



Spire Healthcare

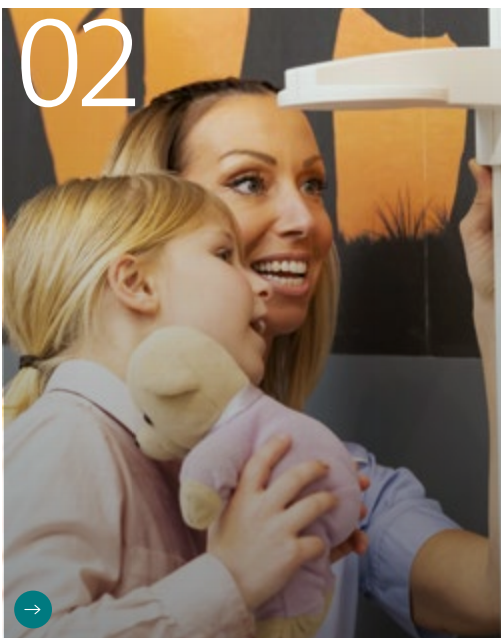
Making a positive  
difference to people's  
lives through outstanding  
personalised care

Annual Report and Accounts  
For the year ended 31 December 2022



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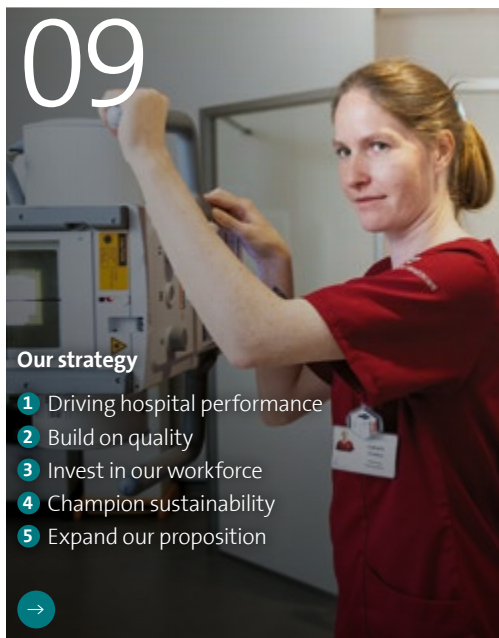
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**Website**  
[spirehealthcare.com](https://spirehealthcare.com)

**Social media**  
LinkedIn:  
[linkedin.com/company  
spire-healthcare](https://www.linkedin.com/company/spire-healthcare)  
Twitter:  
[twitter.com/  
spirehealthcare](https://twitter.com/spirehealthcare)

## Strategic report

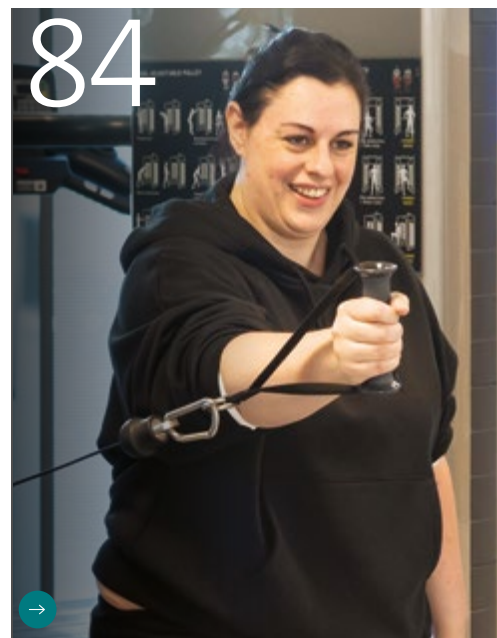


### Our strategy

- 1 Driving hospital performance
- 2 Build on quality
- 3 Invest in our workforce
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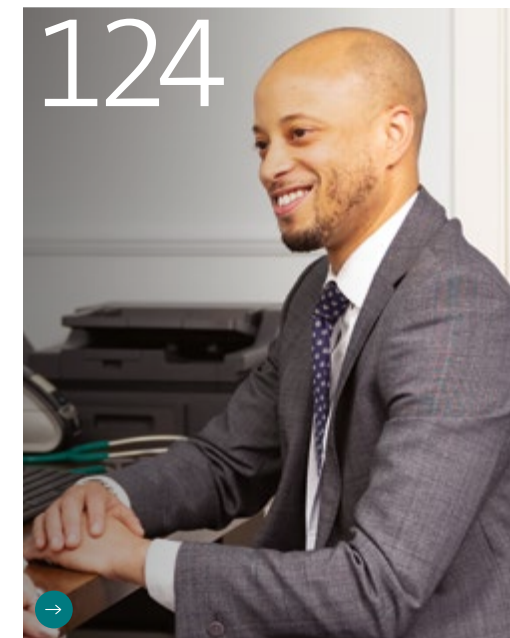
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## Our purpose



Making a positive  
difference to people's  
lives through outstanding  
personalised care



