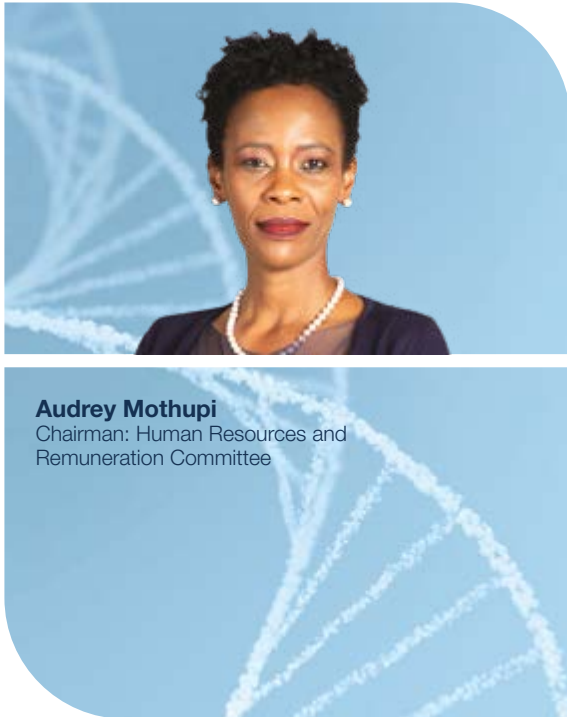




# Remuneration report



**Audrey Mothupi**  
Chairman: Human Resources and  
Remuneration Committee

Our people are our most important asset. They differentiate our business and are a core enabler for everything we do. We aim to create an inclusive and diverse working space where every person feels safe to express themselves in a supportive environment. For the year under review, the Company delivered a solid set of results, with Group revenue climbing to R28.2 billion and operating profit increasing to R3.1 billion. This reflection of strong operational performance in both our acute and non-acute businesses is testament to the calibre of our workforce, our people.

## Human Resources and Remuneration Committee Chairman's report

### INTRODUCTION

Royden Vice stepped down as Chairman of this Committee on 27 January 2022 and, as incoming Chairman, I am pleased to present the 2022 Remuneration report on behalf of the Board. This year's report demonstrates our progress and achievements against the elements embedded in our four strategic pillars, namely **Quality, Growth, Efficiency** and **Sustainability**, and highlights the Company's responses to the needs of our entire workforce, especially post what can only be described as two challenging years in the Company's history.

For the year under review, the Committee has increased its focus on **strategic people matters** and, to this end, has spent substantial time reviewing strategic HR initiatives including Group-wide succession planning, the employee value proposition to existing and prospective employees, and diversity, equity and inclusion. The Committee has also established a meeting protocol with three core focus areas namely: strategic people issues, remuneration and governance (including retirement funding) and general governance matters.

## OUR PHILOSOPHY

Life Healthcare's remuneration philosophy is to ensure that employees are rewarded **appropriately** for their contribution to value creation for the Group. This is done by a formal pay structure where market rates are set competitively and where incumbents progression on the reward curve is primarily informed by their performance and increasing levels of competence. Our remuneration philosophy informs our reward framework and guides policy. In a continually evolving context, we regularly review our remuneration policies to ensure our approach remains relevant and responsible.

The Committee is also acutely conscious of its role to ensure **fair and equitable pay** at all levels of employment throughout the southern African business and has, for the year under review, accepted this responsibility with the gravitas that is required, especially within an economic environment that has placed tremendous strain on our workforce. In the midst of the *Great Resignation* and in the context of increased strain on salaries due to the rising cost of living, the Committee has and will continue to fully interrogate and understand our position in this regard. Equal pay is also a societal issue deeply rooted in the 'S' of ESG, and the Committee is cognisant that addressing and focusing on this issue is an important part of unlocking stakeholder value across the spectrum.

Overall reward has also been a critical area for the Committee to focus on within our International operations. Throughout the European geographies within which we operate, inflation and cost of living pressures continue to emerge at pace and it is becoming essential that we adopt a responsible, sustainable approach to ensure our international workforce are supported through these difficult times.

### Several critical challenges influenced remuneration during the year under review:

- ▶ The continued (and residual) impact of the COVID-19 pandemic on operational and financial performance.
- ▶ The scarcity of critical skills, especially nursing, which has been heightened over the past two years due to the legislative constraints placed on training of post-graduate nursing students.
- ▶ Ageing population, especially of clinical skills and the need for suitable succession plans to address this concern.

### In response, multiple developments were introduced to address these challenges, including:

- An intentional focus on enhancing the branding of our EVP to attract and retain appropriate skills.
- An in-depth review of our incentive schemes has commenced to ensure appropriate performance measures and line of sight to drive the correct behaviours and to align with shareholder sentiments.

- The introduction of several new initiatives in response to market conditions, which include, inter-alia:

#### South Africa:

- Enhanced flexibility allowing employees to increase or decrease their employee contribution to the retirement fund, to address financial constraints of employees.
- The extension of retirement age for critical clinical skills from 63 years to 65 years.
- A gratuity for non-management roles for a period of three months to provide financial support.
- Increases in specialist and market allowances for several critical qualified skills from August 2022.

#### International:

- Our International senior management team received their first payment under the Life Healthcare long-term incentive plan (LTIP) in January 2022, reinforcing their investment in the long-term success of the Company.
- International senior executives had a range of ESG objectives added to their team and personal performance contract, reinforcing Life Healthcare's commitment to a positive ESG agenda.

## SHAREHOLDER ENGAGEMENT

The Committee regards this report as a valuable platform through which to engage with our stakeholders and to respond to issues raised by them during the year under review. During the Annual General Meeting (AGM) held on 26 January 2022, the outcome of the non-binding advisory vote was as follows:

**62.1%**

of the total number of shares voted were in favour of Life Healthcare's Remuneration report.

