&P/ASX 100-200 minus financial services, technology and resources stocks.

Underlying earnings to measure EPS, with adjustment from statutory earnings limited to the investment in the Pathology Digital Transformation.

Resolution 6. Approval of equity grant to CEO/Managing Director Dr Malcolm Parmenter under STI Plan and LT Incentive Plan

Full details are given in the NOM.

Resolution 7. Approval of grant of securities under NED Share Plan

This plan was approved for then existing board members at the 2021 AGM, for the duration of 3 years. This resolution will extend it to Prof John Mattick. It is a pre-tax salary sacrifice plan, described in the NOM.

Resolution 8. Renewal of proportional takeover provisions

ASA routinely supports such resolutions

ASA Disclaimer

This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:

- makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.

Appendix 1

Remuneration framework detail

CEO rem. Framework for FY23	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.65	36.4%	1.65	35.5%
STI - Cash	0.641	14.1%	0.718	15.5%
STI - Equity	0.320	7.1%	0.359	7.7%
LTI	1.924	42.4%	1.924	41.4%
Total	4.535	100.0%	4.65	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.

*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.

The rem framework is described in the NOM.