



“

The job of the Board and our management team now will be to drive our business forward. The structural after-effects of the pandemic on NHS waiting lists and the huge increase in the demand for self-pay healthcare has changed the demand landscape for treatment across a range of routine and more complex health categories for many years to come.

**Sir Ian Cheshire**  
Chairman  
2 March 2022

## Dear Shareholder,

I am delighted to have joined Spire Healthcare at such an important time for the UK's healthcare. It is pleasing to have found a solid governance foundation and healthy culture in which identifying concerns and speaking up is not only encouraged, but also embedded fully across all areas of the business.

In this 2021 Annual Report we are reporting against the 2018 UK Corporate Governance Code (the 'Code'). As a Board we have taken the time during the year to review the requirements of the Code issued by the Financial Reporting Council.

### Directors

Following my appointment as Chairman-designate on 4 March 2021, I became Non-Executive Chairman from the close of our annual general meeting in May when Garry Watts stepped down. I would like to thank Garry for his commitment to Spire Healthcare over a number of years. He oversaw many significant developments during his tenure as Chairman including embedding the corporate governance structure and internal controls that we have in place. You can read more about the process that led to my appointment on page 95.

In June, the Board carefully considered Jitesh Sodha's request to become a non-executive director of PZ Cussons Plc. The Board recognised the value such an appointment would have both for his professional development and from a business perspective. The Board was assured that he had sufficient time to honour both this commitment and his executive role at Spire Healthcare.

We reported in February 2022 that Jitesh is recovering after an accident he sustained while cycling. We all miss him hugely, but I'm pleased to say that he's making good progress although his recovery is likely to be long given the seriousness of his condition. In the meantime, Harbant Samra, our Group Financial Controller, has taken on Jitesh's responsibilities as interim Chief Financial Officer in Jitesh's absence.

### Offer from Ramsay Health Care

The importance of sound governance and stakeholder engagement during a takeover period cannot be understated. When it was announced that Ramsay Health Care had made a bid to acquire Spire Healthcare in May, we put a stakeholder engagement plan together that focused on communicating with our shareholders, lenders and colleagues. The Board considered every detail of the bid, and made arrangements to present it to shareholders. A vote was held in July, and by a narrow margin, shareholders did not provide sufficient votes to support the Scheme of Arrangement.

I would like to acknowledge my fellow Board members who remained flexible and diligent throughout the process in discharging their duties to the Company and its shareholders.

### Principal decisions of the Board

The principal decisions of the Board during the year are set out on page 84.

### Stakeholder engagement

The restrictions presented by COVID-19 continued to mean that a large element of the Board's regular stakeholder engagement was conducted virtually. It is hoped that we can undertake more in person meetings and events this year. Meetings that were held by the Non-Executive Directors included with our colleagues, Consultants and shareholders. As part of our oversight of the wider team's we also considered relationships with other stakeholders including the NHS, CQC, suppliers and finance providers.

On pages 35 to 41 we set out the ways in which we engage with key stakeholders, what they are telling us and how that has been taken into account in the Board's decision-making process.

### 2021 performance evaluation

The Board's evaluation in 2021 was externally facilitated by Oliver Ziehn of Lintstock Ltd with support from the Senior Independent Director and the Company Secretary. The process involved an online questionnaire which each of the Directors completed and this resulted in a written report. The principal conclusions of the review were shared with the Board in December. It was determined that the Company's Board continued to operate effectively, in an open and transparent manner, providing support and challenge to senior management. A fuller review of the areas of focus and our agreed action plan can be found on page 86. A number of the areas from the previous year's evaluation were unable to be given the appropriate attention due to the approach from Ramsay Health Care and the change in Chairman and these will be further considered during 2022.

### Risk management

Our risk culture is centred on risk awareness, openness, continuous improvement and encouraging the right behaviours to ensure an appropriate outcome for both the Company and its stakeholders. A review of our Principal Risks is set out on pages 58 to 68.

### Annual general meeting

In line with Government guidance our annual general meeting in 2021 was held without shareholders present to maintain safety whilst the country was in lockdown.

At the time of writing it is hoped that shareholders will be able to attend our annual general meeting scheduled for 11 May 2022 in person. Shareholders are recommended to look out for further details which will be included in the 2022 Notice of annual general meeting and also posted on our website at [www.spirehealthcare.com/AGM](http://www.spirehealthcare.com/AGM).

### Sir Ian Cheshire

Non-Executive Chairman  
2 March 2022

# Corporate Governance report

## Compliance with the UK Corporate Governance Code in 2021

The 2018 UK Corporate Governance Code (the 'Code') provides the standard for corporate governance in the UK. The Financial Conduct Authority requires listed companies to disclose whether they have complied with the provisions of the Code throughout the financial year under review.

The Company has complied with the principles and provisions of the Code, throughout the year except as shown in the following table.

Code provision	How has the Company not complied with the provisions of the UK Code?	The Board's response
38	The pension contribution rates for Executive Directors are not aligned with those available to the workforce.	<p>The Remuneration Committee agreed in 2020 that for new Executive Directors, the nature and value of any retirement benefits provided will be set by reference to the rate received by the majority of the workforce.</p> <p>The retirement benefits for incumbent Executive Directors are currently 18% of base salary, consistent with the policy on appointment. Benefits for incumbent Executive Directors will be reduced to be consistent with the policy for new appointments with effect from 1 January 2023.</p>

## Director independence

Independence is determined by ensuring that, apart from receiving their fees for acting as Directors or owning shares, Non-Executive Directors do not have any other material relationship or additional remuneration from, or transactions with, the Group, its promoters, its management or its subsidiaries, which in the judgement of the Board may affect, or could appear to affect, their independence of judgement.

The Company does not consider Dr. Ronnie van der Merwe, who has been nominated to act as a Non-Executive Director by Mediclinic International PLC, the Company's principal shareholder, to be independent. Mediclinic International PLC's subsidiary, Mediclinic Jersey Limited (formerly Remgro Jersey Limited), entered into a relationship agreement with the Company in June 2015 (the 'Relationship Agreement'). Under the terms of the Relationship Agreement, when Mediclinic International PLC controls 15% or more of the votes, it will be entitled to appoint one Non-Executive Director to the Board. It controls 29.9% of votes as at 2 March 2022. The Directors believe that the terms of the Relationship Agreement will enable the Group to carry on its business independently of Mediclinic International PLC.

The Board considers that, excluding the Chairman, over half of the Board is independent of management and free from any business or other relationship that could affect the exercise of their independent judgement.

## Conflicts of interest

Save as set out below, there are no actual or potential conflicts of interest between any duties owed by the Directors or senior management to the Company and their private interests or other duties. The Board will continue to monitor and review potential conflicts of interest on a regular basis.

## Director

Dr. Ronnie van der Merwe

## Conflict

Chief executive officer of Mediclinic International PLC, which controls 29.9% of the voting rights in the Company as at 2 March 2022.

## Changes to your Board during 2021

Individual	Event	Date
Sir Ian Cheshire	Appointed Chairman-designate	4 March 2021
	Appointed Non-Executive Chairman	From the conclusion of the Company's annual general meeting on 13 May 2021

## Principal decisions of the Board during 2021

Throughout this annual report, we provide examples of how the Company takes into account the likely consequences of long-term decisions; builds relationships with stakeholders; understands the importance of engaging with our colleagues; understands the impact of our operations on the communities in our region and the environment we depend upon; and attribute importance to behaving as a responsible business. The Directors recognise the importance of effective stakeholder engagement and that stakeholders' views should be considered in its decision-making.

Decision of the Board	Stakeholders	Link to Spire Healthcare's strategy	Further details can be found
Purchase of The Claremont Hospital/ Disposal of Spire Sussex Hospital	<ul style="list-style-type: none"> <li>– NHS</li> <li>– Patients</li> <li>– Consultants</li> </ul>	Key partner with NHS First choice for private healthcare Improving revenue, profit and cash	See page 74
Recommendation of offer for Spire Healthcare by Ramsay Health Care	<ul style="list-style-type: none"> <li>– Shareholders</li> <li>– Colleagues</li> </ul>	n/a	See pages 71 and 105
Investing in digital and our estate	<ul style="list-style-type: none"> <li>– Patients</li> <li>– Colleagues</li> <li>– Consultants</li> </ul>	First choice for private healthcare Uncompromising on patient safety and clinical care	See page 24
Sale and leaseback of Spire Cheshire Hospital	<ul style="list-style-type: none"> <li>– Lenders</li> </ul>	Improving revenue, profit and cash	See pages 74 and 78

The Board has a formal schedule of matters reserved to it and delegates certain matters to committees. Specific matters reserved for the Board considered during the year to 31 December 2021 included reviewing the Group's performance (monthly and year to date), approving capital expenditure, setting and approving the Group's strategy and annual budget.

### Key roles and responsibilities

The Company has set out in writing a division of responsibilities between the Chairman, Senior Independent Director and the Chief Executive Officer.

#### Non-Executive Chairman

Sir Ian Cheshire

The Chairman leads the Board and is responsible for:

- the leadership and overall effectiveness of the Board;
- a clear structure for the operation of the Board and its committees;
- setting the Board agenda in conjunction with the Chief Executive Officer and Company Secretary; and
- ensuring that the Board receives accurate, relevant and timely information about the Group's affairs.

#### Chief Executive Officer

Justin Ash

The Chief Executive Officer manages the Group and is responsible for:

- developing the Group's strategic direction for consideration and approval by the Board;
- day-to-day management of the Group's operations;
- the application of the Group's policies;
- the implementation of the agreed strategy and purpose; and
- being accountable to, and reporting to, the Board on the performance of the business.

#### Deputy Chairman and Senior Independent Director

Martin Angle

The Board nominates one of the independent Non-Executive Directors to act as Senior Independent Director and is responsible for:

- being an alternative contact for shareholders at Board level other than the Chairman;
- acting as a sounding board for the Chairman;
- leading the annual performance evaluation process for the Board;
- if required, being an intermediary for Non-Executive Directors' concerns; and
- undertaking the annual Chairman's performance evaluation.

#### Company Secretary

Philip Davies

The Company Secretary supports the Chairman on Board corporate governance matters and is responsible for:

- making appropriate information available to the Board in a timely manner;
- ensuring an appropriate level of communication between the Board and its committees;
- ensuring an appropriate level of communication between senior management and the Non-Executive Directors;
- keeping the Board apprised of developments in relevant legislative, regulatory and governance matters; and
- facilitating a new Director's induction and assisting with professional development, as required.

### Board and Committee structure

Ultimate responsibility for the management of the Group rests with the Board of Directors. The Board focuses primarily upon strategic and policy issues and is responsible for:

- leadership of the Group;
- implementing and monitoring effective controls to assess and manage risk;

- supporting the senior leadership team to formulate and execute the Group's strategy;
- monitoring the performance of the Group; and
- setting the Group's values and standards.

There is a specific schedule of matters reserved for the Board.

### The Non-Executive Directors

The Non-Executive Directors bring a wide range of skills and experience to the Board. The independent Non-Executive Directors represent a strong, independent element on the Board and are well placed to constructively challenge and support management. They help to shape the Group's strategy, scrutinise the performance of management in meeting the Group's objectives and monitor the reporting of performance.

Their role is also to satisfy themselves with regard to the integrity of the Group's financial information and to ensure that the Group's internal controls and risk management systems are robust and defensible.

The independent Non-Executive Directors oversee the adequacy of the risk management and internal control systems (from their membership of the Audit and Risk Committee and Clinical Governance and Safety Committee ('CGSC')), as well as the remuneration for the Executive Directors (from their membership of the Remuneration Committee).

As members of the Nomination Committee, the Non-Executive Directors also play a pivotal role in Board succession planning and the appointment of new Executive Directors.

### Your Board in 2021

A principal focus of the Board this year was to consider the approach from Ramsay Health Care and Directors met on a number of occasions outside of the regular schedule to do this. During these sessions the Board received advice from its legal and financial advisers. The principal decisions of the Board during the year can be found on page 84.

Whilst COVID restriction were ongoing we held our meetings virtually but looked to meet in person in the second half of the year as. Director attendance at scheduled meetings is shown on page 86.

The agenda at scheduled meetings in 2021 covered standing agenda items, including: a review of the Group's performance from the Chief Executive Officer, the current month's and year to date financial statistics by the Chief Financial Officer and a review of clinical performance and medical governance by both the Group Clinical Director and Group Medical Director. In addition, the Board received a verbal report from committee chairs, where their committee met immediately in advance of the scheduled Board meeting, and the Board regularly received reports on legal and statutory matters.

### The Board's plan for 2022

It is currently planned that the Board will convene for eight scheduled meetings in 2022, as well as holding any necessary ad hoc Board and committee meetings to consider non-routine business.

The Chairman and the other Non-Executive Directors will meet on their own without the Executive Directors present. In addition, the Senior Independent Director and other Non-Executive Directors will meet without the Chairman present to discuss matters such as the Chairman's performance.

The Board will maintain its focus on the Group's pursuit of its 2022 targets during the year. Its activities will include:

- reviewing and approving the 2021 Annual Report;
- reviewing the revised five-year strategic plan and approving the 2022 Annual Operating Plan;
- completing deep dives into key areas of the business;
- embedding the risk management framework;
- reviewing the make up of the Board; and
- following a rolling agenda, ensuring proper time for strategic debate.

Furthermore, the Board will maintain its commitment to continuous improvement of clinical quality and the implementation of the Company's Quality Improvement strategy. It will maintain overall responsibility for the Group's system of internal control and risk management processes via the relevant Board committees.

### Board evaluation

#### 2022 Action plan

The 2021 Board evaluation identified two principal areas of focus and associated actions to address them during 2022.

Area of focus	Actions
1) Stakeholders	– Review existing engagement arrangements with stakeholders to ensure they remain appropriate and that the Board continues to hear stakeholders' views
2) Strategy	– Board to build on strategic discussions on the future of the business and receive regular updates on progress against strategic objectives – Consider further the impact of sustainability on strategy

### Disclosure Committee

The Board has established a Disclosure Committee to ensure, under delegated authority, that the Company complies with its disclosure obligations, specifically under the Market Abuse Regulation and related legislation. The Disclosure Committee also manages the Company's share dealing code, ensuring colleague compliance and provides training where required. The members of the Disclosure Committee are shown on page 88.

### Share Schemes Committee

In addition, the Board delegates certain responsibilities in relation to the administration of the Company's share schemes on an ad hoc basis to the Share Schemes Committee. This committee operates in accordance with the delegation of authority agreed by the Board.

### Executive Committee

The Executive Committee meets twice a month, splitting its time between project work and strategic matters. The Executive Committee delegates certain matters to the Safety, Quality and Risk Committee who have specific focus on safety, quality and risk matters respectively (see the Governance framework on page 88).

### National Medical Professional Standards Committee

After a review of the National Medical Governance Committee in 2021, this committee has been replaced by the National Medical Professional Standards Committee. This meets monthly and is chaired by the Group Medical Director, with membership including the Group Clinical Director, Chief Operating Officer (Deputy Chair), Responsible Officer, Associate Medical Directors, Group Director of Medical Standards and Effectiveness, Head of Legal (Regulatory) and Director of Integrated Quality Governance.

The purpose of the Medical Professional Standards Committee is to:

- have oversight of performance and safety standards monitoring of Consultants and GPs with Practising Privileges or employed by Spire Healthcare;
- have oversight over the investigations relating to the practice of doctors with practising privileges at Spire Healthcare's facilities in order to provide assurance to the Executive Committee and Board in relation to compliance with medical policies relating to professional standards;
- provide oversight of Consultant related Patient Notification Exercises in order to promote and maintain good medical practice, and inform the continuous quality improvement programme across Spire Healthcare; and
- ensure that local and organisational learning is determined and actioned in relation to medical professional standards and performance.

### Board meetings

The attendance of the Directors who served during the year ended 31 December 2021, at meetings of the Board, is shown in the following table. The number of meetings a Director could attend in the year is shown in brackets. In addition to the scheduled meetings shown, the Board also met to review and respond to the Ramsay Health Care offer for the Company on a number of occasions.

### Board meeting attendance

<b>Non-Executive Chairman</b>	
Sir Ian Cheshire <sup>1</sup>	7 (7)
<b>Deputy Chairman and Senior Independent Director</b>	
Martin Angle	11 (11)
<b>Executive Directors</b>	
Justin Ash	10 (11)
Jitesh Sodha	11 (11)
<b>Non-Executive Directors</b>	
Adèle Anderson	11 (11)
Tony Bourne	11 (11)
Dame Janet Husband	11 (11)
Jenny Kay	11 (11)
Simon Rowlands	11 (11)
Professor Cliff Shearman	11 (11)
Dr. Ronnie van der Merwe	11 (11)

1 Sir Ian Cheshire was appointed Chairman-designate on 4 March 2021

To the extent that Directors are unable to attend scheduled meetings, or additional meetings called on short notice, they will receive the papers in advance and relay their comments to the Chairman for communication at the meeting. The Chairman will follow up after the meeting in relation to both the discussions held and decisions taken.

### Effectiveness

#### Board composition

The Board seeks to ensure that both it and its committees have the appropriate range of skills, experience, independence and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively; for example, the 2021 Board calendar included sessions on clinical data analysis and statutory regulations. The Board considers its size and composition to be appropriate for the current requirements of the business but will continue to keep this under review.

Committee composition is set out in the relevant committee reports and listed on page 88. No one other than committee chairs and members of the committees is entitled to participate in meetings of the Audit and Risk, CGSC, Disclosure, Nomination and Remuneration committees, unless by invitation of the respective committee chair.

Martin Angle is the Deputy Chairman and Senior Independent Director. Biographical details of the Directors are set out on pages 90 to 93.