# About us

## Who we are

One of Britain's largest independent healthcare companies, operating across England, Wales and Scotland

## What we do

- Primary care: one of the largest network of independent GPs
- Diagnostics
- Treatment and surgery: from orthopaedics to cancer and complex care
- Physiotherapy, recovery and rehabilitation
- Occupational health
- Developing care at home for people with chronic conditions

## Spire in numbers

39

Hospitals

8,760

Consultants with whom we work in partnership

128

GPs

33

Clinics and consulting rooms

5

Critical care units

700

Corporate occupational health clients

14,500

Colleagues

15

Macmillan accredited cancer centres

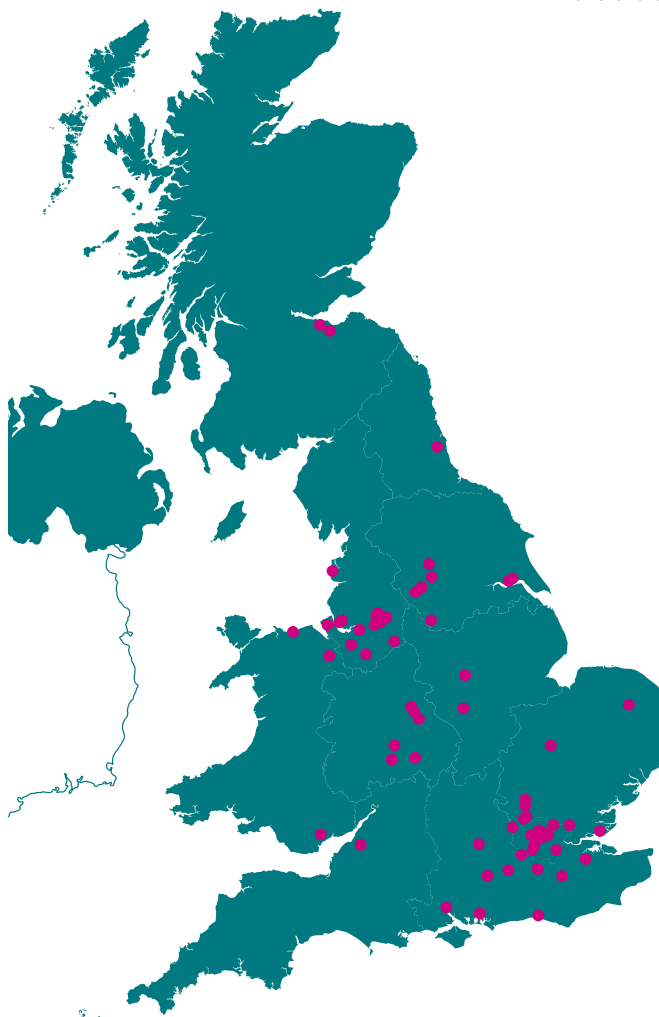
926,500

Self-pay, insured and NHS patients cared for in 2022

## Where we operate

### Map key

- Spire Healthcare clinical locations



## Our values

### Driving clinical excellence

We stretch ourselves to achieve fantastic results

### Doing the right thing

We make sound and considered judgements

### Caring is our passion

We put patients at the heart of everything we do

### Keeping it simple

We make complex things easier

### Delivering on our promises

People can trust us to do what we say we'll do

### Succeeding and celebrating together

We work together, learn from each other and celebrate success





## Highlights of 2022

# 98%

of inspected hospitals and clinics rated Good, Outstanding (or the equivalent) by regulators, up from 90% in 2021 and 69% in 2016

# 926,500

patients cared for, up from 869,400 in 2021

# 180

nurse apprentices, 177 in 2021

# £90.1m

invested in upgrading and maintaining our estate, up from £77.1m in 2021

Launched diabetes service to empower patients



# 27,091

tCO<sub>2</sub>e carbon emissions down 6% from 2021

# 23%

of dry mixed waste recycled, up from 11% in 2021

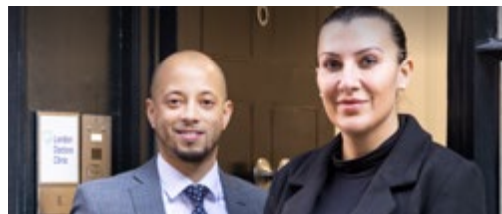
# 5%

of our colleagues are now apprentices, supporting the talent pipeline, level with 2021

# £20,000

fundraised and donated to British Red Cross Ukraine Appeal

Acquired The Doctors Clinic Group, including two occupational health businesses, getting the nation back to health



# £1,198.5m

revenue up 8.3% from 2021

# £203.5m

adjusted EBITDA\* up 14.2% from 2021

# £95.4m

operating profit up 9.7% from 2021

Refreshed our strategy and purpose

Named 'Hospital Group of the Year' by LaingBuisson

\*Refer to page 81 for a reconciliation of non-GAAP financial measures.