**46.9%**

of the total number of shares voted were in favour of the Remuneration Implementation report.

As per King IV™ requirements, the Company set up engagements with shareholders to address their concerns. This also included one-on-one sessions with key institutional investors.

The major concerns raised, and the Company's response were as follows:

- **The rationale for the sole financial measure of Normalised Group HEPS in respect of the LTIP 2021 allocation.** This metric was best suited to the uncertain trading environment brought about by the COVID-19 pandemic. We did not include EBITA as this is included as a performance measure in our short-term incentive plan.



# Remuneration report continued

- **Why the LTIP hurdle of CPI + 4% for the LTIP 2021 allocation was seen as a stretch target for on target performance.** The Company believes that the target set was fair given the ongoing uncertainty of the operating environment at the time.
- **The performance threshold of the Life Core Purpose for the Group Executive was reduced to 90% achievement.** The Company removed the outperformance reward table, and 90% performance threshold reflects acceptable performance against a stretch target.

## ESG MATTERS

As an international healthcare provider, we have strong **commercial** and **ethical** imperatives to lead on ESG issues in our sector.

- **Commercially**, ESG provides assurance to our stakeholders that their investment in our business is being appropriately utilised to drive improved commercial outcomes which will strengthen our ability to invest in and improve the healthcare services we deliver to our communities.
- **Ethically**, ESG is our contribution to improve the environmental, social and governance outcomes which have the potential to directly improve the health and well-being of the communities in which we operate and beyond.

The Committee is cognisant of the request from shareholders for the Company to incorporate ESG metrics into our incentive structures. We have noted this request and a focused process is underway to ensure that the underlying motivation for including metrics is sound and that we have fully assessed the materiality of the ESG goal and how it links directly to remuneration. We are in the process of creating and approving a robust ESG strategy that considers the views of stakeholders and shareholders, is underpinned by the Company's purpose, values and business strategy, and takes into account the design dimensions that are material to us. We will be playing close attention in the new financial year to how we utilise our remuneration philosophy and framework to further embed this imperative into the business.

## DIVERSITY, EQUITY AND INCLUSION

- During the year under review, substantial progress has been made with our diversity strategy in middle management and higher roles. This further cements our continued commitment towards a transformed and diverse workforce. The representation of ACI employees in our total workforce has increased from 77.2% in FY2021 to 79.4% in FY2022.
- Material progress has also been made on our international equality, diversity and inclusion strategy with multiple initiatives launched and improvements being seen across all our core metrics. Female senior management representation has improved from 38% in 2021 to 40% in 2022 and female colleagues now represent 32% in 2022 of statutory directors on our subsidiary boards, up from 25% in 2021 (and 16% in 2015).

## HR SYSTEM IMPROVEMENTS

Within our southern African operations, a digitisation of our core HR functionality is currently underway. Within our international operations, a decision has been taken to invest in a new pan-European HR system, which will support a single view of the international workforce, leading to improved management understanding and decision making.

Both geographies will enjoy digital workforce engagement functionality, once the processes are concluded, and our updated system technology will act as a catalyst for improved people practices.

## Looking forward, the Group Human Resources and Remuneration Committee's focus areas will be as follows:

- ▶ A full, holistic review of the Company's reward philosophy remains a key consideration.
- ▶ Consideration of the views of our shareholders when planning our reward strategy to ensure a holistic approach to total reward.
- ▶ Encouragement of the Group executive team to hold company shares to better align the interests of executives with shareholders.
- ▶ Ensure continued performance-driven reward.
- ▶ Global integration will continue to focus on organisational culture, global mobility, talent management, HR metrics, and reporting on retirement fund matters.
- ▶ Diversity and inclusion will continue to be a strategic objective to ensure equal opportunity and fair representation of the communities we serve.

In closing, I wish to place on record my heartfelt appreciation to Royden, who has led this Committee for the past seven years. Royden's institutional knowledge and deep understanding of remuneration philosophy has set the foundation for the efficient running of this Committee, which I will continue to embed during my tenure.

Yours sincerely

**Audrey Mothupi**

*Chairman: Human Resources and Remuneration Committee*

## Remuneration framework aligned to our strategic priorities

The remuneration policy is approved by the Board and forms part of our operating philosophy, policies, and protocols.

Our remuneration framework and policies, which are a key component of our broader employee value proposition, aim to:

- Attract, motivate, reward, and retain our people;
- Promote the achievement of strategic objectives within the Group's values and risk appetite;
- To promote diversity in our workforce to align with the communities we serve;
- Promote an ethical culture and responsible corporate citizenship; and
- Provide a balanced remuneration mix within the Group's financial constraints.

Life Healthcare's remuneration philosophy is to ensure that employees are rewarded fairly and appropriately for their contribution to value creation for the Group. This is done by a formal pay-structure where market rates are set competitively and where incumbents' progression on the reward curve is primarily informed by their performance and increasing levels of competence. Our remuneration philosophy informs our reward framework and guides policy. In a continually evolving context, we continually review our remuneration policies to ensure our approach remains relevant, fair, and responsible.

Life Healthcare's demonstration of commitment to fair and equitable pay includes the following Group-wide practices:

- Minimum standard of adherence to national minimum wages, with a commitment to progress to living wage minimum wages where appropriate to do so.
- Delivery of sustainable, competitive salary mandates that prioritise reward for our lowest earners and provide market related pay increases.
- Use of independent, external reward benchmarking tools to ensure a consistent and transparent approach is applied to reward decisions.
- Equal pay analysis to mitigate the risk of unfair pay discrimination based on diversity differences, ensuring that work of equal value is rewarded fairly across all demographics.
- Application of geography specific market related pay at a country and in-country level to ensure sustainable and competitive regional pay.
- In South Africa, all employees who do not participate in the long-term incentive scheme participate in the Life Healthcare Employee Share Plan as detailed in this report.