#### Appointments to the Board

Recommendations for appointments to the Board are made by the Nomination Committee. As part of the recruitment process the Nomination Committee follows a formal, rigorous and transparent procedure. Further information is set out in the Nomination Committee Report on page 94.

### Time commitment of the Non-Executive Directors

The Non-Executive Directors each have a letter of appointment which sets out the terms and conditions of their directorship. An indication of the anticipated time commitment is provided in any recruitment role specification, and each Director's letter of appointment provides details of the meetings that they are expected to attend.

Non-Executive Directors are required to set aside sufficient time to prepare for meetings, and to regularly refresh and update their skills and knowledge. In signing their letters of appointment, all Directors have agreed to commit sufficient time for the proper performance of their responsibilities, acknowledging that this will vary from year to year, depending on the Group's activities.

Directors are expected to attend all Board and committee meetings, and any additional meetings, as required. Each Director's other significant commitments were disclosed to the Board at the time of their appointment and they are required to notify the Board of any subsequent changes. The Group has reviewed the availability of the Non-Executive Directors and considers that each of them is able to, and in practice does, devote the necessary amount of time to the Group's business.

### Induction and training

Generally, reference materials are provided, including information about the Board, its committees, directors' duties, procedures for dealing in the Group's shares and other regulatory and governance matters, and Directors are advised of their legal and other duties, and obligations as directors of a listed company.

On joining the Board, it is the responsibility of the Chairman and Company Secretary to ensure that all newly appointed Directors receive a full and formal induction which is tailored to their individual needs. The induction programme includes a comprehensive overview of the Group, dedicated time with other Directors and senior management, as well as guidance on the duties, responsibilities and liabilities as a director of a listed and regulated company. These activities formed part of the induction programme for Sir Ian Cheshire. Due to the ongoing COVID-19 position it was only possible for him to visit our hospitals virtually on first joining Spire Healthcare with physical visits arranged when circumstances permitted.

The Company Secretary ensures that any additional request for information is promptly supplied. The Chairman, through the Company Secretary, ensures that there is an ongoing process to review any internal or external training and development needs.

As already noted, in the event of a general training need, in-house training will be provided to the entire Board. Necessary and relevant regulatory updates are provided by the Company Secretary or by external advisers as required.

### Information and support

The Board ensures that it receives, in a timely manner, information of an appropriate quality to enable it to adequately discharge its responsibilities. This is aided by the use of an online portal. Papers are provided to the Directors in advance of the relevant Board or committee meeting to enable them to make further enquiries about any matters prior to the meeting, should they so wish. This also allows Directors who are unable to attend to submit views in advance of the meeting.

Outside the Board papers process, the Executive Directors provide written updates to the Non-Executive Directors on important business issues, including financial and commercial information. In addition, relevant updates on shareholder matters (including analysts' reports) are also provided to the Board.

All Directors have access to the advice and services of the Company Secretary. There is also an agreed procedure in place for Directors, in the furtherance of their duties, to take independent legal advice, if necessary, at the Group's expense.

### Election of Directors

All the Directors appointed at the time offered themselves for election or re-election at the seventh annual general meeting in May 2021. Directors are elected or re-elected in accordance with the requirements of the Code.

All Directors will stand for re-election or re-election at the annual general meeting in May 2022. The biographical details of each Director standing for re-election is included in the 2022 Notice of annual general meeting. The Board believes that each of the Directors standing for re-election is effective and demonstrates commitment to their respective roles. Accordingly, the Board recommends that shareholders approve the resolutions to be proposed at the 2022 annual general meeting relating to the re-election of the Directors.

The biographical details of all Directors are set out on pages 90 to 93.

### Directors' indemnities

The Directors of the Company have the benefit of a third-party indemnity provision, as defined by section 236 of the Companies Act 2006, in the Group's Articles of Association. In addition, Directors and officers of the Group are covered by directors' and officers' liability insurance.

### Directors' conflicts of interest

The Companies Act 2006 provides that directors must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with a company's interests. Directors of public companies may authorise conflicts and potential conflicts, where appropriate, if a company's articles of association permit.

The Board has established formal procedures to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company – Situational Conflicts. Directors declare Situational Conflicts, so that they can be considered for authorisation by the non-conflicted Directors.

In considering a Situational Conflict, these Directors act in the way they consider would be most likely to promote the success of the Group, and may impose limits, or conditions, when giving authorisation or, subsequently, if they think this is appropriate.

The Company Secretary records the consideration of any conflict and any authorisations granted. The Board believes that the system it has in place for reporting Situational Conflicts continues to operate effectively.

### Accountability

#### The Audit and Risk Committee

The Audit and Risk Committee Report is set out on pages 99 to 103 and identifies its members, whose biographies are set out on pages 91 and 92.

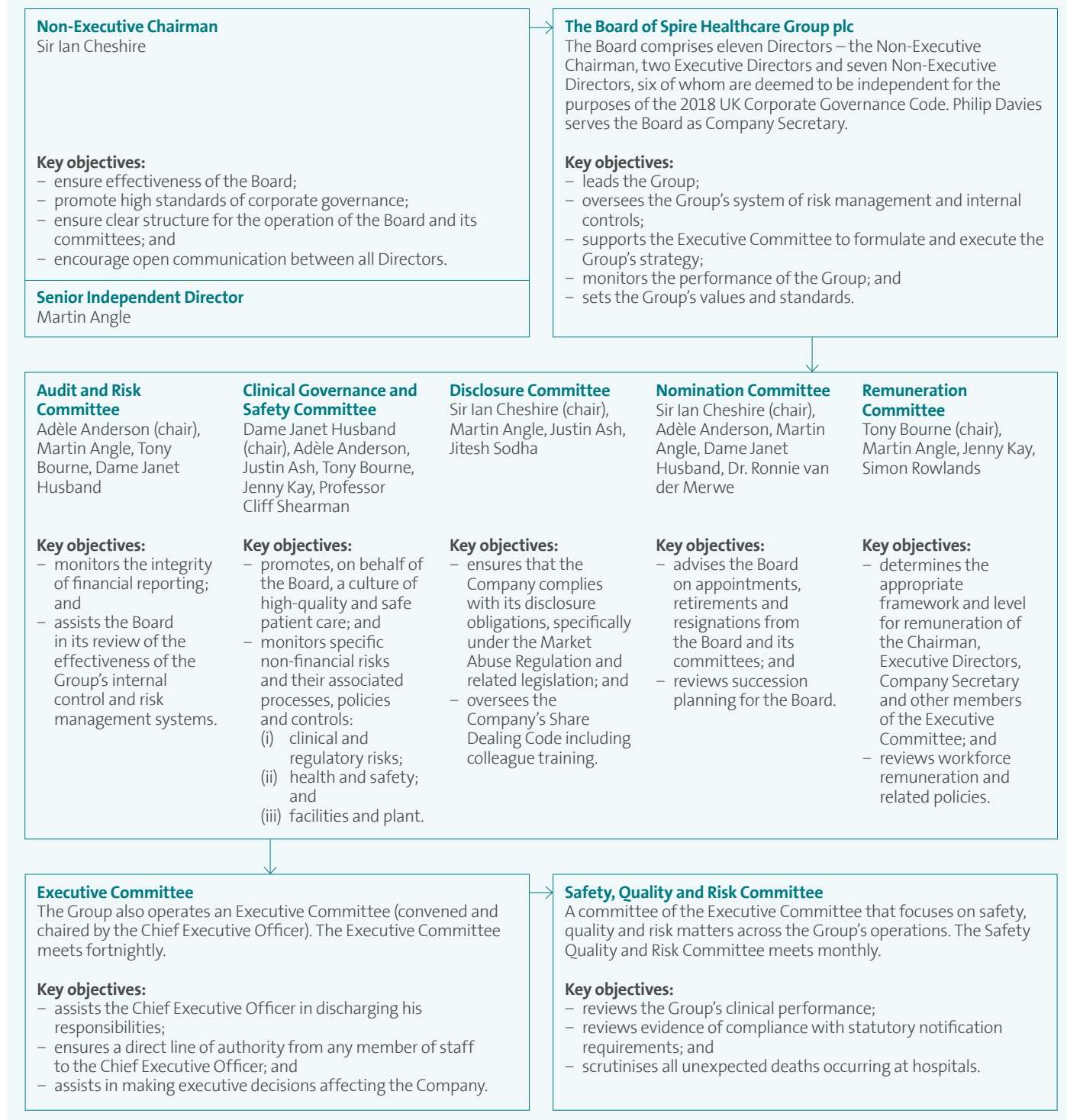
The report describes the Audit and Risk Committee's work in discharging its responsibilities during the year ended 31 December 2021, and its terms of reference can be found on the Group's website at [www.investors.spirehealthcare.com](http://www.investors.spirehealthcare.com).

#### Risk management and internal control

The Board has overall responsibility for establishing and maintaining a sound system of risk management and internal control, and for reviewing its effectiveness. This system is designed to manage rather than eliminate, the risks facing the Group and safeguard its assets. No system of internal control can provide absolute assurance against material misstatement or loss. The Group's system is designed to provide the Directors with reasonable assurance that issues are identified on a timely basis and are dealt with appropriately.

The Audit and Risk Committee and the Clinical Governance and Safety Committee, whose reports are set out on pages 99 to 103 and pages 96 to 98 respectively, assist the Board in reviewing the effectiveness of the Group's risk management system and internal controls, including financial, clinical, operational and compliance controls.

## Governance framework in 2021



## Executive compensation and risk

Only independent Non-Executive Directors are allowed to serve on the Audit and Risk Committee and Remuneration Committee. The Non-Executive Directors are therefore able to bring their experience and knowledge of the activities of each committee to bear when considering the critical judgements of the other.

This means that the Directors are in a position to consider carefully the impact of incentive arrangements on the Group's risk profile and to ensure the Group's Remuneration Policy and programme are structured, so as to accord with the long-term objectives and risk appetite of the Group.

### Financial and non-financial risk

The Clinical Governance and Safety Committee, with the Audit and Risk Committee, collectively ensure that the control and monitoring of both financial and non-financial risks is satisfactory.

In addition, both committees seek to ensure, as far as practicable, there are no elements omitted or unnecessarily duplicated, and that all critical judgements receive the correct level of challenge.

### Relations with shareholders

The Board is committed to communicating with shareholders and stakeholders in a clear and open manner, and seeks to ensure effective engagement through the Group's regular communications, the annual general meeting and other investor relations activities.

The Group undertakes an ongoing programme of meetings with investors, which during 2021 was led by the Chief Executive Officer, Chief Financial Officer and the Head of Investor Relations. Due to the restrictions presented by COVID-19 these were principally held virtually.

The Non-Executive Chairman, Senior Independent Director and committee chairs remain available for discussion with shareholders on matters under their areas of responsibility, either through contacting the Company Secretary or directly at the annual general meeting.

The Company reports its financial results to shareholders twice a year, with the publication of its annual and half yearly financial reports.

In conjunction with these announcements, presentations or teleconference calls are held with institutional investors and analysts, and copies of any presentation materials issued are made available through the Company's website at [www.investors.spirehealthcare.com](http://www.investors.spirehealthcare.com).

All Directors are expected to attend the Company's annual general meeting, providing shareholders with the opportunity to question them about issues relating to the Group, either during the meeting or informally afterwards.

### Modern slavery

We are committed to act ethically and with integrity in all our relationships in line with our value of "Doing the right thing". Accordingly, our approach to tackling the risk of modern slavery touching our business continues to evolve under the oversight of the internal multi-department modern slavery working group.

The two main areas of focus in our business are at front-line level, in safeguarding patients (and anyone else who comes through our facilities), and in our supply chain. In terms of our business operations, we believe practitioners and our staff are uniquely placed to identify and deal with modern slavery through the training and protections in place to protect patients. The safeguarding system trains those practitioners and other colleagues (clinical and non-clinical) to recognise and report signs of abuse. We believe the rigour of this system mitigates the risk of modern slavery from either going undetected or being inadequately dealt with at front-line level and this risk is further controlled by the support, training and infrastructure in place for all colleagues to be able to raise concerns, through our network of local 'Freedom to Speak up Guardians', or other available channels. In 2021, we maintained high levels of training and awareness on the subject and, in October, again co-ordinated an awareness campaign with National Anti-Slavery Day. In terms of the supply chain risk, we undertook deep-dive due diligence of our key direct suppliers of PPE during the year and were satisfied with the outcome. This action complemented our existing supplier due diligence processes, where no issues were found in 2021. In 2022, we will explore further targeted in-depth due diligence of other categories of higher risk suppliers.

A copy of our latest Modern Slavery Act statement can be found on our website at [www.investors.spirehealthcare.com](http://www.investors.spirehealthcare.com).

### Annual general meeting

Shareholders are encouraged to participate at the Company's annual general meeting, ensuring that there is a high level of accountability and identification with the Group's strategy and goals. Due to the restriction presented by COVID-19 it was not possible to hold the 2021 annual general meeting with shareholders present. A summary of the proxy voting at the 2021 annual general meeting was made available via the London Stock Exchange and on the Company's website as soon as reasonably practicable on the same day as the meeting and is shown below:

	Summary of resolution	Total votes for %	Total votes against %	Number of votes withheld
1	2020 Annual Report and Accounts	99.99	0.01	795,400
2	2020 Directors' Remuneration Report	99.87	0.13	615,699
3	Directors' Remuneration Policy	99.68	0.32	4,562
4 to 14	Election or re-election of Directors	Between 99.89 and 96.39	Between 0.11 and 3.61	Maximum 14,487
15	Reappointment of auditors	99.81	0.19	8,903
16	Auditors' remuneration	99.99	0.01	5,503
17	Political expenditure	99.73	0.27	620,461
18	Authority to allot shares	96.43	3.57	2,155
19	Disapplication of statutory pre-emption rights*	97.10	2.90	6,712
20	Disapplication of statutory pre-emption rights for an acquisition*	88.08	11.92	4,211
21	Authority to purchase own shares*	99.81	0.19	47,649
22	General meetings to be held on 14 clear days' notice*	98.79	1.21	6,654

\* Special resolution.

The Corporate Governance report has been approved by the Board and signed on its behalf by:

**Philip Davies**  
Company Secretary  
2 March 2022

## Board of Directors

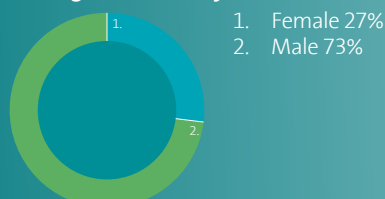
A diverse Board with strong leadership skills and relevant healthcare, operational and financial experience.

### Key to committees

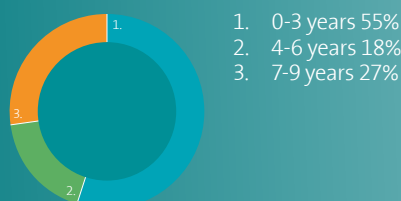
- A** Audit and Risk Committee
- C** Clinical Governance and Safety Committee
- D** Disclosure Committee
- N** Nomination Committee
- R** Remuneration Committee
- E** Executive Committee

**■** Committee chair

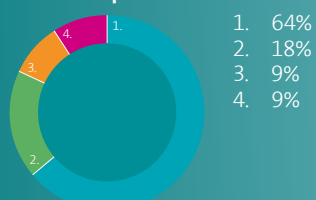
### Board gender diversity



### Board tenure



### Board composition



- 1. Independent Non-Executive Directors
- 2. Executive Directors
- 3. Independent Non-Executive Chairman
- 4. Non-independent Non-Executive Director



**Sir Ian Cheshire, Non-Executive Chairman**

**D N**

Sir Ian Cheshire joined Spire Healthcare as Chairman-designate in early March 2021 and became Non-Executive Chairman at the conclusion of its annual general meeting in May 2021.



**Justin Ash, Chief Executive Officer**

**C D E**

Justin Ash was appointed Chief Executive Officer and an Executive Director in October 2017.

### Current external appointments

- chairman of Menhaden Resource Efficiency plc
- non-executive director of BT Group plc
- trustee of the Institute for Government
- chair of We Mean Business Coalition

### Current external appointments

- non-executive chairman of The New World Trading Company Co.
- member of the strategic council of Independent Healthcare Providers Network
- chair of the trustees of THET (Tropical Health & Education Trust)

### Skills and previous experience

Sir Ian brings to Spire Healthcare considerable FTSE experience, deep understanding of the government-business interface and broad ESG credentials, which are important to the Company's strategy and long-term sustainable success.

Sir Ian was chairman of Barclays Bank UK PLC until December 2020 and a non-executive director of Barclays PLC until May 2021. He was also previously senior independent director and remuneration committee chair of Whitbread plc until September 2017. Sir Ian held a variety of posts whilst at Kingfisher plc including chief executive of B&Q from 2005 to 2008 and group chief executive from 2008 to 2014. He is involved with many charitable organisations, such as The Prince of Wales's Charitable Fund which he also chairs, and has also worked with various Government departments.

### Skills and previous experience

Justin was previously chief executive of Oasis Dental Care between 2008 and 2017 before leading its sale to Bupa. Prior to this, he was managing director of Lloyds Pharmacy and has held several other senior retail positions including general manager of KFC in the UK/Ireland, and commercial director of Allied Domecq Spirits and Wines (Europe). Justin was previously a senior consultant with Bain and Company in London and Paris, and a non-executive board member and chair of the audit and risk committee of Al Nadhi Medical Company. He was chair of Independent Healthcare Providers Network until December 2020.

➔ **For the most up to date information about Directors and Committee composition**  
Visit [www.spirehealthcare.com/board](http://www.spirehealthcare.com/board)



**Jitesh Sodha, Chief Financial Officer**

**D E**

Jitesh Sodha was appointed Chief Financial Officer and an Executive Director in October 2018.