## High-quality patient care

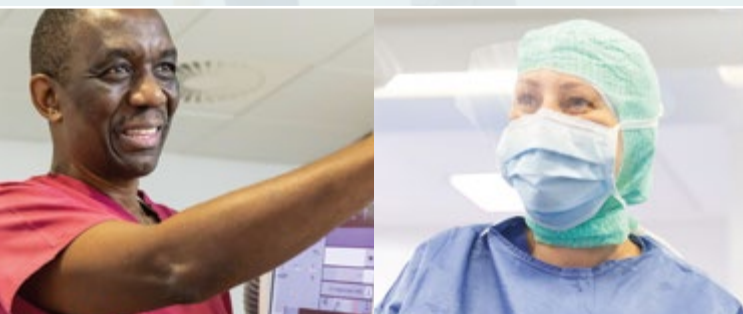
“Staff were caring, efficient and explained things when I was worried. The physiotherapy sessions were supportive, my room was comfortable, and the food was incredible.”

January 2022



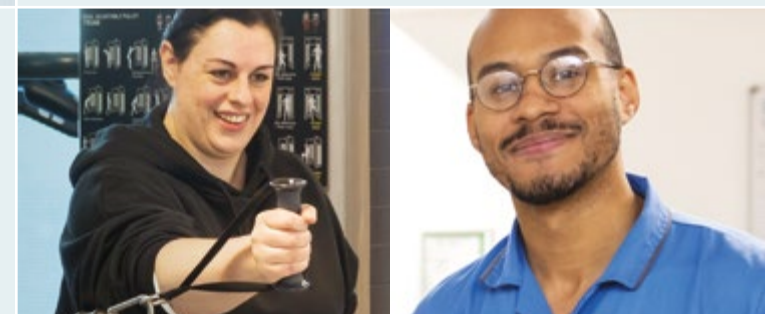
“A wonderful surgeon and team who couldn’t have done more or made me feel more welcome. The entire journey was meticulous and reassuring. I have never experienced such high-quality care.”

February 2022



“I was very nervous going in but I was made to feel at ease every step of the way. Nothing I asked was too much and that was appreciated.”

March 2022



“The hospital was clean and all the staff were very attentive and accommodating. The physio was patient and clear about the exercises I needed to do and why. I had fantastic support.”

April 2022



“A well-organised system of admission and pre-operation communication. Helpful, motivated nursing staff, and top-class surgical staff. All extremely friendly and state-of-the-art facilities. I’m extremely glad I chose Spire.”

May 2022



“Every aspect of the visit was dealt with totally professionally. It was for my father who is elderly and has dementia; he was treated with the utmost respect.”

June 2022





## High-quality patient care continued



“Right from the moment I walked into the hospital I felt so welcome. The level of care is above and beyond.”

July 2022



“The care was exemplary, and every staff member I met was friendly, patient and genuinely caring. I can honestly say that my time at Spire Healthcare was a very enjoyable experience.”

August 2022



“The medical team were exceptional, as were the care staff and receptionists. Thank you all for a five star excellent service.”

September 2022



“I found the whole experience quietly reassuring. I found that I had nothing to worry about, as it was all done and dusted within a very short amount of time.”

October 2022



“I was treated very well, from the moment of my first consultation through to treatment. I have no hesitation in recommending Spire – it is a cut above the rest.”

November 2022



“A marvellous team, always caring, always attentive, I couldn't have asked for better, really.”

December 2022



## History and progress

### 2007

- Spire Healthcare founded with the acquisition and rebranding of 25 former Bupa Hospitals sites by the European private equity firm Cinven

### 2014

- Acquired historic St Anthony's Hospital in Greater London from Daughters of the Cross, a holy order of nuns who had run the hospital for more than 100 years
- Cinven floated Spire Healthcare on the London Stock Exchange, setting its initial price at 210 pence a share, with a valuation of £842 million

### 2020

- Hospitals and resources dedicated to the NHS to support the fight against the pandemic. Colleagues worked with local NHS trusts to support patients with COVID-19, and to deliver other urgent operations and cancer treatments
- An Independent Inquiry published its report on Ian Paterson, who practised in two Spire Healthcare hospitals, as well as the NHS. Spire Healthcare accepted its recommendations in full

### 2008

- Acquired further hospitals and clinics, including Thames Valley Hospital in Buckinghamshire, and Classic Hospitals Group around North and South East of England
- Adding Classic Hospitals' 10 hospitals saw the group become the second largest hospital provider to private patients in the UK

### 2017

- Opened new purpose-built, state-of-the-art hospitals in Manchester and Nottingham, a total investment in excess of £120 million

### 2021

- Launched one of the largest nurse degree apprenticeship programme in the sector, run in partnership with the University of Sunderland
- Acquired an 87% stake in Sheffield's Claremont Private Hospital from Aspen Healthcare, partnering with local consultants who took a 13% stake in the hospital

### 2022

- Long-term investments in quality, estate and people have delivered quality patient care and high levels of patient satisfaction
- Increased stake in Claremont hospital to 100%
- 98% of inspected hospitals and clinics now rated as 'Good' or 'Outstanding' by the CQC or its equivalent in Scotland and Wales
- Acquired The Doctors Clinic Group, which operates 22 private GP clinics, and two businesses in the fast-growing occupational health sector

### 2023 onwards

#### Future investment



Future investment will support the delivery of a broader range of healthcare services that complement existing services and develop a network of 10 new clinics.