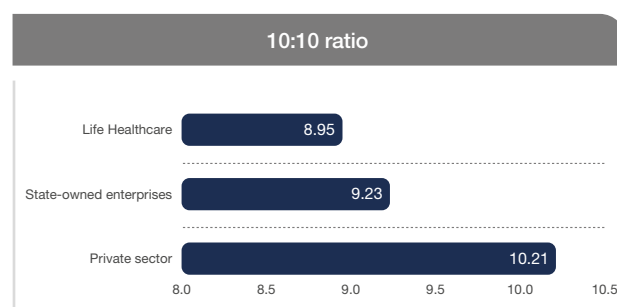
The Group periodically consults market survey providers for an indication of the guaranteed remuneration and annual cash incentive payments made generally and sectorally. We utilise these inputs, along with guidance from external remuneration experts, to assess our positioning compared to the market in terms of key talent. We then overlay various contextual factors, including industry trends, the Group's financial position and legislative requirements, evaluating our performance in delivering fair and equitable remuneration as part of our employee value proposition.

Ultimately our goal is to design reward for business sustainability, balancing what is required to attract and retain the best talent, with affordability considerations.

### WAGE GAP – SOUTHERN AFRICA

In this context, the Group applies the 10:10 methodology to gauge the fairness of our wage gap. The 10:10 ratio expresses the sum of the salaries of the highest paid 10% of employees as a ratio of the sum of the salaries earned by the lowest earning 10% of employees.

The larger this ratio, the more inequality exists, the ratios based on 2019 South Africa salaries are as follows:



21st Century's salary database ([www.21century.co.za](http://www.21century.co.za)) – (Morton & Blair, 2019)

Life Healthcare continues to demonstrate a smaller income gap between the top and lower earners compared to both SOEs and the private sector in general.

In addition, the Company annually reviews and grants higher increases to the lowest earners as it aims to transition from applying a minimum wage to a minimum living wage. This process is supported by a focus on skills development.



# Remuneration report continued

## Remuneration governance

The Board is responsible for the remuneration policy and has delegated responsibility to this Committee for the Group's remuneration practices. The Committee comprises:

AM Mothupi	Non-Executive Director/Chairman of Human Resources and Remuneration
RT Vice	Non-Executive Director
Adv M Sello	Non-Executive Director
GC Solomon	Non-Executive Director

### **IN ATTENDANCE:**

J Ranchhod	Group Company Secretary
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### **BY INVITATION**

Dr VL Litlhakanyane	Non-Executive Director/Chairman of the Board
PG Wharton-Hood	Executive Director – Group Chief Executive
A Parboosing	Chief People Officer
CJ Gouws	Human Resources Executive – SA
PJ Winchester	Human Resources Director – International

In South Africa, we also comply with the obligations of the JSE Listing Requirements, King IV™ and draft guidelines and practice notes of the IoDSA. Formal feedback is provided to the Board annually on how the policy objectives are being achieved. The Board reviews the recommendations based on the CEO's proposal for performance and incentive outcomes, with strong emphasis on aligning performance with strategic focus areas of each executive. The Board may apply discretion to deliver appropriate outcomes for our shareholders and the Company.

# FY2022 Remuneration framework

Guaranteed remuneration (TGP)	Short-term incentive (VCP)	Long-term incentive (LTIP)
<p>Total guaranteed package (TGP) consists of basic salary and benefits for all categories except senior management and executive, where remuneration is delivered on cost to company basis.</p> <p>Employee benefits include <i>inter alia</i> subsidisation for compulsory medical aid membership, company contributions to retirement funds, which also includes cover for death and disability, guaranteed 13th cheque and specialist and market retention allowances for specific core skills.</p> <p>The Group makes extensive use of survey houses to support its reward benchmarking process. We typically benchmark against market median, but may reward up to the 75th percentile for top talent and critical skills.</p> <p>Benchmarking is reviewed annually prior to the annual salary review process.</p> <p>In respect of the Group Executive, remuneration is benchmarked against direct healthcare competitors and utilising the Deloitte Executive market survey which takes cognisance of size and complexity of the organisation, level and scope of the job.</p> <p>For the International team, guaranteed remuneration is benchmarked utilising a bespoke remuneration survey sourced from Willis Towers Watson.</p>	<p>This is aimed at executives and management who make a line-of-sight contribution to the profitability of the business.</p> <p>The VCP policy applies a balanced scorecard approach, which measures, and rewards behaviour aligned to each strategic focus area, namely quality, growth, efficiency and sustainability.</p> <p>The Board approved a change in the weighting of financial vs non-financial measures for the Group Executive in FY2022 as follows:</p> <ul style="list-style-type: none"> <li><b>50%</b> Group Financial results</li> <li><b>25%</b> Group Strategic Innovation measures</li> <li><b>25%</b> Personal Performance measures</li> </ul> <p><b>Financial Performance measures:</b></p> <ul style="list-style-type: none"> <li><b>80%</b> EBITA</li> <li><b>10%</b> Gross Cash</li> <li><b>10%</b> capex % of EBITDA</li> </ul> <p>Should the Group's financial performance be less than 75% of the agreed stretched financial targets, no VCP payment is made, irrespective of individual performance. Additionally, if personal performance outputs are not met, no payment is made irrespective of Company performance being met.</p> <p>The maximum award for the Group Executive as a % of guaranteed package is as follows:</p> <ul style="list-style-type: none"> <li><b>154%</b> Group CEO</li> <li><b>125%</b> Group CFO</li> <li><b>106%</b> Other Group Executives</li> </ul>	<p>This incentive is aimed at executive and senior managers who have a more strategic focus and can influence the long-term performance and sustainability of the Group.</p> <p>The LTIP is a notional performance share scheme with a three-year performance and vesting period. Settlement is in equity in South Africa and, where possible, for International.</p> <p>The performance measures and weightings for the Group Executive in respect of FY2022 are as follows:</p> <ul style="list-style-type: none"> <li><b>60%</b> Normalised HEPS relative to inflation No vesting occurs if financial performance is below CPI plus 2%.</li> <li><b>40%</b> Specific Life Core Purpose measures. No vesting occurs if performance is below 90% of target.</li> </ul> <p>The allocation value is influenced by salary, the Life Healthcare share price on the JSE using a 30-day VWAP preceding date of allocation, tier, and individual performance. The scheme continues to allow for a further strategic modifier ranging between 0.5 to 2 x targeted allocation based on strategic contribution and key talent retention.</p> <p>The maximum award for the Group Executive based on on-target allocation as a percentage of guaranteed package is as follows:</p> <ul style="list-style-type: none"> <li><b>128%</b> Group CEO and Group CFO</li> <li><b>98%</b> Other Group Executives</li> </ul>