#### Current external appointments

- non-executive director of PZ Cussons Plc

#### Skills and previous experience

Jitesh is a CIMA qualified accountant. He has worked in a range of businesses with an international footprint, most recently as chief financial officer of De La Rue plc. He was previously chief financial officer of Greenergy International, Mobilestreams Plc, where he led the IPO, and T-Mobile International UK. Jitesh graduated from New College, Oxford with a degree in Philosophy, Politics and Economics.



**Martin Angle, Deputy Chairman and Senior Independent Director**

**A D N R**

Martin Angle was appointed as Deputy Chairman and Senior Independent Director in May 2019, having initially joined the Board as an independent Non-Executive Director in March 2019.

#### Current external appointments

- deputy chairman and senior independent director of Gulf Keystone Petroleum plc
- non-executive director of Ocean Biomedical Inc
- Honorary Professor, College of Social Sciences and International Studies, University of Exeter

#### Skills and previous experience

Martin has previously held a number of non-executive positions including with Pennon Group plc and its separately regulated subsidiary South West Water, Savills Plc (senior independent director), National Exhibition Group (chairman), Dubai International Capital, and Shuaa Capital, then the only listed Gulf investment bank.

In his earlier executive career, he held a number of senior positions in investment banking with S.G. Warburg & Co, Morgan Stanley where he headed UK M&A, and Kleinwort Benson, before becoming Group Finance Director of TI Group, then a FTSE 100 with worldwide engineering activities.

Martin subsequently joined Terra Firma Capital Partners as an operating managing director where he held a number of senior roles in its portfolio companies including Le Meridien Hotel Group (executive deputy chairman and acting chairman) and the Waste Recycling Group (executive chairman), then one of the leading UK waste management businesses. He is a chartered accountant and a graduate in physics from the University of Warwick.



**Professor Dame Janet Husband, Independent Non-Executive Director**

**A C N**

Dame Janet Husband was appointed an independent Non-Executive Director in June 2014.

#### Current external appointments

- Emeritus Professor of Radiology at the Institute of Cancer Research

#### Skills and previous experience

Having trained in medicine at Guys Hospital Medical School, Dame Janet's extensive career in healthcare allows her to bring invaluable insight and knowledge of the industry.

Janet has previously served as a non-executive director and special adviser to the Royal Marsden NHS Foundation Trust, as a specially appointed commissioner to the Royal Hospital Chelsea and as chair of the National Cancer Research Institute. She was elected President of the Royal College of Radiologists in 2004 and also served as vice chair of the Academy of Medical Royal Colleges.

These appointments followed a long career as professor of radiology at the Institute of Cancer Research and Royal Marsden Hospital during which Dame Janet gained global recognition for her pioneering research in cancer imaging. Prior to retirement from clinical practice she was appointed medical director of the Royal Marsden where she worked closely with senior management to develop a programme of robust clinical governance and continuous improvement in the quality of patient services.



**Adèle Anderson, Independent Non-Executive Director**

**A C N**

Adèle Anderson was appointed an independent Non-Executive Director in July 2016.



**Tony Bourne, Independent Non-Executive Director**

**A C R**

Tony Bourne was appointed an independent Non-Executive Director in June 2014.



**Jenny Kay, Independent Non-Executive Director**

**C R**

Jenny Kay was appointed an independent Non-Executive Director in June 2019. She has been designated Spire's Non-Executive Director Lead for Safeguarding and the Board's Freedom to Speak Up Guardian.

#### Current external appointments

- member of the audit committee of the Wellcome Trust

#### Current external appointments

- non-executive director of Barchester Healthcare Limited
- non-executive director of Sensyne Health plc
- non-executive director of Totally plc
- non-executive chairman of CW+ (the Chelsea and Westminster Hospital NHS Foundation Trust charitable trust)

#### Current external appointments

#### Skills and previous experience

Adèle is a qualified chartered accountant and has gained extensive financial experience during her career including significant knowledge of audit committees. Until July 2011 she was a partner in KPMG LLP and held a number of senior roles across their business including chief financial officer of KPMG UK, chief executive officer of KPMG's captive insurer and chief financial officer of KPMG Europe.

Adèle was a non-executive director and chair of the audit committees of easyJet plc until February 2019, and intu properties plc until October 2019.

#### Skills and previous experience

Tony brings considerable knowledge of the healthcare industry to his role having been chief executive of the British Medical Association for nine years until 2013. Prior to this he was in investment banking for over 25 years, including as a partner at Hawkpoint, an independent corporate finance advisory firm, and as global head of the equities division and a member of the managing board of Paribas. Tony has also previously served as a non-executive director of Bioquell Plc, Southern Housing Group, and the charity, Scope.

#### Skills and previous experience

Jenny has extensive experience as a front line registered nurse and subsequent experience in senior management and board roles across the NHS including as Director of Nursing in a successful acute Trust in Kent. She was a senior independent director at East London NHS Foundation Trust until the end of December 2020. Jenny also worked at the Department of Health in the Chief Nursing Officer's team, leading on communications. Additionally, Jenny has experience as Director of Quality in a Clinical Commissioning Group.

Jenny's clinical background is in children's nursing – she was a ward sister at King's College Hospital for many years, specialising in care for children with liver disease and children requiring intensive care. Jenny trained at St Thomas' (RGN) and Guy's Hospitals (RSCN).

Before commencing her nursing career, Jenny studied languages at Durham University and she also has a Master's degree in Business Administration from the Bristol Business School.



**Simon Rowlands, Independent Non-Executive Director**

**R**

Simon Rowlands was appointed a Non-Executive Director in June 2014.

#### Current external appointments

- non-executive director of MD Medical Group Investments plc
- non-executive director of Alfa Medical Group
- founding partner of Africa Platform Capital
- member of University of Cranfield Council and chairman of the School of Management Advisory Board

#### Skills and previous experience

Simon's extensive knowledge of the Company and its markets, combined with his wise counsel over a number of years, were among the reasons he was asked to continue to serve as a member of the Board following Cinven's sale of their shareholding in 2015.

He was a founding partner of the private equity firm Cinven until 2013, establishing and leading its healthcare team, and then served as a senior adviser until 2017. Simon founded a new private equity firm in 2016 focused on healthcare and disruptive technology in Africa. Prior to joining Cinven, he worked with an international consulting firm on multidisciplinary engineering projects in the UK and southern Africa.



**Professor Cliff Shearman, Independent Non-Executive Director**

**C**

Professor Cliff Shearman was appointed an independent Non-Executive Director in October 2020.

#### Current external appointments

- Emeritus Professor of Vascular Surgery, University of Southampton
- non-executive director of University Hospitals Dorset NHS Foundation Trust

#### Skills and previous experience

Cliff was a Consultant Vascular Surgeon for 26 years, initially in Birmingham and then in Southampton, and Professor of Vascular Surgery at the University of Southampton. His research interests focus on factors that lead to diabetic vascular disease and how to improve the clinical outcomes for people with diabetes.

Cliff was a clinical service director and associate medical director in the University Hospital Southampton. At a national level he was president of the Vascular Society of Great Britain and Ireland and was one of the team that separated vascular surgery from general surgery leading to a new speciality, centralisation of services and a new training programme for vascular surgeons. These changes have been associated with dramatic improvements in outcomes for patients. Cliff was a member of the Council and a Trustee of the Royal College of Surgeons of England, serving as vice president from 2018 until July 2021. He was awarded an OBE in 2021 for services to vascular surgery.



**Dr. Ronnie van der Merwe, Non-Executive Director**

**N**

Dr. Ronnie van der Merwe was appointed as a Non-Executive Director in May 2018. The Company does not consider Ronnie to be independent as he has been appointed to the Board by the Company's principal shareholder, Mediclinic International PLC, under the terms of the relationship agreement with them.

#### Current external appointments

- group chief executive officer of Mediclinic International PLC

#### Skills and previous experience

Ronnie has a strong track record of leadership and management within the healthcare industry, including strategy, organisational development, clinical performance, adoption of technology, and quality and data management.

As a specialist anaesthesiologist in private practice, Ronnie gained extensive experience in trauma and elective anaesthesia, intensive care management, and the management of acute and chronic pain. He subsequently expanded his expertise at medical insurance company Sanlam Health before joining Mediclinic in 1999. As chief clinical officer, he took responsibility for various aspects of the business, contributed greatly to the growth and strategic positioning of the group, and served as chair of the board of trustees of the in-house medical aid scheme, Remedi. He also served on the board of the premier private emergency medical care provider in South Africa, ER24, and as executive director of Mediclinic International Limited from 2010 up to the combination of the businesses of Mediclinic (then Al Noor Hospitals Group plc) and Mediclinic International Limited. He was appointed as group chief executive officer in 2018.

# Nomination Committee report

## At a glance

The majority of Nomination Committee members were independent Non-Executive Directors at all times during the year in line with the provisions of the UK Corporate Governance Code 2018. The Board appoints the Chair of the Committee, who must be either the Chairman of the Board or an independent Non-Executive Director. If members are unable to attend a meeting they have the opportunity beforehand to discuss any agenda items with the Chair of the Committee.

The Company Secretary, or their appointed nominee, acts as secretary to the Committee.

## Committee meetings

# 2

## Committee membership and attendance at meetings

The Nomination Committee members at the end of 2021 and the number of meetings they each attended during the year were as follows (the maximum number of meetings that the member was eligible to attend is also shown):

21Member	Committee member since	Position in Company	Committee meetings attended/ held in 2021
<b>Sir Ian Cheshire</b> (Committee Chair)	May 2021	Non-Executive Chairman	n/a
<b>Adèle Anderson</b>	May 2020	Independent Non-Executive Director	2 (2)
<b>Martin Angle</b>	March 2019	Deputy Chairman and Senior Independent Director	2 (2)
<b>Dame Janet Husband</b>	July 2014	Independent Non-Executive Director	2 (2)
<b>Dr Ronnie van der Merwe</b>	May 2020	Non-Executive Director	2 (2)

Garry Watts was a member of the Nomination Committee until he stepped down from the Board on 13 May 2021.

Nomination Committee members' biographies are shown on pages 90 to 93.

The Nomination Committee's terms of reference can be found at [www.investors.spirehealthcare.com](http://www.investors.spirehealthcare.com)



“  
We recognise the importance of diversity, which includes but is not limited to gender, and we have a clear strategy to promote diversity and inclusion across the business.

**Sir Ian Cheshire**  
Chair, Nominations Committee

## Role and responsibilities

The Nomination Committee's foremost priorities are to ensure that the Group has the best possible leadership and to plan for both Executive and Non-Executive Director succession. Its prime focus is therefore on the composition of the Board, for which appointments will be made on merit against objective criteria. The Nomination Committee advises the Board on these appointments, oversees the recruitment processes, and also considers retirements and resignations from the Board and its other committees. The Nomination Committee regularly examines succession planning based on the Board's balance of experience, overall diversity and the leadership skills required to deliver the Company's strategy.

## Process for Board appointments

When considering a Board appointment, the Nomination Committee draw up a specification for the Director, taking into consideration the specific role together with the balance of skills, knowledge and experience of its existing Board members, the diversity of the Board and the independence of continuing Board members, together with the ongoing requirements and strategic development of the Group. Care is taken to ensure that proposed appointees have sufficient time to devote to the role and do not have any conflicts of interest.

The Nomination Committee utilises the services of an executive search firm to identify appropriate candidates, ensuring that the search firm appointed does not have any other conflicts with the Group. In addition, the Nomination Committee will only use those firms that have adopted the Voluntary Code of Conduct addressing gender diversity and best practice in search assignments. A long list of potential appointees is reviewed, followed by the shortlisting of candidates for interview based upon the objective criteria identified in the specification. Committee members interview the shortlisted candidates together with other Directors as appropriate, and identify a preferred candidate. Following these meetings, and subject to satisfactory references, the Nomination Committee make a formal recommendation to the Board on the appointment.

## Dear Shareholder,

As the new Chair of the Nomination Committee (the 'Committee'), I am pleased to present our report for the year ended 31 December 2021. I would like to take this opportunity to thank Martin Angle for his service as Committee Chair until May of this year, and I am pleased that he remains an important member of the team, which comprises mainly independent Non-Executive Directors.

COVID-19 continued to affect the way the Committee functioned and interacted this year. There was an ongoing reliance on virtual meetings, and interview techniques were adapted as necessary to ensure that any candidates fit with Spire Healthcare's culture of care and collaborative working, while also bringing the cognitive diversity, experience and challenge we need.

During the year, the activities of the Committee maintained its focus on the identification and appointment of the right individuals to the Company's Board and senior leadership team, recognising the requirement of the new UK Corporate Governance Code 2018 (the 'Code') in its decision-making.

Towards the end of 2020, Garry Watts announced his decision to retire from the Group after ten years as its Chairman, stepping down at the Company's annual general meeting in May 2021. Following my own appointment as his successor, I was able to work alongside Garry and our fellow Directors for two months prior to that, to ensure an orderly handover.

### Succession planning and appointments to the Board

The formal search for Garry's replacement as Chairman was led by Independent Non-Executive Director, Simon Rowlands, with support from a sub-committee formed of other Non-Executive Directors. Following a competitive process, the sub-committee engaged and retained Heidrick & Struggles, an executive search firm, to advise on the appointment. Heidrick & Struggles are a signatory to the Voluntary Code of Conduct, and have no other connection with the Company or the individual directors.

Following a detailed briefing session, Heidrick & Struggles undertook the search, and subsequently proposed a 'long list' of potential candidates for review by Simon Rowlands and his sub-committee. A key element of our consideration as to an individual's suitability for the role was that candidates should have strong FTSE experience, a deep understanding of the government-business interface, and broad environmental, social and governance (ESG) credentials.

Taking on board these factors, the 'long list' was reduced to a list of prioritised candidates, who were each approached by Heidrick & Struggles, before the firm drew up a final shortlist. Shortlisted candidates were invited to a formal interview with Simon Rowlands and his sub-committee, and further meetings with other Spire Healthcare directors. After due consideration, the Committee recommended my appointment as Chairman of the Board, a decision that was confirmed by shareholders at our annual general meeting in May 2021.

### Performance evaluation

In early 2022, the Committee completed its annual performance evaluation. In discussing the matters identified in Lintstock's Report the Committee agreed minor actions to be implemented during the year.

### Diversity and inclusion

Spire Healthcare recognises the importance of diversity, which includes but is not limited to gender, and a culture of inclusion, which is considered at every level of recruitment. This is reflected in the Committee's own approach to recruitment of Board members. All appointments are made on merit and based on objective criteria. We have a clear strategy to promote diversity across the business.

While Spire Healthcare employs a large majority of female colleagues and the Company's gender pay gap is lower than average, we recognise that there is further progress to be made towards better gender representation at Board and senior leadership levels. Our aim is to have 33% female representation on the Board and Executive Committee as soon as practicable, commensurate with selection being on qualification and merit. Our Board currently has 27% female representation and I am particularly pleased that the gender split on our Executive Committee is 57% male, 43% female.

Details of the Company's staff diversity and gender pay gap, in line with reporting requirements, can be found in the Our impact section on page 44. The chart on the same page also illustrates the diversity of the Board in terms of gender.

### Re-election of Directors

The Committee met in early 2022 to review the continuation in office and potential reappointment of all members of the Board. Following this review, the Committee recommended to the Board that all Directors standing be reappointed, and hence all Directors will seek election or re-election at the annual general meeting in May.

### Sir Ian Cheshire

Chair, Nomination Committee

2 March 2022

# Clinical Governance and Safety Committee report

## At a glance

The Clinical Governance and Safety Committee (CGSC) must have at least two members, one of whom must be an independent Non-Executive Director. The Board appoints the Chair of the CGSC who must be an independent Non-Executive Director. If members are unable to attend a meeting, they have the opportunity beforehand to discuss any agenda items with the Chair of the Committee.

The Company Secretary, or their appointed nominee, acts as secretary to the CGSC.

## Committee meetings

# 4

## Committee membership and attendance at meetings

The CGSC members at the end of 2021 and the number of meetings they each attended during the year were as follows (the maximum number of meetings they could have attended is also shown):

21Member	Committee member since	Position in Company	Committee meetings attended/ held in 2021
<b>Dame Janet Husband</b> (Committee Chair)	July 2014	Independent Non-Executive Director	4 (4)
<b>Adèle Anderson</b>	February 2018	Independent Non-Executive Director	4 (4)
<b>Justin Ash</b>	October 2017	Chief Executive Officer	4 (4)
<b>Tony Bourne</b>	July 2014	Independent Non-Executive Director	4 (4)
<b>Jenny Kay</b>	June 2019	Independent Non-Executive Director	4 (4)
<b>Professor Cliff Shearman</b>	January 2021	Independent Non-Executive Director	4 (4)

Garry Watts was a member of the CGSC until he stepped down from the Board on 13 May 2021.

CGSC members' biographies are shown on pages 90 and 93.

The CGSC's terms of reference can be found at [www.investors.spirehealthcare.com](http://www.investors.spirehealthcare.com)



“  
As the pandemic continued to impact on our hospitals and the ability to engage with hospital teams in person, our Non-Executive Hospital Engagement Programme has helped us to maintain virtual oversight of the clinically focused activities across the Group.

**Professor Dame Janet Husband**  
Chair, Clinical Governance and Safety Committee

## Role and responsibilities

The CGSC sits above the Group's clinical governance systems and is charged by the Board with ensuring effective systems and processes are in place to review clinical performance, including the management of complaints, safeguarding concerns, whistleblowing and freedom to speak up issues.

These responsibilities of the CGSC include:

- promoting a culture of high quality and safe patient care and experience;
- reviewing the Group Medical Director's Report;
- reviewing the Group Clinical Director's Clinical Governance and Safety Reports;
- monitoring patient health and safety matters;
- reviewing governance matters that impact patient safety;
- reviewing the clinical matters on the Whistleblowing Register;
- promoting continuous clinical improvements; and
- holding the Executive Committee accountable for following up actions.