#### Expanding GP and occupational health services

The group will further expand GP services, offer minor treatments, such as ophthalmology, dermatology and gynaecology, through new treatment clinics and develop the occupational health offering.



#### Chronic disease support



Development of new offering for patients with Type 2 diabetes, with plans for similar services for people with other chronic diseases, combining the benefits of innovative, user-friendly mobile technology with face-to-face clinical support.

# Spire Healthcare – from hospitals to integrated healthcare

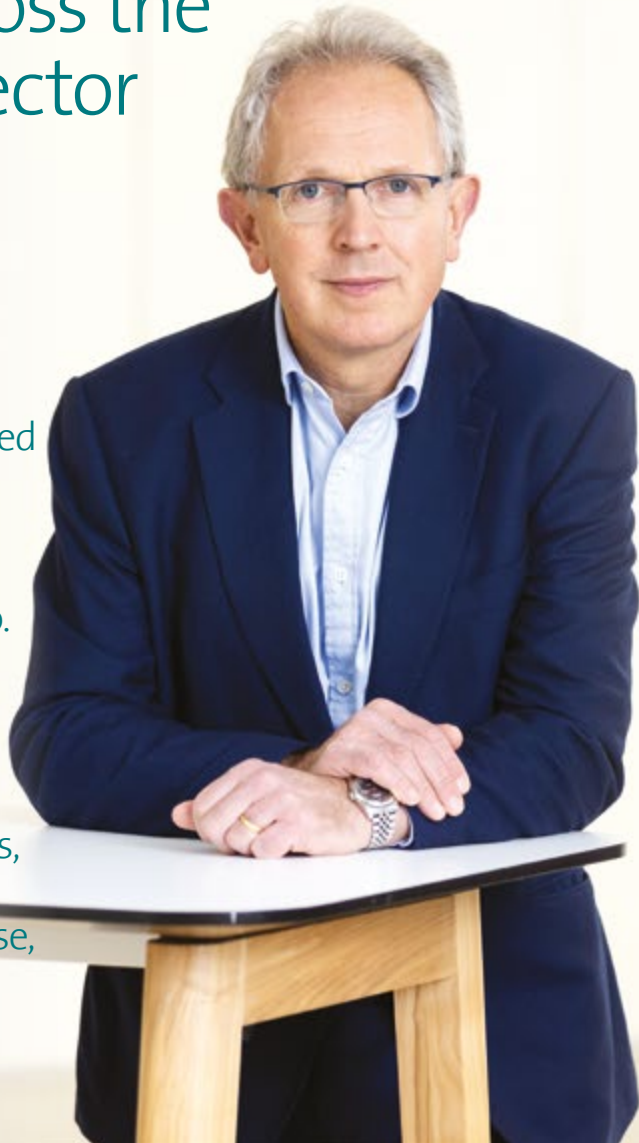


## Chief executive officer's strategic review

# Robust growth potential across the healthcare sector

“Our colleagues have worked hard to create a strong platform for growth, with safety and quality at the heart of everything we do. More than ever before, personalised quality care is our daily responsibility, delivered by our talented, committed hospital teams, nurses and allied professionals, and of course, our consultant partners.”

**Justin Ash**  
Chief Executive Officer



I am delighted to say that 2022 has been a year of strong performance across the group. We maintained the high-quality care our people work so hard to achieve, we have evolved our purpose and strategy to take account of the changing demands and dynamics of our market, and we not only delivered a solid financial performance, but also have moved the business forward in our sustainability agenda and in expanding our offering.

### Safety and quality care

Naturally, patient safety remains our top priority at Spire Healthcare, allied to our ongoing investments in quality, which are vital to our aim to lead this area. This year, we have embedded our new Quality Improvement strategy, and in our latest survey 96% of patients rated their experience as 'Good' or 'Very Good', unchanged from 2021. We also produce an integrated clinical governance report every month, for review by the board and the executive team.

I was pleased that all 10 hospitals inspected this year were rated 'Good' or 'Outstanding' by the CQC, or the equivalent in Scotland or Wales, with Manchester re-rated as 'Outstanding' for a second time, South Bank uprated to 'Good', Cardiff receiving excellent feedback and Murrayfield Edinburgh rated 'Good'. 98% of our inspected hospitals and clinics have now achieved these ratings, an improvement from 90% at the end of 2021, one of the strongest offerings in the independent sector and a competitive advantage.

### Increasing demand for private healthcare

Demand for private healthcare remained strong in 2022, with patients seeking prompt, safe and effective diagnosis and treatment amidst increasing NHS waiting lists. We saw continued growth in demand from self-paying patients, and strong rebound in our private medical insurance (PMI) business. This reflects changing market dynamics, as people turn to private care to meet their treatment needs.