# Remuneration report continued

## CO-INVESTMENT PLAN (CIP)

Once-off allocation in 2021 to selected executives and senior managers who have been deemed critical to retain due to their ability to influence long-term performance and sustainability of the Group. The majority of the participants on the scheme are senior managers of operational business units and core service functions.

Promotes retention and employee ownership through an invitation to invest in the Group and acquire shares by deferring a significant portion of potential STI (70% of bonus).

- **Bonus shares** – the deferred portion of VCP is used to purchase Life Healthcare shares. The vesting of these shares is dependent on continued employment.
- **Company matched shares** – based on VCP deferral, the Company purchased restricted Life Healthcare shares on a 3:1 basis. The vesting of these shares is also dependent on continued employment.
- **Performance shares** – a further purchase by the Company of restricted Life Healthcare shares of up to 75% of guaranteed remuneration. The vesting of these shares is dependent on continued employment and the achievement of performance conditions over the holding period. If performance conditions are not met, these shares are forfeited.

*(Note: the shares for Ireland and Germany are conditional shares)*

These shares were purchased in the market, held in a trust, and are therefore non-dilutive.

The holding period (Bonus shares) and vesting period (Matched and Performance shares) is four years from date of allocation. No performance conditions besides continued employment is required for the Company matched shares. The Performance shares will vest if the Group's relative Total Shareholder Return (TSR) performance is an average of 75% or higher in comparison to its comparator group. The Human Resources and Remuneration Committee will review and approve the performance conditions. Participants are held to an extended notice period of 12-months, as well as a six-month international restraint of trade for the duration of the scheme.

Upon termination of employment:

### – **Fault termination:**

Bonus shares are not forfeited but remain subject to the release date of the holding period, unless the participant breaches restraint conditions. Matched and Performance shares are forfeited.

### – **No fault termination:**

The Bonus shares will no longer be subject to the holding period and will be released at the date of termination.

The Matched shares shall vest on a pro-rata basis to the date of termination.

The Performance shares will vest on a pro-rata basis to the date of termination to the extent to which performance conditions have been met.

## EMPLOYEE SHARE PLAN (SA ONLY)

The aim of the Employee Share Plan is to retain employees in the long-term, reward and recognise loyal and long serving employees financially and allow employees the opportunity to share in the success of the Company.

Each year, beginning in July 2012, the Company has bought Life Healthcare shares for:

- Permanent employees with one-year or more unbroken service as at date of allocation;
- Member of the Life Healthcare Retirement Funds; and
- Permanent employees who do not form part of the LTIP population.

The Company plans to continue buying shares for employees with one-year or more permanent service each year, dependent upon the Company's results.

The shares are held in a trust until years 5, 6 and 7, where vesting will occur provided participants are still in the employ of the Company:

- Year 5: 25% of rights to shares
- Year 6: 25% of rights to shares
- Year 7: 50% of rights to shares

The shares, or after-tax equivalent in cash, are transferred from the trust to the employee at vesting.

The Board approved a further purchase of **R60 million** worth of Life Healthcare shares for the benefit of eligible participants in 2022.

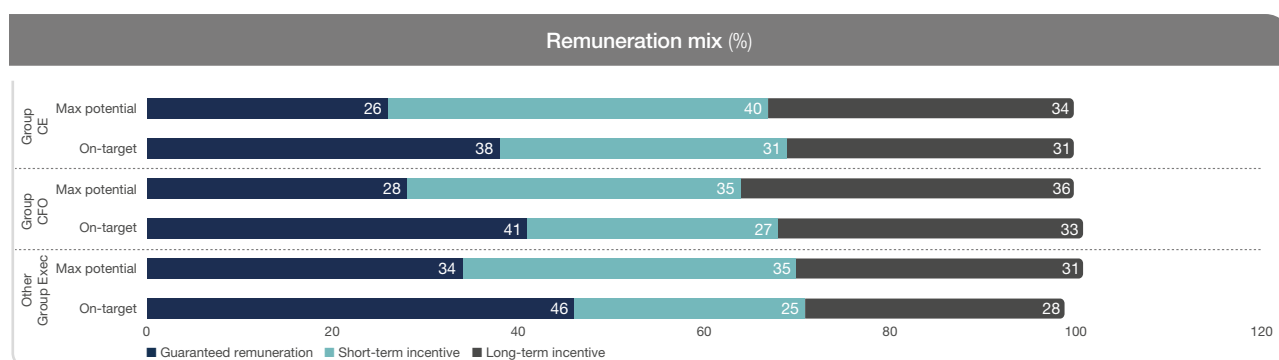
## MALUS AND CLAWBACK

Malus and clawback provisions are included in the short and long-term incentive schemes as well as the CIP. The scheme rules and award letters to eligible employees include policy provisions for both malus and clawback. Funds will be recovered after following due process and will not preclude legal action in instances where actions constitute a criminal act.