## Dear Shareholder,

When the year started, no one knew how the ongoing pandemic would affect our patients, our colleagues, our business, or indeed people across the UK and the world. What we did know was that Spire Healthcare would need to be very alert to changes, and retain the ability to adapt and respond appropriately. That's why, this year more than ever, effective communication has been at the forefront of the activities of the Clinical Governance and Safety Committee (the 'Committee' or the 'CGSC'), and its efforts to strengthen the Company's Board-to-Ward approach.

In a period when it has not been possible to visit hospitals in person and talk directly with both senior and front line staff, we have stepped up communications from the Committee to our hospitals and across the business. This has included a structured programme of non-executive hospital engagement, making full use of virtual channels to provide support and reassurance to colleagues, and to ensure we hear first-hand about the issues they are facing day-to-day.

### Adapting to changing requirements

Across the majority of sites, our people have coped well with the constraints imposed by COVID-19 throughout the year, and working relationships with local NHS trusts have continued to improve. COVID Testing, PPE requirements, and patient cancellations have impacted the patient pathway, The Gold/Silver/Bronze command structure has worked extremely well at ensuring essential information is shared at pace groupwide, and as a clear support and escalation structure for each hospital.

This well managed response to the pandemic has increased the confidence of both patients and colleagues at Spire Healthcare hospitals, and we are now returning to full activity. However, COVID infection, prevention and control restrictions remain in place, and several hospitals have restructured their operating lists to make the best possible use of their theatre capacity. Most have continued to focus largely on the specialities that patients relied on them for before the pandemic, in particular orthopaedics and cardiac procedures. However, at several sites we have re-designed or expanded our services, making more theatre time available for more complex or urgent care. For example, at Spire Southampton, we have further developed our capacity for urology and oncological surgery during the pandemic.

### Committee activities in 2021

During 2021 we held all four scheduled CGSC meetings using virtual technology rather than meeting face to face. While we would prefer to meet in person, these remote sessions have ensured the Committee has met its broad remit this year, including the oversight of Spire Healthcare's clinical governance, as well as medical professional standards, clinical risk and the clinical aspects of health and safety. At each meeting, we also had an update on the impact of the pandemic. This gave us assurance that we were maintaining patient and colleague safety during this difficult period, and as we ramped up our services towards normal business, it meant we were fully aware of the changing risk profile. Close liaison with the Audit and Risk Committee ensures that clinical risk is also monitored as part of the corporate risk register, thereby providing assurance to the Board as a whole.

One of the ways in which we monitor performance and progress across the organisation is by undertaking themed reviews of specific areas of clinical practice or service. Our first themed review of 2021 covered our Pathology transformation – how we are optimising the laboratory operating model through specialist hubs, while improving our pathology governance and digital capabilities. Having discussed this in detail at our first Committee meeting of the year, we also received an update on the excellent progress of this project in September.

Our next themed review was Radiology, which is an area particularly close to my heart having been a practising radiologist for many years. The Committee had an excellent presentation from Spire's National Clinical Specialist for Diagnostic Imaging, Geraint Evans, who reinforced the importance of diagnostics as the demand for imaging services continues to grow year on year. Around 95% of patient pathways include some form of diagnostic imaging or image-guided treatment, which is why it is so important that we have in place a comprehensive replacement programme for our imaging equipment.

'Get it Right First Time' (GIRFT) was the subject of our third themed review of the year. GIRFT is a national programme across the whole of the NHS, which aims to use data to drive improvements. It is supported by the Independent Health Providers Network (IHPN), and they have led a pilot to review orthopaedics and spinal services across the independent sector, and to promote quality improvement. As part of this review, 33 Spire Healthcare hospitals were visited and recommendations were made, for example we are piloting a dedicated dashboard for orthopaedics, as well as developing a framework for national meetings in spinal surgery and orthopaedics.

Alongside this, we are working with the NHS more closely than we have in previous years, particularly at a local level. Congratulations are due to Tracy Coates, who is now our Patient Safety Specialist, and has linked into a national group on patient safety, along with representatives from across the NHS and the wider health sector.

Our final themed review of the year concerned the quality of services provided by our Resident Medical Officers (RMOs). Their role is of critical importance as they provide 24 hour professional medical services in each of our hospitals and may be called upon in an emergency situation. Most of our hospitals have one RMO on duty at a time but some larger hospitals have two. The review highlighted the value of their services but also the need to understand what it is like for them working in a Spire Healthcare hospital and how we might support them better in the future.

Clinical risk remains a standing item on our agendas, and we continue to learn from clinical incidents, most of which cause 'no harm' to patients. There is a strong focus on learnings which are shared across our hospitals to help prevent any further similar occurrences. Every patient death is also reviewed in detail by our Medical Examiner, Dr Suzie Lishman. This is part of a National Initiative to ensure that lessons learned from the review of the management of patient deaths are captured and embedded into future practice.

We also review issues that are raised through our Freedom to Speak Up (FTSU) Guardians. The FTSU initiative has gone from strength to strength this year, enhancing the oversight of concerns raised, and ensuring that most of them can be resolved locally.

### Hospital engagement

Once again this year, Non-Executive Director in-person hospital visits have not been possible due to the pandemic. However, Jenny Kay, Cliff Shearman and I have continued our Hospital Engagement Programme – holding Zoom calls with the hospital directors and directors of clinical services at 24 hospitals during 2021. Martin Angle, Senior Independent Director, and other Non-Executive Directors from the Committee have also joined the meetings on occasions.

These Zoom calls continued to be very useful and have helped us understand many of the issues that have challenged the safe and efficient delivery of services in our hospitals during the year. We found a consistently robust approach to safety and quality in all the hospitals we engaged with, while the support given by the Executive Team and local Hospital Management Teams has been a major factor in maintaining staff morale and loyalty during a very difficult period.

We did find that clinical workforce concerns are widespread across the Group. Many of these concerns reflect national shortages in healthcare professionals that impact on all healthcare providers. While international recruitment has helped in the short term, other solutions such as our major new nursing apprenticeship scheme will be required, and this will be a key focus for the Group and the Committee in the coming years.

### Supporting Consultants

We are pleased to see that there is growing recognition that Spire Healthcare puts the quality of patient care first, and this is a key factor for our Consultants when making their choice of hospital group in which to base their practice. Following the failed Ramsay Health Care bid this year, we have heard from several Consultants who were pleased to be continuing to work in Spire Healthcare hospitals. They told us that they appreciate the focus we place on strong clinical governance, and are confident we offer them a safe environment to undertake their clinical practice.

During the year, regular MAC Briefings, chaired by Dr Cathy Cale, Group Medical Director, have given us further insight into many of the issues facing Consultants during the pandemic. It is also clear that their direct communication with Cathy has helped to alleviate their concerns. Dr Cale's leadership is much appreciated, and I look forward to working with her more closely during 2022 as she takes on responsibility for Integrated Clinical Governance across the Group.

### Other activities

Members of the Committee have attended a wide range of briefings, meetings and specialist conferences in 2021 mainly using virtual platforms. These have included local MAC Committee meetings and national meetings, such as the Safety, Quality and Risk Committee, and the National Medical Professional Standards Committee.

Along with Jenny Kay and Cliff Shearman, I attended both National MAC Chairs Conferences this year. I was also delighted to attend our National Radiology Imaging Conference, while Jenny Kay attended conferences for our National Pharmacy Managers, Theatre Managers, Cancer Leads, and SSG Leads.

### Quality improvement and governance

We welcomed the CQC back to our hospitals this year, as they made a cautious return to on-site inspections. We now have 95% of hospitals rated 'Good' and 'Outstanding' across the Group, and we expect to build on our excellent inspection results with three more due to be inspected in 2022.

The Committee was delighted to see the launch of our new Quality Improvement (QI) strategy and we look forward to talking to those actively involved in the programme during 2022. We were also pleased to note the work Dr Cathy Cale and her team have done on improving medical professional standards with the introduction of new updated policies. These are now in place to support and protect Consultants and to improve the way we work with them, ensuring everything is handled in a transparent, standard and well understood way.

I would like to extend a very special thank you to Alison Dickinson for her fantastic contribution to improving clinical governance across Spire Healthcare in her role as Group Clinical Director. While remaining in this role, Alison has taken up new responsibilities around clinical transformation, standardisation and efficiency that will be rolled out during 2022. It is so important that we use our resources in the best possible way – with ongoing COVID-19 challenges, and other pressures on our people, resources and data. I am confident Alison will play a critical role in ensuring that we do this at every level of the organisation.

Supporting these initiatives, our new integrated governance report will cover all aspects of governance, together with Key Performance Indicators, and has been designed to provide a more strategic oversight of governance data. This new report is split across the areas of Safe care, Effective care, Positive experience, Well led, and Sustainable use of resources – as we move towards an integrated governance report that aligns with the NHS Quality Assurance Framework.

### Looking ahead

While the Committee has continued to function well during the year, despite the ongoing difficulties caused by the pandemic, we hope to resume our personal hospital visits during 2022. This will give us the opportunity to tour the hospital facilities, to meet junior front-line colleagues as well as more senior members of hospital management teams, and to meet some of our Consultant colleagues face to face for the first time in over two years.

During 2022 we are planning four themed reviews which will be presented at our quarterly meetings. These include the services we offer to children and young persons, and a detailed review of how our electronic pre-operative assessment initiative is progressing across our hospitals.

Our overall focus in the coming year will be on continuing to improve and develop oversight of clinical governance across the business, as well as supporting new ways of working as Spire Healthcare continues to undergo its transformation to meet the increasing demands of healthcare across all sectors of our business.

**Professor Dame Janet Husband** DBE FMedSci, FRCP, FRCR  
Chair, Clinical Governance and Safety Committee

# Audit and Risk Committee report

## At a glance

The Audit and Risk Committee must have at least three members, all of whom must be independent Non-Executive Directors. If members are unable to attend a meeting, they have the opportunity beforehand to discuss any agenda items with the Chair of the Committee.

The Audit and Risk Committee invites the external auditor, the Chief Executive Officer, Chief Financial Officer and the Director of Audit, Risk and Compliance to attend each meeting, with other members of the management team attending as and when invited. Representatives of the Group's external auditors and internal auditors have a private session with the Audit and Risk Committee twice a year and with the Chair prior to each meeting.

The Company Secretary, or their appointed nominee, acts as secretary to the Committee.

## Committee meetings

# 5

### Committee membership and attendance at meetings

The Audit and Risk Committee members at the end of 2021 and the number of meetings they each attended during the year were as follows (the maximum number of meetings that the member was eligible to attend is also shown):

Member	Committee member since	Position in Company	Committee meetings attended/ held in 2021
<b>Adèle Anderson</b> (Committee Chair)	July 2016	Independent Non-Executive Director	5 (5)
<b>Martin Angle</b>	September 2019	Senior Independent Director	5 (5)
<b>Tony Bourne</b>	July 2014	Independent Non-Executive Director	5 (5)
<b>Dame Janet Husband</b>	July 2014	Independent Non-Executive Director	5 (5)

Audit and Risk Committee members' biographies are shown on pages 90 and 93.

The Audit and Risk Committee's terms of reference can be found at [www.investors.spirehealthcare.com](http://www.investors.spirehealthcare.com)



**“**  
In 2021, the Audit and Risk Committee focused on: major accounting judgements; cyber security internal audits; longer-term post-pandemic risks and the appropriate risk appetite for the future; and, preparations for new Financial and Internal Control reporting requirements.

**Adèle Anderson**  
Chair, Audit and Risk Committee

### Role and responsibilities

The Audit and Risk Committee has responsibility for overseeing the financial reporting and internal financial controls of the Group, for reviewing the Group's internal control and risk management systems, and for maintaining an appropriate relationship with the external auditor of the Group, and for reporting its findings and recommendations to the Board.

These include:

- receiving and reviewing the Annual Report and Accounts of the Group and half yearly financial statements, and any public financial announcements as required, and advising the Board on whether the Annual Report and Accounts is fair, balanced and understandable;
- receiving and reviewing reports from the external auditor, monitoring its effectiveness and independence, and approving its appointment and terms of engagement;
- agreeing the annual internal audit programme, including the use of external consultants to support the internal resource;
- monitoring the effectiveness of the risk management system;
- reviewing the effectiveness of the Group's system of internal controls and assessing and advising the Board on the internal financial, operational and compliance controls; and
- overseeing the Group's procedures for detecting fraud and whistleblowing.

## Dear Shareholder,

As Chair of the Audit and Risk Committee (the 'Committee'), I am pleased to present our report for the year ended 31 December 2021.

### Risk management and internal controls

Internal audit and risk management continue to be areas of particular focus and scrutiny for the Committee at each meeting, with papers presented and discussed in detail to understand key issues raised and identify emerging and significant risks to the business.

### Internal Audit function

As reported in last year's Annual Report, in April 2020, we appointed KPMG as a co-source internal audit resource. With the onset of the COVID-19 pandemic, all on-site internal audit activity had to stop to minimise the risk to staff members. The team moved to operating remotely. During 2021, the team continued uninterrupted with the Internal Audit programme despite the second and third waves of COVID-19, whilst improving its ability to undertake remote audits. The 2021 Internal Audit plan focused on: hospital audits that included testing the soft control culture at hospitals, core month end financial controls and governance; Data Protection and Cyber Security; and patient notification exercises.

The Committee receives an update report from the Director of Audit, Risk and Compliance on internal audit activity four times a year, with two of the Committee meetings reserved for deep dives into specific internal control matters. In each update to the Committee, the Committee receives the executive summary of recently published internal audit reports, and the Chair receives the full internal audit report. The Committee also receives a status update of any remedial actions agreed with management. If there are significant findings, the Committee asks the appropriate senior management to attend to discuss the findings.

The 2022 audit plan was, as usual, prepared on a risk-focused basis with input from the senior leadership team and Non-Executive Directors. The plan will continue internal audit reviews of hospital sites, supplemented by a number of corporate reviews at Head Office.

The Director of Audit, Risk and Compliance, under International Internal Audit Standards, has to declare to the Committee any potential compromises on his independence. This may include other "control" functions for which he has line management responsibility. The Committee has to approve any activity that falls outside of Internal Audit. In 2021, the Director of Audit, Risk and Compliance has the following control functions reporting into him, all approved by the Committee: Risk Management; Data Protection Officer; and the Corporate Guardian (responsible for the Raising Concern processes). From 1 January 2022, he no longer has the Data Protection Officer reporting to him.

### Risk management function

The Risk management and internal control report details the changes to the risk environment the Group has faced in 2021 (see pages 58 to 68).

The risk management team has continued to provide reports into various management and Board governance committees of the Group including this Committee. Clinical Governance and Safety Committee received risk reports focused on clinical and medical risks. This Committee continued to review the Principal Risks as they evolved during 2021.

From early 2021, the risk management team was able to restart on-site hospital support to review risk assessment libraries and risk registers, instead of undertaking those reviews remotely. Risk management is a key line of enquiry under the CQC's Well Led domain of Regulatory Inspection. The CQC inspections undertaken in 2021, for which the Board has had an outcome, have all reported positively on the risk management at the hospitals inspected.

The Committee reviews the risk appetite the executive report against the Principal Risks providing challenge where appropriate on the level of risk the executive wish to tolerate.

### Emerging risks

As reported in the 2020 Annual Report, the Committee had to focus on short-term immediate risks to the Group brought about by the onset of the COVID-19 pandemic during 2020. In 2021, The Committee was able to review the emerging risks identified by the Executive Committee both at the start and at the end of the year. The emerging risks are discussed in more detail in the Risk management and internal control report on page 59.

### New Financial and Internal Control reporting requirements

In 2020, the Committee has received a briefing from the external auditors on the broad range of matters that the UK Government is consulting on in relation to Corporate Governance following the publication of the Independent Review of the Financial Reporting Council in 2018 and the Brydon Report in 2020. In 2021, management set up a project team to prepare for the most likely aspects of new legislation from the UK Government in this area. The Committee has received reports from management on the progress of this project and is satisfied that the Group should be well positioned to comply with the likely new legislative requirements.

The Committee reviewed the proposed climate change disclosures as recommended by the Task Force on Climate-Related Financial Disclosures and that became mandatory for Premium Listed Companies in 2021 (see pages 53 to 55).

### Viability

The Committee reviewed the process undertaken by management to support and allow the Directors to make the Group's viability statement. The Committee considered and provided input into the determination of which of the Group's principal risks and combinations thereof might have an impact on the Group's liquidity and solvency. The Committee reviewed the results of management's scenario modelling and the stress testing of these models. The Group's Viability statement can be found on page 69.

### Other activities in 2021

Prior to the release of the Company's 2021 interim results, the Committee completed a thorough review of:

- viability and going concern under ongoing national restrictions from further waves of the COVID-19 pandemic;
- revenue recognition under the NHS COVID-19 contract;
- assessment of Goodwill for impairment; and
- assessment of property carrying values for impairment.

The Committee also reviewed the Company's banking covenant compliance.

In addition to providing oversight of the Group's financial reporting, internal controls and risk framework, the Committee has had the opportunity to complete a number of deep dive sessions during the year. These included sessions on the Group's Cyber Security, Risk Appetite and Climate Change disclosures (as reported above).

### External audit

#### Annual auditor appointment

The Committee has primary responsibility for the relationship with, and performance of, our external auditor. This includes making the recommendation on the appointment, reappointment and removal of the external auditor, assessing their independence on an ongoing basis and for negotiating the audit fee in conjunction with the Chief Financial Officer.