Overall revenue was £1,198.5 million, up 8.3% compared to 2021, while adjusted EBITDA was £203.5 million, up 14.2% on last year, despite inflationary pressure and the impact of COVID-19 on cancellations and colleague and consultant sickness that reduced income and increased costs at times through the year.

### Supporting the NHS

2022 saw growth in our NHS work and, by the end of the year, we were seeing more NHS patients than pre-pandemic. We were pleased to support the NHS in caring for those patients who had been waiting the longest, helping to treat patients waiting more than two years and reducing the number of people waiting more than a year and a half. In December, I was delighted to join the launch, with the Prime Minister, of the government's Elective Recovery Taskforce for England. I hope this will result in a long-term partnership between the NHS and the independent sector, where the sector is part of the solution for reducing the backlog in care. In particular, I hope it will result in a greater promotion of patients' right to choose a provider offering shorter wait times.

### Broadening our purpose

The increased demand for healthcare is not only seen in hospital care but also in out-of-hospital, primary and community healthcare, and we have broadened our purpose and strategy to maximise the opportunities this creates. We are in a strong position to do this now because of the journey we have been on in recent years, focusing internally on quality and patient safety, and building the clinical and financial position we have today. We have turned risks into strengths, and developed the flexibility to respond quickly to the external environment.

Our purpose has changed from making a positive difference to 'patients' lives' to 'people's lives', broadening our offer of outstanding personalised care to more people in a wider range of settings. We aim to be involved in people's healthcare across both pre- and post-hospital care, responding to the demand we know is out there. After all, it's in our name, Spire Healthcare.



## Chief executive officer's strategic review continued

### A strategy to meet Britain's healthcare needs

To deliver on this new purpose, we have refreshed our strategy. We aim to help meet Britain's health needs by running great hospitals and developing new services. The new strategy contains five key pillars:

1. We will **drive hospital performance**, by continuing to grow our existing hospital estate with increasing margins
2. We will **build on quality** and patient safety to make it a competitive advantage in all our activities
3. We will continue to **invest in our workforce** through strong recruitment, retention, and development programmes
4. We will **champion sustainability**, as we aim to be recognised as a leader in our sector
5. We will **expand our proposition** through selective investments in new services that will attract new patients by meeting more of their healthcare needs

All this will help us focus on delivering a **strong financial performance** with a particular emphasis on cash generation, improving our return on capital, and delivering strong shareholder returns. You can read more about our plans in our strategy section on page 18.

### Expanding our healthcare proposition

Spire Healthcare is now working towards becoming an integrated healthcare provider, with services in primary care, diagnosis, occupational health and long-term condition management. While our desire to expand our proposition is not new, including it as a key pillar of our strategy gives our efforts in this area a new energy, and I believe this can play a significant part in taking our business forward. Our primary care services, Spire GP, are now present at most of our hospitals, and we are getting strong support from other GPs who want to work with us. This private GP service grew by 46% in 2022, reflecting the desire of an increasing number of patients for fast access to longer face-to-face appointments with a GP. Our acquisition of The Doctors Clinic Group in December 2022 adds further capacity to our GP offering as well

as entering the fast-growing occupational health sector, with the acquisition of Maitland Medical and Soma Health as part of the same transaction. This aligns with our plans to target 10 new clinics to meet the growing healthcare needs in our communities, as well as digital services we seek to offer patients in the future.

### Supporting and developing our workforce

One of the biggest challenges for our sector is the shortage of skilled healthcare staff in the UK and internationally. This places pressure on our costs, especially when it comes to agency usage, and can limit capacity. This is why investing in our workforce is also a vital part of our strategy. As a people business, we recognise our key role in addressing this shortage, and work hard to recruit and retain talented people, offering colleagues genuine opportunities to grow and develop their careers with us and in the NHS.

One of the group's most successful initiatives – our nurse degree apprenticeship programme, run in partnership with the University of Sunderland – is aimed at building a talent pipeline for our business and the broader healthcare sector. This sector-leading programme continues to grow. Across a broader range of clinical and non-clinical roles, I am delighted that we now have around 550 apprentices in all, representing some 5% of our total permanent workforce.

## Spire Healthcare: people and community

It is important to me that Spire Healthcare and its people make a difference. Not only do we maintain ongoing investments in delivering high-quality care, but also we want to play an active part in our communities and society at large. We are keen to treat long-waiting NHS patients and seek a long-term partnership between the NHS and the independent sector. We are committed to training and retaining the best people through our apprenticeship and development programmes, and we aim to lead the sector in an early bid to be carbon neutral by 2030. We want to champion social, sustainability and environment issues at all levels of the business and are opening new clinics to provide care beyond hospitals. Our clinics and hospitals are forging relationships with local communities and fundraising for local charities. Every year, Spire Healthcare takes on company-wide charity challenges, such as a charity cycle day, and other community initiatives, such as supporting local foodbanks, raising thousands for good causes.