If a participant is found guilty following a disciplinary hearing, the payment will be withheld if not yet paid, or will be recovered from the individual within a three-year period after delivery of payment. Where bona fide errors have been made, the monies will be corrected or recovered against the ensuing incentive payment.

## FY2022 Executive remuneration mix

The on-target and maximum pay mix apportionment for FY2022 is graphically displayed below. It is strongly weighted towards variable remuneration, with performance pay contributing an average of **57%** of total target mix and an average of **30%** of total target reward delivered in equity.



## Employment contracts

Executive employment contracts in the normal course of business, outside of the CIP, for the Group Executive are typically set as follows:

- A six-months' notice period
- A three-months' global restraint of trade
- A 12-months' undertaking to refrain from recruiting Life Healthcare employees across the Group and geographies.

## Non-Executive Directors' remuneration (NED)

NED fees are paid as a combination of a retainer and a fee per meeting to ensure alignment with emerging market practice. The fees are reviewed on an annual basis.

The fees per annum that were approved at the January 2022 Annual General Meeting were based on a comprehensive benchmarking exercise conducted by an independent remuneration consultant against other industry sector companies (our peer group, consisting of direct and indirect competitors), and other similar-sized JSE listed companies. A 7.5% increase was approved for director fees (member and Chairman) and to Human Resources and Remuneration Committee fees. All other fees were increased by 5%. (See **Implementation report** for details).

In line with the Board succession strategy, a process was also underway to identify and potentially recruit internationally based directors during the year under review. The Board had agreed that a differentiated payment structure would be applied to any such appointment and the Company sought approval for this remuneration at an Extraordinary General Meeting of shareholders in July 2022.





# Remuneration report continued

## Implementation report

### INTRODUCTION

The Implementation report discloses the remuneration paid to Executive Directors and prescribed officers for the 2022 financial year. The Committee is satisfied that the remuneration policy has been consistently applied in the 2022 financial year and that there have been no deviations from this policy.

### REMUNERATION OUTCOMES

#### GUARANTEED REMUNERATION

##### a) Annual increases

As communicated in last year's Implementation report, a once-off arrangement was made in southern Africa during FY2021 whereby salary increases to non-management employees was brought forward from January 2022 to September 2021 to address critical skills.

The salary increases granted per geography were as follows:

Geography	% increase
<b>Southern Africa</b>	<b>5.4</b>
<b>International</b>	
UK	3.0
Italy	1.6
Ireland	3.0
Northern Europe	3.0
Life Molecular Imaging	3.0

##### Total directors' remuneration

The guaranteed package and total year-on-year remuneration paid to the directors are tabled below:

	Guaranteed remuneration		Total actual remuneration	
	2021 <sup>1</sup> R'000	2022 <sup>2</sup> R'000	2021 <sup>1</sup> R'000	2022 <sup>2</sup> R'000
Executive Directors	25 040	<b>26 206</b>	53 444	<b>54 864</b>
Non-Executive Directors			7 661	<b>10 273</b>
<b>Total</b>	25 040	<b>26 206</b>	51 105	<b>65 137</b>

<sup>1</sup> Exchange rate as of 30 September 2021 applied to CEO International £1 = R20.32

<sup>2</sup> Exchange rate as of 30 September 2022 applied to CEO International £1 = R20.24

##### Total directors' shareholding

The total number of Life Healthcare shares held by each director as at the end of the financial year is as follows:

	Total direct shareholding
PG Wharton-Hood	500 000
PP van der Westhuizen	331 152
AM Pyle	234 156
MD Chapman	210 564

## b) Total single figure of remuneration – Executive Directors and Prescribed Officers

Payments to directors for the year ended 30 September 2022 for services rendered are set out in the table below. It should be noted that these payments reflect cash payments made/earned to directors during the financial year and therefore all variable-pay components are reflective of performance measurements relating to previous periods.

	PG Wharton-Hood		PP van der Westhuizen		AM Pyle		MD Chapman <sup>5</sup>	
	2021 R'000	2022 R'000	2021 R'000	2022 R'000	2021 R'000	2022 R'000	2021 R'000	2022 R'000
Salaries	7 800	<b>8 256</b>	5 500	<b>5 825</b>	4 079	<b>4 662</b>	5 842	<b>6 253</b>
Benefits	735	<b>706</b>	301	<b>312</b>	188	<b>211</b>	838	<b>647</b>
<b>Guaranteed package</b>	8 535	<b>8 962</b>	5 801	<b>6 137</b>	4 267	<b>4 873</b>	6 680	<b>6 900</b>
VCP cash earned in FY <sup>1</sup>	4 460	<b>8 563</b>	2 579	<b>4 952</b>	1 811	<b>3 476</b>	2 173	<b>4 266</b>
VCP equity earned in FY <sup>2</sup>	4 660	–	2 695	–	1 892	–	2 454	–
Life Healthcare equity (retention shares) <sup>3</sup>	–	–	–	–	–	<b>1 922</b>	–	<b>2 238</b>
Long-term incentives <sup>4</sup>	–	–	3 236	<b>1 231</b>	2 201	<b>641</b>	–	<b>703</b>
<b>Other</b>	9 120	<b>8 563</b>	8 510	<b>6 183</b>	5 903	<b>6 039</b>	4 627	<b>7 207</b>
<b>Single figure remuneration</b>	17 655	<b>17 525</b>	14 311	<b>12 320</b>	10 170	<b>10 912</b>	11 307	<b>14 107</b>

<sup>1</sup> Short-term incentive cash amount accrued relating to the performance against target for previous financial year.

<sup>2</sup> Short-term incentive equity amount accrued relating to the performance against target for the previous financial year and deferred to the CIP scheme as detailed in the FY2021 Remuneration report.

<sup>3</sup> Life Healthcare shares vested as part of the retention shares (as detailed in prior year's Implementation report).

<sup>4</sup> LTIP 2018 Bonus Alternative reflected under FY2021 and LTIP 2019 allocation vesting occurred at the end of December 2021.