The shareholders re-appointed Ernst & Young LLP as the Company's external auditor during 2021. Ernst & Young LLP has served the business since 2008. Whilst recognising that the 10-year period of its appointment technically began with the Company's admission in 2014, the Committee agreed that a full audit tender should be linked to the end of the previous lead audit partner's term of office and took place in 2020. Our current audit partner from Ernst & Young LLP is Stephney Dallmann who took on the role in 2020.

The Committee ensures that the external auditor adheres to The Auditing Practices Board's Ethical Standard 3, which requires the rotation of the audit partner for listed companies every five years. As a result, this is the second fiscal year for Stephney Dallmann to serve as the audit partner.

### External auditor independence

The Committee reviewed the independence and effectiveness of the external auditor. We did this by:

- reviewing its proposed plan for the 2021 audit;
- discussing the results of its audit, including its views about material accounting issues and key judgements and estimates, and its audit report;
- reviewing the quality of the people and service provided by Ernst & Young LLP; and
- evaluating all of the relationships between the external auditor and the Group, to determine whether these impair, or appear to impair, the auditor's independence.

### Significant issues and material judgements

The Audit and Risk Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements.

The Committee reviewed the nature of all items classified as 'adjusting items' in the year and management's justification thereof against relevant accounting guidance. Where costs spanned a reporting period, the Committee considered the significance of the total expected costs to be incurred across reporting periods (based on management's estimates), when determining the appropriateness of the accounting treatment.

The table below summarises the matters where the most material judgements have been made in relation to reporting in 2021:

Matters	Judgement and estimation required	How the Committee gained comfort on the matter
<b>Improper revenue recognition</b>	<p>Pressure to achieve results could lead management to manipulate the financial reporting of revenue. This could include the:</p> <ul style="list-style-type: none"> <li>– manipulation of prices charged, in particular in relation to PMI;</li> <li>– misreporting of qualifying costs which were rechargeable under the contract entered into with the NHS to support its response to the COVID-19 pandemic (NHS COVID-19 contract);</li> <li>– miscoding of procedures by hospitals impacting revenue recorded;</li> <li>– misreporting of other income in the year; and</li> <li>– overstatement of accrued revenue at the year end.</li> </ul>	<p>Central management carry out a detailed review of monthly hospital performance compared to forecast, in particular focusing on the cut-off of revenue reported at the balance sheet date.</p> <p>The Group maintains effective segregation of duties to safeguard the integrity of pricing masterfile data on which billing is dependent. Management routinely reconciles revenues and cash collections as part of monthly cash flow management procedures. This includes accrued revenue, which is substantiated with reference to subsequent billings and cash collection.</p> <p>The Group worked closely with KPMG, who were appointed by the NHS to independently review Spire's billings under the NHS COVID-19 contract. KPMG's detailed review included examination of underlying supporting data at each month end. The results of KPMG's analysis, which completed in July 2021 were reviewed by the Committee.</p>

Matters	Judgement and estimation required	How the Committee gained comfort on the matter
<b>Goodwill carrying value</b>	<p>Goodwill is tested for impairment semi-annually. This is achieved by comparing the value-in-use of the goodwill with its carrying value in the accounts. The value-in-use calculations require the Group to estimate future cash flows expected to arise in the future, taking into account market conditions. The current value of goodwill is underpinned by these forecasts. The present value of these cash flows is determined using an appropriate discount rate.</p>	<p>The Committee has reviewed in detail the analysis produced by management to assess the carrying value of Goodwill. Its review included assessing for reasonableness the key underlying assumptions used by management in their analysis. These included the discount factor rate, future anticipated growth rates and forecasted levels of capital maintenance investment (excluding expenditure on new or enhancement of assets). In particular, the Committee undertook a detailed review of management's approach for determining the discount factor rate, which is set with reference to the Group's Weighted Average Cost of Capital (WACC). The Committee noted that management's WACC of 6.9% (on a post-tax basis) was 30 basis points below the bottom end of EY's comparative range. However, management's sensitivity analysis confirmed that the WACC would need to increase by 200 basis points before the calculation shows no headroom.</p> <p>The Committee has reviewed management's latest assessments in May and September 2021 and again in February 2022. This regular recurring review process has allowed for earlier visibility of the key assumptions and any potential issues.</p>
<b>Property carrying values</b>	<p>Freehold and Leasehold property is held at depreciated cost and its carrying value is required to be assessed for indicators of impairment by management on an annual basis.</p> <p>For those properties with an indicator, an impairment test is performed by calculating a value in use, by means of a discounted cash flow model. As this process involves some degree of estimation there is a risk that properties are held in the financial statements at inappropriate carrying values.</p>	<p>The Committee reviewed the analysis prepared by management to assess the carrying value of those properties with an indicator of potential impairment, including the appropriateness of the key underlying assumptions. These included future anticipated growth rates, the discount factor rate and levels of ongoing capital maintenance investment (excluding expenditure on new or enhancement of assets).</p> <p>This work was conducted in two phases. An initial review was performed in December. This initial review was performed to provide early visibility of any potential issues and to allow for a preliminary assessment of the reasonableness of the key judgements applied by management. These judgements included:</p> <ul style="list-style-type: none"> <li>– the terminal growth rate;</li> <li>– the discount factor rate;</li> <li>– forecasts in ongoing capital maintenance; and</li> <li>– growth rates applied at an individual hospital level over the next five years.</li> </ul> <p>Management's review was updated at the year end using the latest available forecasts. A shortlist of hospitals was identified from this activity and reviewed in detail by the Committee to ensure that management's conclusions were appropriate.</p> <p>The Committee noted that the work carried out by the external auditors, Ernst &amp; Young LLP, supported its own findings in this area.</p>
<b>Provision for Paterson Public Inquiry costs</b>	<p>Following the publication of the Public Inquiry report on Ian Paterson on 4 February 2020, the Group continues to assess the potential impact of the remedial actions recommended in the report. During 2020 the Group recognised a charge of £22.2m to ensure the recommended actions are fully adhered to. It is possible that, as further information becomes available, an adjustment to this provision will be required.</p>	<p>The Committee has reviewed the information prepared by management, including the key assumptions and judgements underpinning their assessment. The Committee also notes that, whilst it is possible that new information may necessitate a revision to this charge in the future, the position taken by management at 2021 year end is appropriate at this time.</p>
<b>Adjustments to EBITDA ('Adjusting Items')</b>	<p>It is the Group's policy to disclose EBITDA after adjusting for certain items, due to their nature, amount or incidence, in order to provide a meaningful comparison of the Group's underlying performance. Group underlying performance is considered the comparable year-on-year business, and therefore excludes items of a one-off or irregular nature. Pressure to achieve targets could lead management to manipulate the outcome by overstating the level of Adjusting Items.</p>	<p>The Committee:</p> <ul style="list-style-type: none"> <li>– reviewed in detail each item which was proposed by management to be classified as an Adjusting Item; and</li> <li>– assessed whether the proposed approach was consistent with prior periods.</li> </ul>

### UK Competition and Markets Authority (CMA) Order

During the year, the Company has complied with the CMA Order in relation to Statutory Audit Services for Large Companies.

### Audit risk

The Committee received from Ernst & Young LLP a detailed plan identifying the scope of their audit for the year, planning materiality and their assessment of key risks. The audit risk identification process is considered a key factor in the overall effectiveness of the external audit process. Ahead of the full-year audit, the Committee reviewed the key risks that Ernst & Young LLP identified to ensure their areas of audit focus remain appropriate.

### Working relationship with the external auditor

During the year, the Committee met with the external auditor without management present to provide additional opportunity for open dialogue and feedback between both parties. Matters typically discussed include the external auditor's assessment of business risks, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management, the independence of their audit and how they have exercised professional scepticism. I also meet with the external lead audit partner ahead of each Committee meeting. Additionally, the Director of Audit, Risk and Compliance liaises with, and meets, the external auditors on a regular basis, and the external auditors receive a copy of each Internal Audit report.

### External financial reporting

The Committee is responsible for monitoring, reviewing and challenging the integrity of the financial statements, and ensuring compliance with legal, regulatory and statutory requirements, giving due consideration to the provisions of the UK Corporate Governance Code.

The external auditor provided reports for the half-year and year-end reporting, including all significant issues, with an assessment of their view of the appropriateness of management's judgements.

At the request of the Board, the Committee considered whether the Annual Report and Accounts for the year ended 31 December 2021 was fair, balanced and understandable, and whether it provided the necessary information for the shareholders to assess the Group's performance, business model and strategy. The Committee took into account its own knowledge of the Group, its strategy and performance in the year, internal verification of the factual content, comprehensive review undertaken at different levels in the Group to ensure consistency and overall balance, and detailed review by senior management and the external auditor. The Committee was satisfied that, taken as a whole, the Annual Report and Accounts for the year ended 31 December 2021 is fair, balanced and understandable, and has affirmed that view to the Board.

### Our priorities for 2022

The Committee's focus in 2022 will be:

- delivery of the benefits from the Group's transformation programme;
- cyber security;
- preparation for compliance with likely new financial reporting internal control legislative requirements; and
- risks associated with climate change.

### Non-audit services and independence

Ernst & Young LLP provided non-audit services to the Group during the year ended 31 December 2021. These services related only to the Interim Review. Total non-audit service fees amounted to £0.1m (2020: £0.1m). All non-audit fees are approved by the Committee.

### Corporate concerns

The Committee also continued its monitoring and oversight of the procedures for the receipt, retention and treatment of qualifying disclosures by staff. Further details can be found on page 46 in the Our impact section.

### Clinical Governance and Safety Committee (CGSC)

To ensure that the Committee and the CGSC complement each other's work, Dame Janet Husband and I have developed the follow protocols:

- we both sit on each other's Committees; and
- we split the focus of risk management with the CGSC focusing on the clinical risk management at corporate and hospital level and this Committee on the Principal Risks, and non-clinical operational risks, of the Group.

### Annual evaluation of the Committee's performance

The latest evaluation of the Committee's performance was carried out in early 2022 and confirmed that it continued to perform effectively.

### Adèle Anderson

Chair, Audit and Risk Committee  
2 March 2022

# Remuneration Committee report

## At a glance

The Remuneration Committee must have at least three members, all of whom must be independent Non-Executive Directors, and the Board appoints the Remuneration Committee's Chair. If a member is unable to attend a meeting, they have the opportunity beforehand to discuss any agenda items with the Chair of the Committee.

The Company Secretary, or their appointed nominee, acts as secretary to the Remuneration Committee.

## Committee meetings

# 10

## Committee membership and attendance at meetings

The Remuneration Committee members at the end of 2021 and the number of meetings they each attended during the year were as follows (the maximum number of meetings that the member was eligible to attend is also shown):

Member	Committee member since	Position in Company	Committee meetings attended/ held in 2021
<b>Tony Bourne</b> (Committee Chair)	July 2014	Independent Non-Executive Director	10 (10)
<b>Martin Angle</b>	March 2019	Deputy Chairman and Senior Independent Director	9 (10)
<b>Jenny Kay</b>	June 2020	Independent Non-Executive Director	10 (10)
<b>Simon Rowlands</b>	October 2020	Independent Non-Executive Director	10 (10)

Remuneration Committee members' biographies are shown on pages 90 and 93.

The Remuneration Committee's terms of reference can be found at [www.investors.spirehealthcare.com](http://www.investors.spirehealthcare.com)



“  
We have again looked to more widely recognise the contribution of all colleagues in a year when we have had strong revenue performance.”

**Tony Bourne**  
Chair, Remuneration Committee

## Role and responsibilities

The Remuneration Committee has authority from the Board to determine the framework and total remuneration arrangements of the Executive Directors and, in consultation with the Chief Executive Officer, senior management. It also oversees the Group's share-based incentive arrangements. In practice, the Committee agrees the:

- policy for cash remuneration, executive share plans, service contracts and termination arrangements;
- reward packages of the Chairman, Executive Directors and the Executive Committee, including arrangements on appointment;
- termination arrangements for Executive Directors and the Executive Committee members;
- recommendations to the Board concerning any new executive share plans or changes to existing schemes which require shareholders' approval;
- basis on which awards are granted and their amount to Executive Directors and senior management under the LTIP; and
- ensures a consistency of remuneration arrangements across all levels within Spire Healthcare.

The Remuneration Committee also has responsibility for matters identified by the UK Corporate Governance Code relating to workforce engagement.

## Dear Shareholder,

This Remuneration Report includes details of decisions taken by the Remuneration Committee in respect of 2021, as well as a summary of how we intend to operate the Remuneration Policy for the coming year.

We presented our updated Remuneration Policy for approval at the 2021 annual general meeting and were delighted to receive a vote of 99.68% in favour of our proposals. I would like to thank shareholders for their support. The overall pay structure has been in place since 2014 and remains aligned with mainstream FTSE practices. We are not proposing any major changes to our approach in the coming year.

### Performance in 2021

The Company delivered strong performance in 2021, with a clear focus on our strategic imperatives. During the year, management and our employees continued to effectively navigate the challenges presented by COVID-19. The business once again supported the NHS during the first quarter of 2021. However, we transitioned to a more 'normalised' trading environment for the remainder of the year. There was outstanding growth in revenues from self-funded private medical treatment, and this has been a key driver of the strong financial results delivered for the year.

Quality remains an integral part of everything that we do. We were delighted to see that 95% of our sites are now rated as 'Good' or 'Outstanding'. The business also has put in place a number of efficiency programmes which seek to make savings and streamline processes – these are vital for both responding to ongoing challenges presented by the pandemic and also improving our longer-term profitability. The investment we have made over several years in high quality standards has kept our patients safe and will underpin our ability to capitalise on the increase in demand for self-pay healthcare for both routine and complex health categories for many years to come.

During the year, the Board also considered the unsolicited bid from Ramsay Health Care to acquire the business. As we sought to protect the interests of shareholders and wider stakeholders, the Board naturally took the bid seriously. We ultimately decided to allow our shareholders to decide on the merits of the offer given the uplift it provided to our share price. While the bid consumed considerable time, the management team remained focus on underlying operations and the progress of strategic priorities. In addition, the offer did not distract our colleagues from continuing to focus on the care of our patients. Although the majority shareholder support was not sufficient to proceed with the scheme of arrangement, the process did underline the potential and value we have as a standalone business and our ability to capitalise on the structural changes to healthcare in the UK.

Overall, our revenues increased from £919.9m to £1,106.2m, and our EBITDA grew from £161.1m to £178.2m. Our 63% growth in self-pay revenue versus FY19 was ahead of the market, and puts us in a strong position to build further on this year's record revenue growth in 2022 and beyond.

### 2021 incentive outcomes

The strong financial and operating performance in the year resulted in bonuses being earned in respect of 2021. Justin Ash and Jitesh Sodha will receive a bonus of 48.4% and 54.4% of maximum respectively. A significant portion of the bonuses earned will be deferred into shares to ensure continued alignment with our shareholders. Further detail on the performance criteria for this award is set out in the main body of the report.

In light of the strong outcomes, the Remuneration Committee also approved an exceptional thank-you gift for all colleagues across the Group not already participating in a bonus scheme. This was in recognition of their continued hard work and commitment to patient care during the year and their contribution to a strong set of financial results. The total value of this bonus was £1.5m.

The 2019 LTIP awards were based on performance to 31 December 2021. The Company's recent share price performance has resulted in relative TSR over the last three years outperforming the upper-quartile of the comparator group and therefore this element will vest in full. The Operational Excellence element – split equally between Regulatory Rating and Family & Friends – vested at 62.5% of maximum. The threshold for the EPS targets was not achieved, however the Remuneration Committee noted that the targets for this award were set prior to onset of the pandemic, and therefore envisaged a very different trading environment. The overall vesting outcome for this award is 53.75% of maximum. Vested awards will be subject to a two-year holding period.

The Remuneration Committee is satisfied that the outcomes under the incentive plans are a fair reflection of the strong performance delivered by the business.

### Remuneration for 2022

For the coming year, remuneration arrangements will continue to be operated in line with the policy approved by shareholders at the annual general meeting held in May 2021.

Any increase to salaries for Executive Directors will not exceed the average increase awarded to the wider workforce. As previously announced, retirement benefits for Executive Directors will also be reduced at the start of 2023 to align with benefits available to the wider workforce.

For 2022, the maximum bonus opportunity for Executive Directors remains unchanged at 150% of salary. For the Chief Executive Officer, the performance measures and weightings will remain heavily weighted towards the achievement of EBITDA targets (60%) and the remainder assessed based on Free Cash Flow (20%) and individual strategic objectives (20%). Taking into account the importance of the transformation objectives in 2022 and specifically the key role of the Chief Financial Officer in driving forward these changes, the Remuneration Committee have determined that 30% of the bonus for the Chief Financial Officer will be linked to delivery of structural cost savings which are crucial to our long-term profitability, with the balance of bonus based on EBITDA (40%), Free Cash Flow (10%) and individual strategic objectives (20%).

The annual strategic objectives for both directors include metrics directly related to our ESG strategy, further complementing the existing Operational Excellence measures in the LTIP.

For LTIP grants to Executive Directors, it is expected that awards equivalent to 200% of salary will be granted, consistent with the limits in the Remuneration Policy. The LTIP grant policy has been set at this level since IPO in 2014. However, award levels were temporarily reduced in 2019 to reflect the decrease in the share price. In light of the improvement in the share price, the Remuneration Committee last year moved towards the maximum policy level and has elected this year to reinstate the previous maximum grant level. Notwithstanding the modest increases in the face value at grant for 2022, it is noted that we expect the number of shares under award to be materially lower than previous years. For example, if the grant price is 220p, we would expect the number of shares under award to be c.15% lower than the 2021 award and c.50% lower than the 2020 award. The Remuneration Committee is satisfied that the targets linked to Regulatory Rating are aligned with our strategy and are highly stretching as the portfolio is subject to regular review, with expectations on care and quality continuing to evolve overtime. The target ranges represent performance ahead of industry averages.