## Chief executive officer's strategic review continued

Justin Ash visiting  
Spire Liverpool

We continue to focus on colleagues' learning and development with more than 1,000 colleagues on professional and other development programmes. We also have around 520 overseas nurses across the business. We are committed to ethical recruitment – only recruiting actively from 'green' countries under the World Health Organization definition. Of course, we provide training and development opportunities for them so that, if they wish, these nurses can take home a range of new skills and opportunities. We supported colleagues with a 5% pay rise in September 2022, following on from continued pay rises over the last few years, with up to 16% for lower paid colleagues, and less for senior managers.

**Sustainability**

Alongside integrating sustainability into our business strategy, we have developed and articulated our sustainability strategy this year and I was delighted that we were highly commended in the BusinessGreen Leaders Awards this year, for Net Zero Strategy of the Year. We have made it clear how championing the environment, social and governance issues, and sustainability as a whole, is integral to the way we operate, and our aim is to lead the sector.

During the year, we established our waste management strategy, helping us to increase recycling rates, and mitigating, where possible, the waste we send to landfill.

We remain on target to reach net zero carbon by 2030, though our trajectory has been slower this year due to a shortage of electricity from green sources. We will aim to buy more green energy in the future, and are replacing gas-powered boilers, and installing electric vehicle charging points.

**More efficient organisation**

Our efficiency programmes are well underway, with £15 million in savings delivered in 2022, and a further £15 million in 2023/24. As a result of this and actions taken previously to lock in some supplier pricing for the medium term, we remain positive about our ability to manage reasonable levels of inflationary risk, and were pleased to expand margins during the year. We remain wary of the economic environment and are taking a range of actions to offset inflationary pressures. These include implementing price rises where appropriate, managing our mix of services, and

being more selective in the choice of products we use. Despite the various efficiency programmes across the business, the inflationary environment, especially as regards wages, may slow the pace of margin improvement in 2023.

**Success recognised internally and externally**

I'd like to thank my management team, all our leaders out in the business, and all our hospital teams and support services for their continued efforts to achieve such an impressive performance in a challenging operating environment. I would also like to thank warmly, Alison Dickinson, Group Clinical Director, as she retires for her dedicated service to Spire Healthcare, her focus on clinical quality and her commitment to patient safety. I would also like to recognise Shelley Thomas, Group HR Director, for her work on learning and development and on our apprenticeship programme. Rachel King has replaced Shelley and I look forward to welcoming Lisa Grant to replace Alison in 2023.

What has made me especially proud this year is that these efforts have been recognised outside the business too. I was delighted to see that Spire Healthcare won both the 'Hospital Group of the Year' and 'Nursing Practice' awards at the annual LaingBuisson awards in November. The latter award acknowledged the success of our excellent Electronic Pre-Operative Assessment programme, which has provided a better patient experience, while driving efficiency by freeing up nursing time and hospital consulting rooms.

**Ready to meet the healthcare challenges of the mid-2020s**

Overall, demand remains very good, not just for hospital care, but for out-of-hospital care. With the development of new propositions as part of our strategy, the business is now well placed to help meet that demand. We remain conscious of the potential risk to demand from the economic environment, but while some self-pay patients may be affected, our target audience tends to be more insulated owing to their income or age profile.

Inflation is clearly a current factor for all businesses, and we can't pretend it will not be a factor for Spire Healthcare, with our biggest exposure on workforce. However, we have plenty of efficiency opportunities, both in procurement and in our operations to help deal with that, our financial position is positive, and we have the potential to flex to accommodate NHS commissions as they arise. As a business, our unique mix of self-pay, PMI and NHS provides a degree of hedge against changing economic circumstances.

I believe we are well positioned to navigate uncertain times for the healthcare sector – be that due to workforce pressures, the macro-economic environment, or the ongoing impact of COVID-19 on the health of the nation that we will continue to manage.

Quality will always remain at the heart of what we do and, as a business, we look forwards with real confidence. I believe we have the right priorities and strategy, and are powered by a thoughtful and engaged team, equipped with the tools we need to succeed in the years ahead.

**Justin Ash**  
*Chief Executive Officer*



## Our market

There is strong demand for healthcare in a post COVID-19 environment and numerous healthcare opportunities across the wider sector.

More people are seeking the services we can provide, but many haven't had experience of private healthcare before. We want to help patients make informed choices and let them know how the process works. We have focused on making self-pay easy and accessible.

The constraints due to COVID-19 eased during the year for our business, people and patients. However, providing safe patient pathways and access to high-quality personalised care remain our core business drivers.

Demand for private healthcare remained strong in 2022, with patients seeking prompt, safe and effective diagnosis and treatment amidst increasing NHS waiting lists. We saw continued growth in demand from self-paying patients, and growth in our private medical insurance (PMI) business. This reflects changing market dynamics, as people turn to private care to meet their treatment needs.

### Long-term global trend

#### Ageing population with complex healthcare needs

The growing and ageing population and greater prevalence of long-term conditions continue to be the underlying factor putting pressure on the UK's healthcare resources.