<sup>5</sup> M Chapman's remuneration is reflected in SA Rands applying the average exchange rate of £1 = R20.32 as of 30 September 2021 and £1 = R20.24 as of 30 September 2022.

The targeted % of Total Cost to Company for the Group Executive and the payment made in respect of each period is set out below:

	Financial year	Guaranteed package R'000	VCP earned R'000	% of guaranteed package
PG Wharton-Hood	2021	8 321	9 120	110%
	<b>2022</b>	<b>8 737</b>	<b>8 563</b>	<b>98%</b>
PP van der Westhuizen	2021	5 923	5,274	89%
	<b>2022</b>	<b>6 219</b>	<b>4 952</b>	<b>80%</b>
AM Pyle <sup>2</sup>	2021	4 700	3 702	79%
	<b>2022</b>	<b>4 935</b>	<b>3 476</b>	<b>70%</b>
MD Chapman <sup>3</sup>	2021	6 096	4 627	76%
	<b>2022</b>	<b>6 314</b>	<b>4 266</b>	<b>68%</b>

<sup>1</sup> Total STI earned in FY2021 is inclusive of deferred portion to CIP (See FY2021 Implementation Report).

<sup>2</sup> Total STI earned in FY2022 will be paid in the next financial year (inclusive of deferred portion to CIP).

<sup>3</sup> Exchange rate of 20.32 and 20.24 to the pound for FY2021 and FY2022 respectively.



# Remuneration report continued

## SHORT-TERM INCENTIVISATION

The outcome of the performance scorecard for the Group Executive in respect of FY2022 was as follows:

### 1. Financial metrics – 50%

	Actual	Target
EBITA versus budget	100.9%	100%
Cash generated from operations as a % of EBITDA	99.8%	100%
Capex as % of EBITDA	47%	57%

The total outcome resulted in a **6-rating** which delivered **125%** of this weighting.

### 2. Clinical outcomes – 25%

#### **Patient satisfaction**

The FY2022 overall patient experience score was unchanged from the prior year (8.4/10), while the score of 70.9% for “Definitely Recommend” returned to our pre-COVID-19 ranges of 70.7% in FY2019 and 70.8% for FY2020 (please refer to our safety and quality report on [page 128](#))

#### **Patient safety**

Our clinical metrics in SA and International reflected a good overall performance, despite a fourth and fifth COVID-19 wave, severe flooding and a major fire in KZN over the course of FY2022. We have managed to maintain or improve on most of our patient safety and quality metrics both in South Africa and internationally.

#### **Employee safety**

The total employee adverse event rate, which includes employee falls; mobility injuries and sharps injuries has decreased by 6% year on year (please refer to our safety and quality report on [page 129](#)).

The outcome resulted in a **4-rating** which delivered **100%** of this weighting.

### 3. Personal Performance – 25%

Each of the individual Group executives agreed specific deliverables with the GCE at the beginning of the financial year. The main focus areas for the team, during 2022, are shown below. Additional information on our strategic goals is shown on [pages 22 and 23](#) and we have included priorities and KPIs for our southern African ([page 99](#)) and International ([page 109](#)) operations.

#### **Continued focus on the IT environment within the Group:**

- ↪ Ensure a continued focus on IT delivery within the Group, with appropriate resourcing
- ↪ Deliver key projects in line with milestones set
- ↪ Progress the integration and standardisation of IT imperatives across the Group

#### **Cyber security:**

- ↪ Enhance Group cyber threat intelligence capabilities
- ↪ Deploy global security operations centre in line with set milestones

#### **Government and stakeholder engagement:**

- ↪ Ensure impactful engagement with key stakeholders
- ↪ Drive consistent private/public collaboration

#### **People:**

- ↪ Ensure the continued driving of diversity imperatives across the Group
- ↪ Deliver a remuneration strategy for the retention of critical skills
- ↪ Evolve the nursing value proposition to guide and support our strategy
- ↪ Obtain approval to train more nurses
- ↪ Deliver a global employee value proposition (EVP)

#### **Strategic growth initiatives:**

- ↪ Deliver the Group's strategy in terms of its growth initiatives and ambitions

## LONG-TERM INCENTIVISATION PLANS (LTIP)

The LTIP details regarding the vesting of the 2019 LTIP allocation and the three unvested LTIP 2020, 2021 and 2022 allocations are set out below.

### a) Vesting of the LTIP 2019 allocation

The 2019 LTIP allocation vested on 31 December 2021. Delivery was in shares for all southern African participants and in cash for all International participants. Vesting is calculated based on financial and clinical outcomes, with calculations based on performance from 1 October 2018 to 30 September 2021.

The outcome of performance against vesting criteria for the Prescribed Officers was as follows:

Performance measure	Weighting	Outcome	% Vesting
Capital efficiency			
– ROCE vs WACC	79%	(2.6%)	0%
– Growth EBITDA relative to capex spend	21%	0%	0%
Normalised Group HEPS	100%	(16.2%)	0%
Life Core Purpose <sup>1</sup>	100%	107.0%	120.0%

<sup>1</sup> The outcome of the Life Core Purpose measures was detailed in the 2021 Implementation Report.

Based on the performance outcomes, the LTIP 2019 allocation yielded the following outcomes:

Performance measure	Capital efficiency units forfeited	Normalised Group HEPS forfeited	Life Core Purpose vesting @ 120%	Performance units vesting	Life Healthcare shares purchased <sup>2</sup>	Value (ZAR'000)
MD Chapman <sup>1</sup>	50 876	50 876	25 438	30 526	–	709
PP van der Westhuizen <sup>2</sup>	88 321	88 321	44 161	52 993	31 016	1 231
AM Pyle	45 988	45 988	22 994	27 593	16 150	641

<sup>1</sup> The average exchange rate of £1 to R20.24 was utilised to convert the Rand to Pound for MD Chapman and delivery was in cash.