The LTIP performance measures remain unchanged from 2021, save for increases to the targets for ROCE and Operational Excellence.

During the year, the Remuneration Committee also remained informed of developments in our approach to pay and benefits across the wider organisation, including proposed changes to our reward strategy for colleagues. The Remuneration Committee was also provided with a detailed update on the findings from the colleague engagement survey that was undertaken during the year. These discussions provide important context when making decision on pay at the senior executive level, and we intend to continue to include these items in the Remuneration Committee's rolling agenda.

#### Shareholder engagement

We consulted with shareholders prior to the adoption of the Remuneration Policy at the 2021 annual general meeting and I would like to once again thank shareholders for their input on our proposals.

I remain committed to an open dialogue with all of our shareholders and other stakeholders. If you have any questions about this year's Directors' Remuneration Report, please contact me via [companysecretary@spirehealthcare.com](mailto:companysecretary@spirehealthcare.com).

We look forward to your continued support at our annual general meeting in May.

**Tony Bourne**  
Chair, Remuneration Committee  
2 March 2022

#### Remuneration principles – how our approach to pay reflect the principles of the UK Corporate Governance Code

<b>Clarity</b>	– Incentive arrangements are intended to be closely aligned to our strategy to effectively engage with participants. The Remuneration Committee regularly engages with wider stakeholders including shareholders and seeks to provide clear disclosure and explanation of our pay arrangements.
<b>Simplicity</b>	– Our remuneration policies are straightforward and easy to understand.
<b>Risk</b>	– Our variable incentive schemes contain an appropriate balance of financial and non-financial measures so that risk is effectively managed and mitigated. Discretion, malus and clawback help to prevent payments for failure.
<b>Predictability</b>	– Potential values from remuneration arrangements are clearly communicated.
<b>Proportionality</b>	– Incentives incorporate performance measures that are linked to the strategic goals of the business. Variable pay is intended to reward for successful execution of the strategy over the short and longer term. The Remuneration Committee is also mindful of the outcomes of variable incentives for the wider workforce.
<b>Alignment to culture</b>	– Targets for variable incentives are intended to be based on a balance of measures to provide a rounded assessment of performance. We are conscious of our impact on wider stakeholders and how that ultimately impacts the value we create for shareholders.

# Remuneration Policy report

## Summary of Remuneration Policy and approach for 2022

The Directors' Remuneration Policy was approved by shareholders at the annual general meeting on 13 May 2021. This Remuneration Policy will continue to apply for 2022.

The table below summarises the key terms within the policy together with the detail on how remuneration arrangements will be operated in the coming year. The full Remuneration Policy can be found in the 2021 Annual Report and Accounts.

Remuneration element	Summary of policy	Implementation for 2022
<b>Fixed remuneration</b>		
<b>Salary</b>	Fixed remuneration set at levels appropriate to the role to secure and retain required talent. When setting the salary level, the Remuneration Committee takes into account factors including: scope and responsibility of the role, skills and experience of the individual, salary levels for similar roles within comparators, overall structure of the remuneration package and wider workforce remuneration.	Any increases in the Executive Directors' salaries will not exceed the average increase awarded to the wider workforce.
<b>Benefits</b>	A range of role-appropriate benefits may be provided to Executive Directors. These include: private medical cover, income protection, life assurance, an annual health assessment and car allowance.  Executive Directors are also eligible to participate in any all-employee share plans operated by the Company.	No changes to approach.
<b>Retirement benefits</b>	Retirement benefits assist with retirement planning and are provided to support retention.  For new Executive Directors, retirement benefits will be aligned to the rate received by the majority of employees, currently 8% of salary.  The maximum contribution available to incumbent Executive Directors is 18% of salary.	Retirement benefits paid to Executive Directors in 2022 are unchanged from 2021.  As previously disclosed, retirement benefits for incumbent Executive Directors will be reduced to the wider workforce level by 1 January 2023.
<b>Performance-related pay</b>		
<b>Annual bonus</b>	The annual bonus incentivises and rewards the achievement of annual financial, operational and individual objectives. – At least 50% assessed against financial metrics, the remainder will be linked to performance against strategic and/or individual objectives. – Portion of the bonus will be deferred into shares for three years (currently 50% for Justin Ash and 33% for Jitesh Sodha). – Awards are subject to malus and clawback. – Policy maximum: 150% of salary.	2022 maximum: 150% of salary.  Justin Ash – 2022 bonus: EBITDA (60%), Free Cash Flow (20%) and individual strategic measures (20%).  Jitesh Sodha – 2022 bonus: EBITDA (40%), Free Cash Flow (10%), transformation objectives (30%) and individual strategic objectives (20%).  The details of targets for the coming year are commercially sensitive; however, the Remuneration Committee expects to provide full disclosure of targets and bonus outcomes in the 2022 Directors' Remuneration Report.

Remuneration element	Summary of policy	Implementation for 2022																				
Performance-related pay continued																						
LTIP	<p>The LTIP incentivises and rewards the achievement of long-term strategic objectives, alongside aligning the interests of Executive Directors and shareholders.</p> <ul style="list-style-type: none"><li>– At least 30% based on measures linked to the share price; remainder based on financial and/or operational measures.</li><li>– Targets are set by the Remuneration Committee for a three-year performance period. Awards are subject to a two-year holding period.</li><li>– Awards are subject to malus and clawback.</li><li>– Policy maximum: 200% of salary.</li><li>– The Remuneration Committee may adjust targets in certain circumstances (e.g. major acquisition or disposal; change to accounting standards).</li></ul>	<p>2022 LTIP grants: 200% of salary</p> <p>Performance will be measured from 1 January 2022 to 31 December 2024. Measures and targets will be as follows:</p> <table><tr><th></th><th>25% vests</th><th>50% vests</th><th>100% vests</th></tr><tr><td>Relative TSR (35%)</td><td>Median</td><td>–</td><td>Upper quartile</td></tr><tr><td>ROCE (35%)</td><td>6.0%</td><td>7.3%</td><td>9.6%</td></tr><tr><td>Regulatory Rating (15%)</td><td>84% achieve ‘Good’ or above</td><td>88% achieve ‘Good’ or above</td><td>94% achieve ‘Good’ or above</td></tr><tr><td>Employee Engagement (15%)</td><td>76%</td><td>79%</td><td>82%</td></tr></table> <p>1 Straight-line vesting between points shown. 2 Return on Capital Employed is calculated as ‘Adjusted EBIT/Capital Employed’. Capital Employed is calculated as ‘Total Assets less Cash less Current Liabilities less Capital expenditure in the previous 12 months’. Capital expenditure in the last 12 months reflects additions of fixed assets (excluding leased assets). Return on Capital Employed will be measured at a point in time on 31 December 2023. 3 Vesting for the Regulatory Rating element can be scaled back (including to nil) if any site is rated ‘inadequate’. The Remuneration Committee is satisfied that outcomes at the upper-end of the scale would represent exceptional and market-leading results for the portfolio.</p>		25% vests	50% vests	100% vests	Relative TSR (35%)	Median	–	Upper quartile	ROCE (35%)	6.0%	7.3%	9.6%	Regulatory Rating (15%)	84% achieve ‘Good’ or above	88% achieve ‘Good’ or above	94% achieve ‘Good’ or above	Employee Engagement (15%)	76%	79%	82%
	25% vests	50% vests	100% vests																			
Relative TSR (35%)	Median	–	Upper quartile																			
ROCE (35%)	6.0%	7.3%	9.6%																			
Regulatory Rating (15%)	84% achieve ‘Good’ or above	88% achieve ‘Good’ or above	94% achieve ‘Good’ or above																			
Employee Engagement (15%)	76%	79%	82%																			
Further details																						
Shareholding guidelines	<p>Executive Directors are expected to build up and maintain a shareholding equivalent to twice their respective base salary.</p> <p>In addition, following departure, Executive Directors will be expected to hold 200% of base salary (or actual relevant holding on departure, if lower) on departure, for two years following cessation of employment.</p>	No change to approach for 2022.																				
Non-Executive Directors	<p>Fees are appropriate to ensure that Non-Executive Directors are paid to reflect the individual responsibility taken as well as skills and experience.</p> <p>Benefits may be provided to Non-Executive Directors including travel and other reasonable expenses incurred in the course of performing their duties.</p>	<p>Fees for 2022 as follows:</p> <ul style="list-style-type: none"><li>– Non-Executive Chairman: £230,000</li><li>– Deputy Chairman and Senior Independent Director: £150,000</li><li>– Basic fee for independent Non-Executive Directors: £55,000</li><li>– Basic fee for non-independent Non-Executive Directors: £50,000</li><li>– Chairs of Audit and Risk Committee and Remuneration Committee: £10,000</li><li>– Chair of the Clinical Governance and Safety Committee: £15,000</li></ul>																				

## Single total figure of remuneration – Executive Directors (audited)

The following table sets out the total remuneration for the Executive Directors for the year ended 31 December 2021. This comprises the total remuneration in respect of the full year from 1 January 2021 to 31 December 2021.

(£000)	Justin Ash		Jitesh Sodha	
	2021	2020	2021	2020
Gross salary <sup>1</sup>	624.2	618.1	420.0	396.9
Less: salary waived <sup>2</sup>	–	(30.7)	–	(19.7)
<b>Net Salary</b>	<b>624.2</b>	<b>587.4</b>	<b>420.0</b>	<b>377.2</b>
Benefits	7.1	6.9	16.9	16.9
Retirement Benefits	112.4	111.3	75.6	71.5
<b>Total Fixed Pay</b>	<b>743.7</b>	<b>736.3</b>	<b>512.5</b>	<b>485.3</b>
Annual Bonus <sup>3</sup>	453.2	322.9	342.7	207.4
Long-term incentives <sup>4,5</sup>	899.9	192.5	578.0	138.4
<b>Total Variable Pay</b>	<b>1,253.1</b>	<b>515.4</b>	<b>920.7</b>	<b>345.8</b>
<b>Total</b>	<b>2,096.8</b>	<b>1,251.7</b>	<b>1,433.2</b>	<b>831.1</b>

- As disclosed last year, on 1 January 2021, Jitesh Sodha received an increase to his salary of 4.8% that reflected a significant expansion in the scope of his responsibilities since joining Spire including additional responsibility for Property, Supply Chain, and Digital Strategy and Implementation, as well as his continued development as an exceptional leader within the business.
- During 2020, both Executive Directors voluntarily agreed to take a 20% cut in base salary for three months. These savings were donated to an NHS charity.
- Half of the annual bonus paid to Justin Ash and one-third of the annual bonus paid to Jitesh Sodha will be deferred into shares for three years.
- Both Executive Directors were participants of the 2019 LTIP awards. These awards are due to vest during 2022. For the purposes of this table, the value of awards is based on the average share price during the final quarter of 2021 (237.3p). These awards were granted at a share price of 132.84p for both individuals (these being the five-day average share prices on the dealing days prior to the date of grant). Therefore, c.44% of the value shown is attributable to the increase in share price.
- The 2018 LTIP awards have been restated to reflect the actual share price on vesting, which was 169.2p.

## Additional notes to the table

### Salary

The salaries for the Executive Directors were:

- Justin Ash's salary is £624,225 (£615,000 per annum on appointment in 2017); and
- Jitesh Sodha's salary is £420,000 (£395,000 per annum on appointment in 2018).

### Benefits

The benefits consist of private medical cover (for the Executive Directors and their families), life assurance, health assessment and income protection cover. Jitesh Sodha also receives a car allowance.

### Retirement benefits

The amount set out in the table represents the Group contribution to the Executive Directors' retirement planning at a rate of 18% of base salary.

Amounts above the HMRC annual allowance are paid as taxable cash supplements. The level of retirement benefit is below the maximum allowable under the previous Remuneration Policy and is consistent with benefit levels offered to other senior executives in the business. As noted in the Policy, the intention is for benefits to be reduced to be consistent with the wider workforce with effect from 1 January 2023.

### Annual bonus

For the 2021 financial year, the maximum bonus opportunity for Justin Ash and Jitesh Sodha was 150% of base salary, with 60% of the award based on EBITDA, 20% on Free Cash Flow and 20% assessed against individual strategic objectives.

All bonuses in the Group, including those payable to Executive Directors were subject to a minimum EBITDA threshold of £150 million and a minimum quality trigger. Both of these hurdles were achieved for 2021, and therefore Executive Directors were considered for bonuses. A portion of bonuses for Executive Directors are deferred into shares for three years.

Financial measure targets and outcomes for 2021 were as follows:

	Threshold	Target	Max
<b>EBITDA</b>			
Targets	£165.4m	£185.3m	£200.0m
Outcome (% of max bonus)	6%	30%	60%
<b>Free Cash Flow (FCF)</b>			
Targets	£0m	£20m	£40m
Outcome (% of max bonus)	0%	10%	20%

EBITDA for the year was £178.2m and free cash flow was £27.4m.

The assessment of the financial measures therefore resulted in an outcome of 34.4% of the overall bonus.

For 2021, the strategic element comprised 20% of the overall bonus and was centred around the achievement of the following areas of focus:

Area of focus	Progress and achievements during the year	Outcome
<b>Chief Executive Officer</b>		
Develop and deliver a clear shareholder value creation narrative	A capital markets day was not held due to the approach from Ramsay Health Care. Clear narrative with investors achieved and all written feedback received was positive. Rise in Spire Healthcare's share price was maintained post-approach.	2/6
Ensure the key components of Five-year plan for 2021 delivered by year end	Significant projects including pricing engine and ePOA delivered. Transformation Programme commenced with £3m of savings delivered by year-end.	5/6
Deliver a non-organic development/M&A programme that improves ROCE and drives growth	The Five-year plan was revised and approved by the Board during 2021 as part of the approach by Ramsay Health Care. The acquisition of The Claremont Hospital was completed. Strong capital discipline shown and FCF despite COVID constraints.	3/6
Develop an engaged QI culture	Spire Healthcare is on track to have over 100 QI practitioners across its estate. Justin Ash personally attended QI launches/graduation celebrations and reviewed QI projects during visits.	4/4
<b>Total bonus achieved against individual strategic targets</b>		14%
<b>Chief Financial Officer</b>		
Deliver balance sheet and cash strategy with path to de-leveraging and preparation for bank refinancing in 2022	A net debt/EBITDA year end ratio of 2.3x achieved after the sale and leaseback of Spire Cheshire Hospital. New financing substantially completed with lenders at the year-end.	5/5
Drive business strategy review to build on the Five-year plan	The Five-year plan was revised and approved by the Board during 2021 as part of the approach by Ramsay Health Care. The acquisition of The Claremont Hospital was completed.	5/5
Deliver year 1 of carbon net zero plan	8% ahead of target after Q3 2021.	5/5
Finalise and implement cyber security plan to increase maturity and successfully start the Hospital Management System rollout	Delivered network access control, Security Operations Centre and multi factor authentication to improve cyber security capabilities. Strong user base for HMS and successful rollout of ePOA and outpatient bookings.	5/5
<b>Total bonus achieved against individual strategic targets</b>		20%

Based on the assessment above, the outcome was 14% of the maximum bonus for the Chief Executive Officer and 20% of maximum for the Chief Financial Officer. Taking into account overall performance during the year, the Remuneration Committee is satisfied that the outcomes are fully warranted.

For Justin Ash, 50% of the bonus will be deferred into shares for three years, with deferral of one-third of the award for Jitesh Sodha.

### Long Term Incentive Plan (LTIP)

The performance period for awards granted in 2019 ended on 31 December 2021. This award was based on targets linked to EPS, relative TSR performance and operational excellence measures. Justin Ash and Jitesh Sodha both participated in this award.

The performance targets for this award were disclosed on a prospective basis in the 2019 Directors' Remuneration Report and the result at the conclusion of the three-year performance period was as follows:

	0% vest	25% vests	50% vests	100% vests	Outcome	Percentage outcome
TSR v FTSE 250 (excluding investment trusts) (35%)	n/a	Median <sup>1</sup>		Upper quartile	Upper quartile	35.0%
Adjusted EPS – outcome for 2021 (35%)	9.0p <sup>1</sup>	10.0p	12.0p	14.0p	Below threshold	0%
Regulatory Rating (15%)	n/a	80% achieve 'Good' or above <sup>1</sup>	80% achieve 'Good' or above	90% achieve 'Good' or above	92% achieved 'Good' or above	15.0%
Friends & Family (15%)	n/a	82% <sup>1</sup>	85%	87%	82%	3.75%
						53.75%

<sup>1</sup> There is no vesting for performance below these levels.

<sup>2</sup> There is straight line vesting between the points shown.

The targets for 2019 awards were set prior to the onset of the pandemic and therefore envisaged a different economic environment. While the EPS element lapsed due to the change in market conditions, Spire Healthcare's overall performance over the 2019 LTIP performance period has been strong. This is demonstrated by the vesting under the relative TSR element, and the strong progress against the Operational Excellence targets which are strategically vital to ensuring the long-term sustainability and success of the Group.

Therefore, the Committee is satisfied that the vesting outcomes are fully warranted. Vested shares are subject to a two-year holding period.

Awards under the LTIP were granted to Justin Ash and Jitesh Sodha on 18 March 2021. These awards were granted in the form of nil-cost options over Spire Healthcare Group plc shares, with the number of shares that may vest conditional on performance over the three-year period to 31 December 2023. The maximum award granted to Executive Directors was equivalent to 175% of base salary (2020: 150%). As noted last year, ROCE was introduced to ensure focus on profitability and capital discipline, replacing the EPS measure.

The full details of the performance conditions applying to the 2021 awards are set out below.