Treatment and care for people with long-term conditions typically accounts for around 70% of total health and social care expenditure. People with long-term health conditions account for around half of GP appointments, 64% of outpatient appointments and more than 70% of inpatient bed days.

#### Long-term conditions

# 70%

People with long-term conditions account for 70% of expenditure

Source: Department of Health 2012 report 'Long-term conditions compendium of information' 3rd edition



## Our market continued

## Key trends that affect our market today

## 1. Growing NHS waiting lists

NHS waiting lists were already long before the pandemic, with 4.4 million people on the list in December 2019. With so much elective care suspended during the pandemic, NHS waiting lists have increased to record levels. At the end of 2021, waiting lists stood at 6.1 million, and by the end of 2022, they had risen to 7.2 million. In many months during 2022, the list grew by around 100,000 per month. The problem is not only the length of the list, but also the length of time people are waiting for diagnoses and treatments. In 2019, there were around 1,600 people waiting longer than a year for a procedure. Today, this number is in excess of 400,000.

400,000+

patients waiting over a year, up from over 300,000 in November 2021

Source: NHS waiting times data for December 2022, published February 2023

7.2m

patients waiting, up from 6.1 million in 2021

Source: NHS waiting times data for December 2022, published February 2023

57%

of Spire Healthcare target consumers would be more likely to consider using a private hospital, given growing waiting lists

Source: Proprietary Spire Healthcare research conducted with 2,892 target consumers during October and November 2022 up from 53% in 2020



## 2. Growing private market

Growing demand has driven robust growth in demand for self-pay healthcare in 2021, particularly in our core specialties of hip and knee surgery, and this continued into 2022. The private medical insurance (PMI) sector also recovered strongly in 2022, as corporates look to extend cover to more employees, as a defence against long NHS waiting lists.

We have seen growth in our target customer base – the number of people considering private healthcare in the areas in which we operate – to around seven million people in 2022 from around five million in 2019. The profile of our customers has remained similar in terms of age and wealth profile, but we are seeing more of those who previously might have defaulted to the NHS before the pandemic.

There have also been longer waits for people to see their NHS GPs. This is a key driver in Spire Healthcare increasing the size of its GP and 'out of hospital' business (see 'Expanding our proposition' on page 31).

## 3. Shortage of skilled healthcare professionals

The UK healthcare sector continues to face a severe skills shortage, with a large number of healthcare professionals leaving the industry each year. In figures published by NHS Digital, there were 47,496 vacancies, or 11%, within the registered nursing staff group in NHS England in September 2022. Against this backdrop, attracting and retaining the best people is a challenge for all healthcare providers, both public and private. Rates for agency staff are also rising, presenting further challenge.

The combination of inflation and labour shortages means businesses like ours have to be competitive in the reward that we offer colleagues, in order to attract and retain the best people.

11.9%

vacancy rate for nurses in NHS England (September 2022)

Source: NHS Digital



**At Spire Healthcare, we run a range of apprenticeship schemes and overseas recruitment programmes.**

[Read more on pages 26 and 51.](#)



Our market continued

## Key trends that affect our market today

### 4. Inflationary economic environment

2022 saw sharp rises in inflation in the UK and around the world, with various consequences. Rises in the cost of living have affected people's disposal income. Although this has the potential to temper the growth rate we see in the market, we have some resilience to these pressures in the private healthcare sector, as many in our target audience are in higher income brackets and so are less affected. Demand for orthopaedic work, for example, is largely unchanged. Despite this resilience, those among the periphery of our target audience are not unaffected.

Energy prices could also present a threat to our business, but we have energy prices locked until autumn 2024. We are making plans on how we mitigate the impact from 2024 onwards.

Inflation also puts pressures on our supply chain, costs and margins, although in 2022 we have been able to respond well to this (see page 9 chief executive officer review).



#### UK inflation rate

# 10.5%

in December 2022

# 5.4%

in December 2021

Source: UK Consumer Price Index (CPI), ONS

## How Spire Healthcare is responding to these trends

In 2022, we responded to these changing market dynamics by evolving our strategy. You can read more about this in the following pages.

We are driving performance in our hospitals so we're best placed to respond to the backlog in care, focusing on quality to differentiate ourselves to build competitive advantage. We're investing in our workforce so that we're well-placed in a market where skilled people are at a premium, and championing sustainability so that we are a net contributor to society. Lastly, we're responding to increasing demand for out-of-hospital care by expanding our proposition.





## Our business model

[What drives us](#)[How we generate revenue](#)[The value we create](#)

# What drives us

Our purpose – ‘Making a positive difference to people’s lives through outstanding personalised care’ – drives how we do business.

Our vision is to be the go-to healthcare brand, famous for the clinical quality and care we deliver.

### What we do

We own and run hospitals and clinics across the country, serving a diversified patient mix. Offering hundreds of different tests and treatments, some of which can only be accessed privately, we provide diagnostics, inpatient, daycase and outpatient care in areas including orthopaedics, gynaecology, cardiology, neurology, oncology and general surgery.