<sup>2</sup> The after-tax amount was utilised to purchase Life Healthcare shares in the open market at an average share price of R22.03 per share delivered to AM Pyle and PP van der Westhuizen's personal trading accounts.

The values were determined utilising the average 30-day VWAP on 31 December 2021 of R23.23. The amounts were subject to income tax in the respective countries.



# Remuneration report continued

## b) Unvested LTIP 2020 to LTIP 2022 scheme allocations

The details of LTIP allocations made from 2020 to 2022 are set out below for illustrative purposes – the allocations only vest at the vesting dates should performance conditions be met:

LTIP Plan	Title	Date of allocation	Share price on date of allocation ZAR	Performance shares	Vesting date	Allocation value R'000	Value based on 30 Sept 2022 share price R'000
2020 LTIP Allocation	PP van der Westhuizen	01-Jan-20	24.46	434 145	31-Dec-22	10 620	7 489
	AM Pyle	01-Jan-20	24.46	254 531	31-Dec-22	6 226	4 391
	MD Chapman	01-Jan-20	24.46	290 448	31-Dec-22	7 105	5 010
2021 LTIP Allocation	PG Wharton-Hood	01-Jan-21	15.98	531 867	31-Dec-23	8 500	9 175
	PP Van Der Westhuizen	01-Jan-21	15.98	469 294	31-Dec-23	7 500	8 095
	AM Pyle	01-Jan-21	15.98	344 149	31-Dec-23	5 500	5 937
2022 LTIP Allocation	MD Chapman	01-Jan-21	15.98	312 863	31-Dec-23	5 000	5 397
	PG Wharton-Hood	01-Jan-22	23.23	421 205	31-Dec-24	9 786	7 266
	PP Van Der Westhuizen	01-Jan-22	23.23	299 795	31-Dec-24	6 965	5 171
	AM Pyle	01-Jan-22	23.23	208 163	31-Dec-24	4 836	3 591
	MD Chapman	01-Jan-22	23.23	196 660	31-Dec-24	4 569	3 392

The LTIP 2020 allocation vests on 31 December 2022 and the outcomes will be detailed in the next Implementation report.

## c) Unvested Company matched shares

As reported in the FY2021 Remuneration report, the Company offered a once-off opportunity of Company matched shares to the four directors based on their investment. The intention of this offer is to retain the executive as well as to encourage shareholding in the Company thereby aligning to shareholder interests. The matched shares are restricted and held in an escrow account and will vest over five years, in equal tranches, provided certain performance conditions (set out below) are met. Forfeiture of the matched company shares will apply should the performance and employment conditions not be met.

The performance conditions are detailed below:

Executive	Performance conditions
GCE	<ul style="list-style-type: none"> <li>– To remain in service for at least five years and to groom a successor.</li> <li>– To retain a level of investment in company shares of at least this initial investment over the vesting period.</li> <li>– TSR of the Company from date of engagement to respective vesting dates must exceed the average of the TSR of our direct competitors.</li> <li>– Progress on transformation, diversity and stakeholder relationships will be considered by the Board.</li> <li>– Termination of employment and change in capital structure will align to the Company long-term incentive scheme, except in the case of change of control and the appointment of a successor, in which case the shares will vest with no time pro-rating for the period of the vesting period, although the applicable performance conditions will not be waived.</li> </ul>
Group CFO, CEO – SA and CEO – International	<ul style="list-style-type: none"> <li>– TSR of the Company from date of engagement to respective vesting dates must exceed the average of the TSR of our direct competitors.</li> <li>– Progress on transformation, diversity and stakeholder relationships will be considered by the Board.</li> <li>– Termination of employment and change in capital structure will align to the Company long-term incentive scheme, except in the case of change of control and the appointment of a successor, in which case the shares will vest with no time pro-rating for the period of the vesting period, although the applicable performance conditions will not be waived.</li> </ul>

The unvested Company matched shares per director are detailed below:

Unvested Company matched shares	Executive investment value at purchase (R'000)	Date of allocation	Share price on date of allocation ZAR	Company matched purchase value R'000	Company matched shares	Vesting date	Value based on 30 Sept 2022 share price R'000
PG Wharton-Hood	5 000	Aug-20	17.23	14 869	287 568	31-Dec-23	4 961
					287 568	31-Dec-24	4 961
					287 570	31-Dec-25	4 961
PP Van Der Westhuizen	1 986	Dec-20	16.96	5 947	116 866	31-Dec-23	2 016
					116 866	31-Dec-24	2 016
					116 868	31-Dec-25	2 016
AM Pyle	1 240	Jan-21	18.98	3 707	65 074	31-Dec-23	1 123
					65 074	31-Dec-24	1 123
					65 074	31-Dec-25	1 123
MD Chapman	2 052	Jan-21	18.27	6 156	112 309	31-Dec-23	1 937
					112 309	31-Dec-24	1 937
					112 309	31-Dec-25	1 937

#### Life Healthcare Co-investment Policy (CIP)

The unvested CIP shares per director are detailed below:

Unvested CIP shares	Date of allocation	Share price on date of allocation ZAR	Total co-investment shares	Vesting date	Value based on 30 Sept 2022 share price R'000	Dividends accrued in Trust <sup>1</sup> R'000
PG Wharton-Hood	Dec-21	23.51	1 058 449	31-Dec-25	18 258	159
PP Van Der Westhuizen	Dec-21	23.51	647 533	31-Dec-25	11 170	97
AM Pyle	Dec-21	23.51	471 859	31-Dec-25	8 140	71
MD Chapman	Dec-21	23.51	635 202	31-Dec-25	10 957	95

<sup>1</sup> Dividends declared in June 2022 of 15 cents per share are held in the trust and will be realised at vesting, should the relevant performance conditions be met.