	25% vests	50% vests	100% vests
Relative TSR (35%)	Median <sup>1</sup>	–	Upper quartile
Return on Capital Employed (35%) <sup>2</sup>	6.0% <sup>1</sup>	7.2%	9.6%
Regulatory Rating (15%) <sup>4</sup>	82% achieve 'Good' or above <sup>1</sup>	86% achieve 'Good' or above	90% achieve 'Good' or above
Employee Engagement (15%)	76% <sup>1</sup>	79%	82%

1 There is no vesting for performance below this level.

2 Return on Capital Employed is calculated as 'Adjusted EBIT/ Capital Employed'. Capital Employed is calculated as 'Total Assets less Cash less Current Liabilities less Capital expenditure in the previous 12 months'. Capital expenditure in the last 12 months reflects additions of fixed assets (excluding leased assets). Return on Capital Employed will be measured at a point in time on 31 December 2023.

3 The Remuneration Committee may adjust targets in certain circumstances (e.g. major acquisition or disposal; change to accounting standards).

4 Vesting for the Regulatory Rating element can be scaled back (including to nil) if any site is rated as 'inadequate'.

5 Straight-line vesting between points shown.

### Outstanding share awards

The following table provides details of all outstanding awards, as at 31 December 2021, made to Executive Directors under the LTIP that remain within their three-year performance period:

	Type of award	Date of grant	Number of shares	Share price	Face value at grant <sup>1</sup>	End of performance period
Justin Ash	Conditional Share Award (in the form of nil-cost options)	25 March 2019	694,444	£1.3284	£922,500	31 December 2021
		6 April 2020	1,028,046	£0.897	£922,500	31 December 2022
		18 March 2021	665,606	£1.641	£1,092,394	31 December 2023
Jitesh Sodha	Conditional Share Award (in the form of nil-cost options)	25 March 2019	446,025	£1.3284	£592,500	31 December 2021
		6 April 2020	660,289	£0.897	£592,500	31 December 2022
		18 March 2021	447,843	£1.641	£735,00	31 December 2023

1 The face value of awards made in 2021 was equivalent to 175% of base salary. The share price used to determine the number of shares under the 2021 award was based on the average of the mid-market quotation at close of business over the 5 trading days ending on 17 March 2021 (164.1p). The face value of awards made in 2019 and 2020 were equivalent to 150% of base salary.

2 The 2021 awards are subject to relative TSR, ROCE performance and Operational Excellence conditions. The 2019 and 2020 awards are subject to TSR, EPS and Operational Excellence conditions. Further detail on specific targets is set out in the 2019 and 2020 Directors Remuneration Reports.

The following table provides details of all outstanding awards, as at 31 December 2021, that have completed their three-year performance period and have vested to Executive Directors under the LTIP but remain within the two-year holding period:

	Type of award	Date of grant	Number of shares originally awarded	Number of share lapsed	Number of shares in two-year holding period	End of two-year holding period
Justin Ash	Conditional Share Award (in the form of nil-cost options)	28 March 2018	576,058	467,184	108,874	28 March 2023
Jitesh Sodha	Conditional Share Award (in the form of nil-cost options)	28 March 2018	414,219	335,932	78,287	28 March 2023

The following table provides details of awards granted to the Executive Directors during 2021 under the Deferred Share Bonus Plan, which relate to bonuses payable in respect of 2020 and disclosed in last year's Remuneration Report. Awards will normally vest three years after the grant date.

	Type of award	Date of grant	Number of shares	Share price	Face value at grant
Justin Ash	Conditional Share Award (in the form of nil-cost options)	18 March 2021	97,251	£1.66	£161,438
Jitesh Sodha	Conditional Share Award (in the form of nil-cost options)	18 March 2021	41,637	£1.66	£69,118

These awards will be released in 2024, and remain subject to malus terms during this period.

### Sharesave

The Company encourages share ownership and operates an HMRC-approved Savings-Related Share Option Plan (Sharesave). Participation in Sharesave is conditional on three months' service and Executive Directors may participate in the same way as all other colleagues. Sharesave is an all-employee share plan and there are no performance conditions.

	Date of grant	Number of shares	Option price	Awards are exercisable between
Justin Ash	2 May 2019	3,302	£1.09	1 June 2022 and 30 November 2022
Jitesh Sodha	2 May 2019	3,302	£1.09	1 June 2022 and 30 November 2022

### Single total figure of remuneration – Non-Executive Directors (audited)

The following table sets out the total remuneration for the Non-Executive Directors for the year ended 31 December 2021.

(£000)	2021 Fees	2021 Benefits <sup>1</sup>	2021 Total	2020 Fees	2020 Benefits <sup>1</sup>	2020 Totals
Sir Ian Cheshire <sup>2</sup>	155.9	—	155.9	—	—	—
Adèle Anderson	65.0	—	65.0	65.0	—	65.0
Martin Angle	150.0	2.1	152.1	150.0	5.9	155.9
Tony Bourne	65.0	—	65.0	65.0	0.1	65.1
Professor Dame Janet Husband	70.0	2.9	72.9	70.0	7.3	77.3
Jenny Kay	55.0	—	55.0	55.0	—	55.0
Simon Rowlands	50.0	—	50.0	50.0	—	50.0
Professor Cliff Shearman <sup>3</sup>	55.0	—	55.0	13.8	—	13.8
Dr. Ronnie van der Merwe <sup>4</sup>	50.0	—	50.0	50.0	—	50.0
Garry Watts (former Director) <sup>5</sup>	133.6	0.8	134.4	280.3	8.7	289.0
Total	849.5	5.8	855.3	799.1	22.0	821.1

- Reasonable expenses incurred by any Non-Executive Director will be reimbursed by the Company but they have no other contractual entitlement to benefits. For Non-Executive Directors certain expenses relating to the performance of a Non-Executive Director's duties in carrying out activities, such as travel to and from Company meetings, are classified as taxable benefits by HMRC. In line with current regulations these taxable benefits have been disclosed and are shown in the taxable benefits column in the Directors' remuneration table above. The figures shown include the cost of the expenses grossed up for tax and national insurance.
- Sir Ian Cheshire was appointed Chairman-designate on 4 March 2021. Between 4 March 2021 and 13 May 2021 he was paid the standard fee for an independent Non-Executive Director of £55,000 per annum. From 14 May 2021 he received a fee of £230,000 per annum as Non-Executive Chairman.
- Professor Cliff Shearman was appointed an independent Non-Executive Director on 1 October 2020.
- Pursuant to the relationship agreement dated 22 June 2015 between the Company and Mediclinic Jersey Limited, under which Mediclinic Jersey Limited is entitled to nominate for appointment to the Board one Non-Executive Director and Dr. Ronnie van der Merwe was appointed to the Board on 24 May 2018. As a Non-Executive Director nominated by the principal shareholder, the fees for Dr. Ronnie van der Merwe are paid to a subsidiary company within the Mediclinic International PLC group.
- Garry Watts stepped down from the Board on 13 May 2021.

### Non-Executive Directors

There was no increase to fees during 2021. A review will be completed during the year. The current fees payable to the Non-Executive Directors are shown above.

### Statement of Directors' shareholding and share interests (audited)

The table below sets out the Directors' shareholdings in the Company. As noted above, Executive Directors are expected to build up and maintain a holding equivalent to twice their base salary. In addition, Executive Directors are required to retain this level of shareholding (or actual relevant holding on departure, if lower), for two years after stepping down from the Board. There is no requirement for Non-Executive Directors to hold shares in the Company.

	Shareholding		Guidelines Proportion of shareholding guideline achieved <sup>1</sup>
	As at 31 December 2021	As at 31 December 2020	
<b>Non-Executive Chairman</b>			
Sir Ian Cheshire <sup>2</sup>	—	—	
Garry Watts <sup>3</sup>	653,577	653,577	
<b>Executive Directors</b>			
Justin Ash	394,654	394,654	119.0%
Jitesh Sodha	50,500	50,500	47.7%
<b>Non-Executive Directors</b>			
Adèle Anderson	9,582	9,582	
Martin Angle	—	—	
Tony Bourne	11,904	11,904	
Professor Dame Janet Husband	10,231	10,231	
Jenny Kay	—	—	
Simon Rowlands	786,516	786,516	
Professor Cliff Shearman	—	—	
Dr. Ronnie van der Merwe	—	—	

- 1 Calculated based upon the closing share price on 31 December 2021 of 250.0 pence. Unvested DSBP shares and vested LTIP awards subject to a holding period only are taken into account on a net of tax basis for the purpose of the guidelines. As noted above during 2022, shares relating to the 2019 LTIP will vest for both Executive Directors.
- 2 Sir Ian Cheshire was appointed to the Board as Chairman-designate on 4 March 2021. He did not hold any shares in the Company on appointment.
- 3 Garry Watts stepped down from the Board on 13 May 2021. His shareholding is shown as at this date.

There have been no changes to Directors' shareholdings between 31 December 2021 and the date of this report.

The table below sets out the Directors' interests in shares of the Company which remain unvested or have vested but are unexercised as at 31 December 2021. Unvested awards are structured as nil-cost options.

	Options		Shares	
	Unvested and not subject to performance conditions <sup>1</sup>	Unvested and subject to performance conditions <sup>2</sup>	Unvested and not subject to performance conditions <sup>3</sup>	Vested and not subject to performance conditions <sup>4</sup>
<b>Non-Executive Chairman</b>				
Sir Ian Cheshire <sup>5</sup>	—	—	—	—
Garry Watts <sup>6</sup>	—	—	—	—
<b>Executive Directors</b>				
Justin Ash	3,302	2,388,096	268,084	108,874
Jitesh Sodha	3,302	1,554,157	114,777	78,287
<b>Non-Executive Directors</b>				
Adèle Anderson	—	—	—	—
Martin Angle	—	—	—	—
Tony Bourne	—	—	—	—
Dame Janet Husband	—	—	—	—
Jenny Kay	—	—	—	—
Simon Rowlands	—	—	—	—
Professor Cliff Shearman	—	—	—	—
Dr. Ronnie van der Merwe	—	—	—	—

- 1 Consists of awards granted under Sharesave.
- 2 Consists of grants under the LTIP that have been awarded but remain subject to performance conditions.
- 3 Consists of grants under the DSBP that have been awarded but remain subject to performance conditions.
- 4 Consists of grants under the LTIP that have vested and currently subject to a two-year holding period.
- 5 Sir Ian Cheshire was appointed Chairman-designate on 4 March 2021.
- 6 Garry Watts stepped down from the Board on 13 May 2021.

## Letters of appointment

Non-Executive Director	Date of appointment	Notice period	Date of expiry
Adèle Anderson	28 July 2016	2 months	No later than 30 June 2022
Martin Angle	14 March 2019	3 months	No later than 30 June 2024
Tony Bourne	24 June 2014	2 months	No later than 30 June 2023
Sir Ian Cheshire <sup>1</sup>	4 March 2021	12 months	No later than 30 June 2023
Dame Janet Husband	24 June 2014	2 months	No later than 30 June 2023
Jenny Kay	1 June 2019	2 months	No later than 30 June 2022
Simon Rowlands <sup>2</sup>	24 June 2014	2 months	23 July 2022
Professor Cliff Shearman	1 October 2020	2 months	No later than 30 June 2023
Dr. Ronnie van der Merwe <sup>3</sup>	24 May 2018	n/a	No later than 30 June 2024

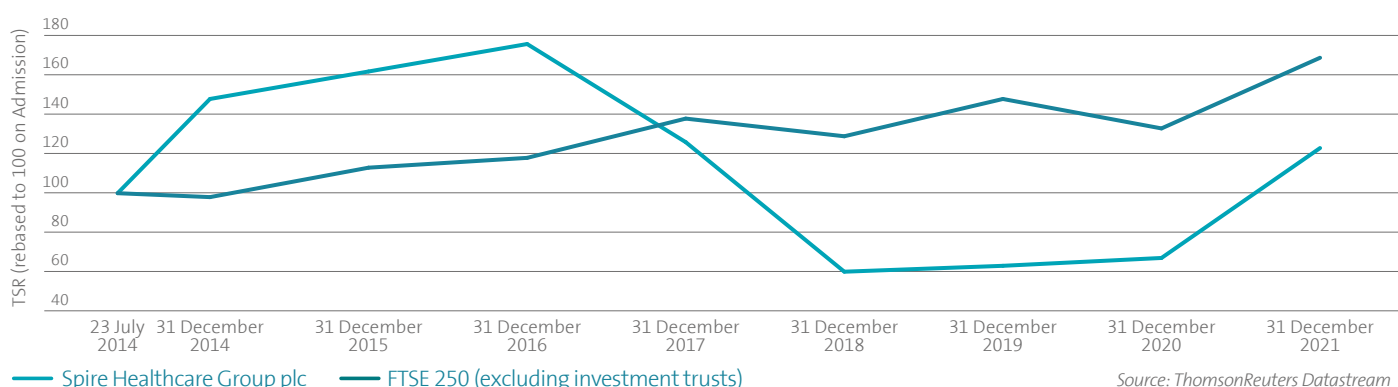
- 1 Sir Ian Cheshire was appointed Chairman-designate on 4 March 2021. He became Non-Executive Chairman at the conclusion of the Company's annual general meeting on 13 May 2021.
- 2 Simon Rowlands appointment was renewed for a further one-year period during 2021.
- 3 Pursuant to the relationship agreement dated 22 June 2015 between the Company and Mediclinic Jersey Limited, under which Mediclinic Jersey Limited is entitled to nominate for appointment to the Board one Non-Executive Director, Dr. Ronnie van der Merwe was appointed to the Board on 24 May 2018. Dr. Ronnie van der Merwe is considered to be a non-independent Non-Executive Director.

## Service contracts

Justin Ash and Jitesh Sodha will put themselves up for re-election at the annual general meeting to be held on 11 May 2022. Executive Directors are employed under ongoing service contracts with the Group. These contracts do not have a fixed term of appointment. Copies of their service contracts are available to shareholders for inspection at the Company's registered office.

## Performance graph

The graph below illustrates Spire Healthcare Group plc's TSR performance against the FTSE 250 (excluding investment trusts) since Admission on 23 July 2014. Given that the Company is a constituent of the FTSE 250 index, the Remuneration Committee considers this an appropriate peer group.



The table below shows the total remuneration paid in respect of the Chief Executive Officer role.

	2014	2015	2016	2017	2018	2019	2020	2021
Chief Executive's single figure remuneration (£000s) <sup>1,2</sup>	6,223.1	1,095.8	320.5	128.2	732.4	1,010.1	1,251.7	<b>2,096.8</b>
Annual bonus payout (% of maximum)	34%	0%	0%	0%	0%	30%	35%	<b>48.4%</b>
LTIP vesting (% of maximum) <sup>3</sup>	n/a	n/a	n/a	n/a	n/a	n/a	18.9%	<b>53.75%</b>

- 1 2017: Justin Ash was appointed Chief Executive Officer on 30 October 2017. The value shown for 2017 therefore represents a part-year figure for his time in role. During 2017: (i) Garry Watts fulfilled the role of Chief Executive Officer from 14 March 2016 to 12 June 2017 for which he was paid £714,600; and (ii) Simon Gordon undertook the role of Interim Chief Executive Officer between 13 June 2017 and 29 October 2017 for which he was paid c.£243,000.
- 2 2016: Rob Roger stepped down from the Board on 30 June 2016. The value shown for 2016 therefore represents a part-year figure for his time in role. Garry Watts fulfilled the role of Chief Executive Officer from 14 March 2016 to 12 June 2017.
- 3 Rob Roger and Garry Watts did not have any LTIP awards vesting in respect of 2016; for other participants the LTIP based on performance to 31 December 2016 vested at 50% of maximum. Similarly, Justin Ash and Garry Watts did not have any LTIP awards vesting in respect of 2017, 2018 or 2019; for other participants (including Simon Gordon) the LTIP based on performance to 31 December 2017 and 31 December 2018 lapsed in full while the LTIP based on performance to 31 December 2019 vested at 3.75% of maximum.

### Annual change in remuneration

In line with the requirements in The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the table below shows the annual percentage change in remuneration (based on salary or fees, benefits and annual bonus) for 2020 and 2021. Given the small number of people employed by the Spire Healthcare Group plc entity, data for all employees of the Group has been included.

	2021			2020		
	Salary/fee FY21 vs FY20	Benefits FY21 vs FY20	Annual Bonus FY21 vs FY20	Salary/fee FY20 vs FY19	Benefits FY20 vs FY19	Annual Bonus FY20 vs FY19
<b>Chairman</b>						
Sir Ian Cheshire <sup>1</sup>	–	–	–	–	–	–
Garry Watts <sup>2</sup>	–	–	–	(4.5)%	(61.7)%	–
<b>Executive Directors</b>						
Justin Ash	1.0%	2.9%	40.4%	(4.5)%	(0.1)%	16.7%
Jitesh Sodha	5.8%	0%	65.2%	(4.5)%	0%	16.7%
<b>Non-Executive Directors</b>						
Adèle Anderson	0%	–	–	0%	(100.0)%	–
Martin Angle	0%	(64.4)%	–	0%	(59.0)%	–
Tony Bourne	0%	–	–	0%	(86.5)%	–
Dame Janet Husband	0%	(60.3)%	–	0%	(67.6)%	–
Jenny Kay	0%	–	–	0%	(100.0)%	–
Simon Rowlands	0%	–	–	0%	–	–
Professor Cliff Shearman <sup>3</sup>	0%	–	–	–	–	–
Dr. Ronnie van der Merwe	0%	–	–	0%	–	–
<b>Average employee</b>	<b>2.3%</b>	<b>11.2%</b>	<b>4.4%</b>	5.3%	2.7%	75.7%

1 Sir Ian Cheshire was appointed Chairman-designate on 4 March 2021.

2 Garry Watts stepped down from the Board on 13 May 2021.

3 Professor Cliff Shearman was appointed an independent Non-Executive Director on 1 October 2020. To provide a meaningful comparison of percentage increase his fee for 2020 has been considered on a full-time equivalent basis.