#### d) LTIP 2023 allocation

The LTIP 2023 allocations will be presented to the Human Resources and Remuneration Committee in early 2023 for approval and will be detailed in the next Remuneration report.



# Remuneration report continued

## RETENTION SHARES

As detailed in the FY2021 Remuneration report, these performance/retention shares were granted to the two country executives. The vesting was however, deferred until the end of the closed period for Adam Pyle.

The performance criteria for Adam Pyle were met, i.e., continued service in the role of CEO – SA and to identify and/or put in motion a strategy to appoint or source ACI successors for two executive positions.

The assessment of performance criteria at the end of March 2022 for Mark Chapman showed partial achievement against targets as follows:

	Weighting	No of shares allocated	Performance hurdles	Outcome of performance conditions	No of shares vesting
Cyclotrons	33.33%	61 929	Five cyclotrons operational with 90% up-time between 1 Oct 2030 to 31 Mar 2022.	Fully achieved – 100%	61 930
EBITDA margin	33.33%	61 929	1% improvement in AMG's EBITDA margin in each six-month period in the review period compared to prior year.	50% achieved	30 965
SA imaging	33.33%	61 929	Six SA imaging practices acquired and operational per business case by 31 March 2022.	Not achieved	–
<b>Total</b>		<b>185 787</b>			<b>92 895</b>

The balance of **92 892** shares were forfeited.

The outcome of the vesting for the two Executive Directors was as follows:

Surname	Share allocation	Share price on date of allocation ZAR	Performance retention shares	Vesting date	Allocation value R'000	No of shares vested	Value of shares at vesting R'000
AM Pyle	01-Apr-20	18.16	82 590	30-Sep-21	1 500	82 590	1 922
MD Chapman	01-Apr-20	18.16	185 787	01-Mar-22	3 374	92 892	2 238*

\* The value for the CEO International is inclusive of a £20 000 (R404 756) discretionary payment as approved by the Board.

## NON-EXECUTIVE DIRECTOR FEES

The tables below set out the fees paid to Non-Executive Directors, excluding VAT, for the period from October 2021 to September 2022 as approved by the Human Resources and Remuneration Committee and the Board under the authority granted by shareholders at the AGM held on 26 January 2022 as well as the proposed fees which will be table for approval at the 2023 AGM.

The following number of meetings were held during the FY 2022 period:

Committee	Number of meetings in 2022
Main Board	7
Audit	7
Human Resources and Remuneration	8
Risk, Compliance and IT Governance	4
Investment	6
Clinical	4
Social, Ethics and Transformation	3
Nominations and Governance	8

The fees payable to Non-Executive Directors for the 2022 financial year comprised on an annual fee based on the positions fulfilled by each director, with the expectation of attendance at a predetermined regular number of meetings per annum. The following fees were paid in FY2022:

<b>Non-Executive Director</b>	<b>2022 R'000</b>
Dr JE Bolger <sup>1</sup>	173
PJ Golesworthy	1 305
Prof ME Jacobs	807
CM Henry	744
CJ Hess	250
LE Holmqvist <sup>1</sup>	222
Dr VL Litlhakanyane	1 803
AM Mothupi	1 012
JK Netshitenzhe	702
Dr MP Ngatane	610
Adv M Sello	764
GC Solomon	929
RT Vice	952
<b>Total NED fees</b>	<b>10 273</b>

<sup>1</sup> Exchange rate of €1 = R17.14

The following fees are proposed for FY2023:

#### **Southern Africa**

The Non-Executive Director fee increases were determined considering the size of the Group, the complexity of the business in terms of geographic diversity and the expansion into complementary services.

Two independent NED surveys by PwC and Deloitte were utilised to benchmark the proposed fees for SA. A **6.8%** increase is proposed across all Committees, except for the Chairman of the main Board, where a 10% increase is recommended as a process over time to address market lag as well as additional global responsibilities added to the portfolio.

<b>Committee</b>	<b>Entity</b>	<b>2023</b>	<b>Current annual cost R'000</b>	<b>Proposed annual cost R'000</b>
Directors fees	Chairman	4	1 171	1 289
	Board Member		324	346
Lead independent director	Board Member	4	474	506
Audit	Chairman	4	315	336
	Board Member		177	189
Human Resources and Remuneration	Chairman	4	252	269
	Board Member		129	137
Nominations and Governance	Chairman	3	207	221
	Board Member		107	115
Risk, Compliance and IT Governance	Chairman	4	233	249
	Board Member		121	130
Investment	Chairman	4	260	278
	Board Member		137	146
Clinical	Chairman	4	217	232
	Board Member		118	126
Social, Ethics and Transformation	Chairman	3	192	205
	Board Member		94	100





# Remuneration report continued

Additional fee per ad hoc meeting:

	Entity	Current annual cost R'000	Proposed annual cost R'000
Main Board	Chairman	31 500	33 645
	Board Member	21 000	21 430
All Committees	Chairman	15 750	16 820
	Board Member	10 700	11 430

## International

The Non-Executive Director fee increases for International were approved at a Special General Meeting held on 5 July 2022, with the provision that these fees would only be reviewed in FY2024.

The NED fees per Committee are detailed below:

Committee	Entity	Annual cost €'000
Board fees	Board Member	55.5
Audit	Chairman	53.8
	Board Member	30.2
Human Resources and Remuneration	Chairman	43.0
	Board Member	22.0
Nominations and Governance	Chairman	39.4
	Board Member	20.5
Risk, Compliance and IT Governance	Chairman	39.9
	Board Member	20.7
Investment	Chairman	44.6
	Board Member	23.4
Clinical	Chairman	37.2
	Board Member	20.2
Social, Ethics and Transformation	Chairman	33.0
	Board Member	16.1

## ANY PAYMENTS MADE ON TERMINATION OF EMPLOYMENT OR OFFICE

No payments were made on termination of employment this financial year.