### CEO pay ratio for 2021

The table below shows the ratio of the total remuneration of the Chief Executive Officer to that of the lower quartile, median and upper quartile employees and bank workers in 2021, consistent with the Regulations.

Spire Healthcare has compared the STFR of the Chief Executive to UK employees for the 12 months ending 31 December 2021 on a full-time equivalent basis. The Company has determined the P25, P50 and P75 individuals with reference to a ranking of total remuneration as at 31 December 2021.

Year	Method	Pay Ratio		
		P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2021	Option A	92:1	66:1	42:1
	CEO	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
Base salary	£624,225	£19,285	£23,529	£44,503
Total remuneration	£2,096,782	£22,712	£31,798	£49,524

The Company's principles for pay setting and progression in our wider workforce are the same as for our executives. The total reward package is competitive to ensure that they attract and retain the highest quality of talent in a difficult market, whilst providing opportunities for development and career progression. The pay ratios reflect how remuneration arrangements differ between the bank workers who are hourly paid, with no set hours, to qualified clinical colleagues, to more senior executives whose roles require them to create long term value and alignment with shareholder interests.

The median pay ratio reported is consistent with the wider policies in place at Spire Healthcare. All employees are eligible for pay increases, recognition awards, participation in Sharesave, and career and development opportunities.

**Notes to the calculation**

- Under option A, the ratios are based on the full-time equivalent total remuneration, which includes base salary, incentive payments, taxable benefits and pension benefits for the financial year 1 January to 31 December 2021.
- The reference colleagues at the 25th, 50th and 75th percentile have been determined by reference to the last day of the financial year, 31 December 2021.
- In accordance with the Regulations, employees and bank workers have been included, whilst Non-Executive directors, contractors and consultants have not been included.
- A total of 13,207 employees and bank workers were included in the calculation of the CEO Pay ratio. Colleagues on reduced pay due to long term sickness absence, maternity leave or with zero pay in 2021 were excluded from the calculation.
- Pay for each colleague is calculated in accordance with the single figure of remuneration. All components of remuneration are presented on a full-time equivalent basis by dividing sums by the number of hours for the portion of the year worked and subsequently multiplying by the relevant annual full-time hours.
- Bank workers do not participate in the annual bonus plan, long term incentive plan and do not have any taxable benefits.
- A significant portion of the Chief Executive Officer's pay is variable; the pay ratio is, therefore, significantly impacted by the outcomes of variable pay plans.
- The full amount of the annual bonus for the Chief Executive Officer for 2021 is £453,187 of which 50% is deferred into shares that are subject to a three-year holding period. This is included in the total remuneration figure including the portion deferred into shares.

**Three-year Table (2019, 2020 and 2021)**

Year	Method		CEO	P25 (LQ)	P50 (Median)	P75 (UQ)
2019	A	Base salary	£615,000	£18,085	£25,573	£36,055
		Total remuneration	£1,010,112	£20,065	£28,487	£40,461
		Pay Ratio		50:1	35:1	25:1
2020	A	Base salary	£587,325*	£18,013	£24,256	£33,165
		Total remuneration	£1,251,684	£20,519	£27,893	£39,978
		Pay Ratio		61:1	45:1	31:1
<b>2021</b>	A	Base salary	<b>£624,225</b>	<b>£19,285</b>	<b>£23,529</b>	<b>£44,503</b>
		Total remuneration	<b>£2,096,781</b>	<b>£22,712</b>	<b>£31,798</b>	<b>£49,524</b>
		Pay Ratio		<b>92:1</b>	<b>66:1</b>	<b>42:1</b>

\* Decrease in salary rate year-on-year due to Chief Executive Officer's voluntary waiver of three months of salary from May to July 2020

**Relative importance of spend on pay**

The table below illustrates the year-on-year change in the total remuneration costs for all employees and shareholder distributions.

£(m)	2021	2020	% change
Total remuneration	<b>397.6m</b>	351.6	13.1
Distributions to shareholders	<b>0</b>	0	—

**Advice provided to the Remuneration Committee**

During the course of the year, Deloitte LLP provided external advice to the Remuneration Committee and its total fees were £45,250 (2020: £43,500). During 2021, Deloitte LLP also provided other consulting services to the Group. Deloitte LLP has voluntarily signed up to the Remuneration Consultants' Code of Conduct in relation to executive remuneration consulting during the year. The Remuneration Committee is comfortable that the Deloitte LLP engagement partner and team that provides remuneration advice to the Remuneration Committee do not have connections with the Company or any of its Directors that may impair their independence.

The Non-Executive Chairman, Chief Executive Officer, Chief Financial Officer and Group Human Resources Director attended Committee meetings by invitation in order to provide the Remuneration Committee with additional context. No individual participates in decisions regarding their own remuneration.

### Statement of voting at 2021 annual general meeting

The following table sets out the voting in respect of the resolutions to approve the Company's Directors' Remuneration Policy and 2020 Directors' Remuneration Report put to shareholders at the Company's annual general meeting held on 13 May 2021:

Resolution at 2021 AGM	Votes for	% of vote	Votes against	% of vote	Votes withheld
Approve the Directors' Remuneration Policy	334,256,201	99.68%	1,076,261	0.32%	4,562
Approve the 2020 Directors' Remuneration Report	334,272,939	99.87%	448,386	0.13%	615,699

This report on Directors' remuneration will be put to an advisory vote at the annual general meeting on 11 May 2022. The Directors confirm that this report has been prepared in accordance with the Companies Act 2006 and reflects the provisions of the Large and Medium-sized Companies and Groups (Accounts & Reports) (Amendment) Regulations 2013. It also includes updates to legislation from The Companies (Miscellaneous Reporting) Regulations 2018 (SI 2018/860) and The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019. The report was approved at a meeting of the Directors held on 2 March 2022.

Details of all resolutions passed at the annual general meeting held on 13 May 2021 can be found on page 89.

### Tony Bourne

Chair, Remuneration Committee

2 March 2022

# Directors' report

The Directors submit their Annual Report together with the audited financial statements of Spire Healthcare Group plc (the 'Company') together with its subsidiaries (the 'Group') for the year ended 31 December 2021.

Certain disclosure requirements for inclusion in this Directors' Report have been incorporated by way of cross reference to the Strategic Report on pages 1 to 81 and the Directors' Remuneration Report on pages 104 to 117, and should be read in conjunction with this report. The following, included in the Strategic Report, also form part of this report:

- greenhouse gas emissions, which can be found under Our impact on page 52;
- employees, which can be found in Our impact on pages 43 to 48;
- the Corporate Governance report, set out on pages 83 to 89; and
- Our strategy set out on pages 16 to 25.

A description of the Group's exposure and management of risks is provided in the Strategic Report on pages 58 to 68.

Information regarding the Company's Gender Pay Gap Reporting and charitable donations can be found in Our impact on pages 44 to 45.

## Registered office

The Company's registered office and principal place of business is 3 Dorset Rise, London EC4Y 8EN.

## Annual general meeting

The annual general meeting of Spire Healthcare Group plc will be held at 11.00am on 11 May 2022. Full details of shareholder attendance at the meeting will be provided in the 2022 Notice of annual general meeting and at [www.spirehealthcare.com/AGM](http://www.spirehealthcare.com/AGM).

At the meeting, resolutions will be proposed to receive the Annual Report and Financial Statements, approve the Directors' Remuneration Report, elect all of the Directors and to reappoint Ernst & Young LLP as auditor. Shareholders will also be asked to authorise the Directors to hold general meetings at 14 clear days' notice (where this flexibility is merited by the business of the meeting and is thought to be in the interests of shareholders as a whole). Further items of business to be proposed at the annual general meeting are described throughout this Directors' Report.

## Dividends

As a result of the COVID-19 uncertainty and agreement with Lenders for a covenant waiver, the Board did not propose an interim dividend in respect of 2021.

For a similar reason the Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2021.

## Board of Directors

The following changes were made to the Board of Directors during the year:

- Sir Ian Cheshire was appointed Chairman-designate on 4 March 2021. He replaced Garry Watts, who stood down from the Board at last year's annual general meeting, as Chairman on 13 May 2021

The UK Corporate Governance Code provides for all directors of FTSE companies to stand for election or re-election by shareholders every year. Accordingly, all members of the Board will retire and seek election or re-election at this year's annual general meeting. Full biographical details of all of the Directors can be found on pages 90 and 93.

Further information on the contractual arrangements of the Executive Directors is given on pages 107 and 108. The Non-Executive Directors do not have service agreements.

## Powers of the Directors

The business of the Company is managed by the Directors who may exercise all the powers of the Company, subject to any relevant legislation, any directions given by the Company by passing a special resolution and to the Company's Articles of Association. The Articles, for example, contain specific provisions concerning the Company's power to borrow money and issue shares.

## Appointment and removal of Directors

Rules relating to the appointment and removal of the Directors are contained within the Company's Articles of Association.

## Director's indemnities

See page 87 in the Corporate Governance section.

## Amendment of articles of association

The Company may only make amendments to the Articles of Association of the Company by way of special resolution of the shareholders, in accordance with the Companies Act 2006.

## Employees

The Group is an equal opportunities employer and is committed to creating an environment which will attract, retain and motivate its people, by creating a working environment in which individuals are able to make best use of their skills, free from discrimination or harassment, and in which all decisions are based on merit. Spire Healthcare employs people who consider themselves to have a disability (a physical or mental impairment which has a substantial and long-term adverse effect on their ability to carry out normal day-to-day activities). Employees who consider themselves to have a disability are under no obligation to inform their employer of this, however, we are fully aware of, and comply with, our obligations in accordance with the relevant provisions of the Equality Act 2010.

We remain committed to colleague involvement throughout the business. Colleagues are kept well informed of the clinical and financial performance of the hospital that they work in as well as the Group more widely. Examples of colleague involvement and engagement are highlighted throughout this Annual Report. When appropriate, consultations with employee and union representatives take place.

The Group gives full and fair consideration to applications for employment from disabled persons. Should an employee become disabled during their employment with Spire Healthcare, every effort is made to enable them to continue their service with the Group.

Further information on our colleagues can be found under Our impact on pages 43 to 48.

## Political donations and expenditure

The Group made no political donations during the year. Although the Company does not make, and does not intend to make, donations to political parties, within the normal meaning of that expression, the definition of political donations under the Companies Act 2006 is very broad and includes expenses legitimately incurred as part of the process of talking to members of Parliament and opinion formers to ensure that the issues and concerns of the Group are considered and addressed. These activities are not intended to support any political party and the Group's policy is not to make any donations for political purposes in the normally accepted sense.

A resolution will therefore be proposed at the annual general meeting seeking shareholder approval for the Directors to be given authority to make donations and incur expenditure which might otherwise be caught by the terms of the Companies Act 2006. The authority sought will be limited to a maximum amount of £100,000.

## Share capital

As at the date of this report, Spire Healthcare Group plc had an issued share capital of 401,117,923 ordinary shares of 1 pence each, being the total number of shares with voting rights.

Equiniti Trust (Jersey) Limited, as trustee of the Company's Employee Benefit Trust, holds 239,283 ordinary shares of 1 pence each (2020: 239,283). Further details can be found in note 21 on page 158.

The rights attaching to the shares are set out in the Articles of Association. There are no restrictions on the transfer of ordinary shares in the capital of the Company other than those which may be imposed by law from time-to-time. There are no special control rights in relation to the Company's shares and the Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights. In accordance with the Disclosure and Transparency Rules, certain employees are required to seek approval prior to dealing in the Company's shares. The Company's entire issued ordinary share capital is listed on the premium segment of the Official List of the Financial Conduct Authority and to unconditional trading on the London Stock Exchange plc's main market for listed securities.

Further information relating to the Company's issued share capital can be found in note 21 to the Company's financial statements on page 157.

The Company has made no purchases of its own shares during the year and no shares were acquired by forfeiture or surrender or made subject to a lien or charge. Details of the shares purchased by the Company's Employee Benefit Trust are shown in note 21 on page 158.

## Allot shares and pre-emption rights

Shareholders will be asked to renew both the general authority of the Directors to issue shares and to authorise the Directors to issue shares without applying the statutory pre-emption rights. In this regard, the Company will continue to adhere to the provisions in the Pre-emption Group's Statement of Principles.

Further details on these matters can be found in the 2022 Notice of annual general meeting.

## Voting rights

In a general meeting of the Company, on a show of hands, every member who is present in person or by proxy and entitled to vote shall have one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which they are the holder.

## Restrictions on voting

Unless the Directors otherwise determine, a shareholder shall not be entitled to vote either personally or by proxy:

- if any call or other sum presently payable to the Company in respect of that share remains unpaid; or
- having been duly served with a notice to provide the Company with information under Section 793 of the Companies Act 2006, and has failed to do so within 14 days, for so long as the default continues.

## Directors' interests in shares

The beneficial interests of the Directors' and their families in the shares of the Company are detailed on page 113.

During the year, no Director had any material interest in any contract of significance to the Group's business.

## Employee share scheme participation

The Company operates an all-employee Sharesave scheme which has been well received by colleagues. This is an important part of our total reward package and encourages and supports employee share ownership.

## Material interests in shares

As of 2 March 2022, the Company has been notified by the following investors of their interests in 3% or more of the Company's issued share capital. These interests were notified to the Company pursuant to Disclosure and Transparency Rule 5:

Shareholder	% disclosed
Mediclinic International PLC	29.90
Toscafund Asset Management	17.0
Bank of America Corporation	5.50
FIL Limited	5.49
Melquart Opportunities Master Fund Limited	3.82

## Significant agreements

The following agreements are considered to be significant in terms of their potential impact on the business of the Group as a whole and could alter or terminate on a change of control of the Group:

- the Group's bank facility agreement contains provisions entitling the counterparties to exercise termination or other rights in the event of a change of control;
- there are a number of contracts which allow the counterparties to alter or terminate those arrangements in the event of a change of control of the Company. These arrangements are commercially sensitive and confidential and their disclosure could be seriously prejudicial to the Group; and
- the Company's share incentive plans contain provisions relating to a change of control and full details of these plans are provided in the Directors' Remuneration Report on pages 109 to 117. Outstanding options and awards would normally vest and become exercisable on a change of control, subject to the satisfaction of performance conditions, if applicable, at that time.

The relationship agreement entered into with Mediclinic Jersey Limited (formerly called Remgro Jersey Limited), a subsidiary of Mediclinic International PLC, in June 2015 is deemed a material agreement between the Company and its principal shareholder. The agreement does not include a change of control provision but does terminate upon the earlier of the Company's ordinary shares ceasing to be listed and traded on the London Stock Exchange's main market for listed securities and the principal shareholder ceasing to be entitled, in aggregate, to exercise or to control the exercise of 15% or more of the votes to be cast on all or substantially all matters of a general meeting of the Company.

## Compensation for loss of office

There are no agreements between the Group and its Directors or employees providing for compensation for loss of office or employment that occurs as a result of a change of control.

**Disclosures required under listing rule 9.8.4R**

The table below is included to meet the requirements of Listing Rule section 9.8.4R. The information required to be disclosed by that section, where applicable to the Company, can be located in the Annual Report 2021 at the references set out above.

Information required	Location in Annual Report 2021
Long-term incentive schemes	Directors' Remuneration Report pages 107 to 117
Equity securities allotted for cash	Note 21 on page 157
Parent and subsidiary undertakings	Note 16 on page 154
Subsisting significant agreements	Page 119
Controlling shareholder relationships	Page 154

**Financial Risk**

The Group's disclosure regarding financial risk is disclosed in note 30 of the financial statements.

**Events after the reporting period**

On 14 January 2022, the Court of Appeal published its judgment regarding the Group's case against its insurer relating to Ian Paterson. The ruling of this appeal found in favour of the insurer, and as a result, the Group was required to repay the amounts awarded to it in the initial High Court ruling received in December 2020. This judgment has been treated an adjusting event, and therefore £13.0m has been recognised as a provision in the FY21 financial statements. The Group will seek leave to appeal which, if granted, would result in the case being heard by the Supreme Court.

As announced by the Group on 25 February 2022, the Group entered into an agreement on 24 February 2022 to refinance its debt. As part of this exercise, and in recognition of the fact that the Group had substantial cash reserves at 31 December 2021, the Group repaid £100.0m of the Senior Loan Facility. As a consequence, the revised Senior Loan Facility was set at £325.0m and the Group continued to have access to an undrawn RCF of £100.0m. This new arrangement has a maturity of four years, with the Group having the option to extend by a further year. The financial covenants relating to this new agreement are materially unchanged.

There have been no other events to disclose after the reporting date.

**Going concern**

The Group's going concern statement is disclosed on page 69.

**Disclosure of information to auditor**

Having made enquiries of fellow Directors and of the Company's auditor, each of the Directors confirms that:

- to the best of their knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

**Reappointment of auditor**

Resolutions for the reappointment of Ernst & Young LLP as the auditor of the Company and to authorise the Directors to determine its remuneration will be proposed at the annual general meeting. Ernst & Young LLP has expressed its willingness to be reappointed.

The Directors' Report has been approved by the Board and is signed on its behalf by:

**Philip Davies**

Company Secretary  
2 March 2022

# Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group's financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and parent company financial statements in accordance with UK-adopted International Accounting Standards ("UK-adopted IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with the Companies Act 2006. Under company law the Directors must not approve the Group's financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- in respect of the group financial statements, state whether UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company and/or the Group will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Company and the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Each of the Directors confirms that, to the best of their knowledge:

- that the consolidated financial statements, prepared in accordance with UK-adopted International Accounting Standards give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole;
- that the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that they consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

By order of the Board.

**Justin Ash**

Chief Executive Officer  
2 March 2022

**Sir Ian Cheshire**

Chairman  
2 March 2022