We are also broadening our ‘out of hospital’ provision, to respond to changing demands in the market, with our GP service, occupational health and a long-term condition management offering in development.

# 39

Hospitals

# 5

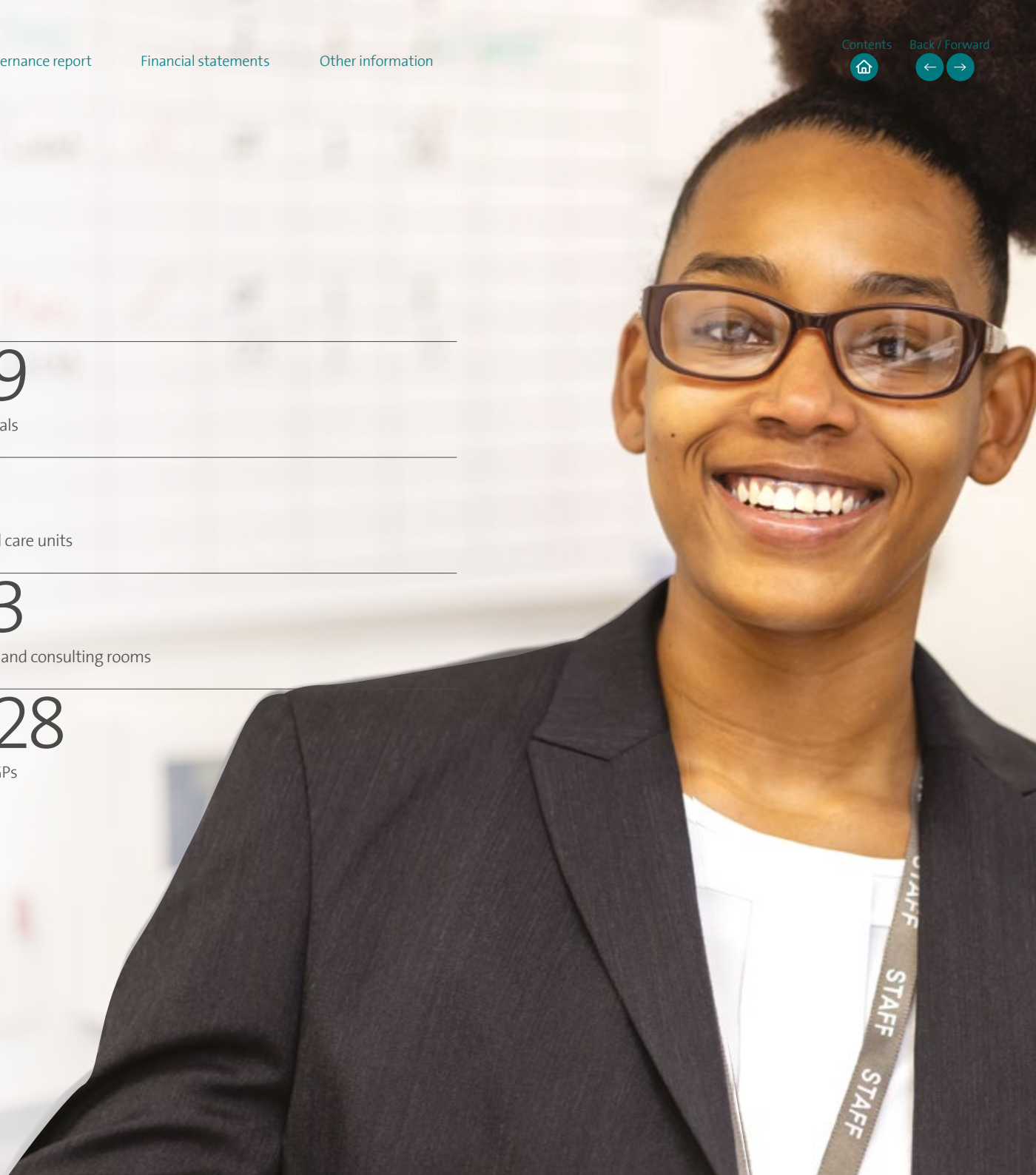
Critical care units

# 33

Clinics and consulting rooms

# 128

Spire GPs





Our business model continued

What drives us

How we generate revenue

The value we create

# How we generate revenue

## 1. Private patients

We offer treatments for patients who have private health insurance or wish to pay for their own treatment. We offer them a choice of when and where they are treated, in hospitals that combine excellent clinical outcomes and levels of infection control with 'hotel-style' levels of service.

### PMI

We have long-term relationships with all the major private medical insurance providers, with Aviva, AXA, Bupa and VitalityHealth having combined market share estimated at over 85%.

### Self-pay

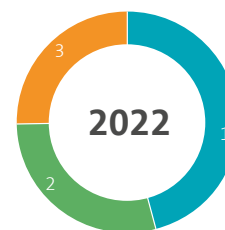
We enable patients to take control of their own health by directly booking appointments with consultants without the need for a GP referral or an appointment with one of our private GPs.

## 2. NHS

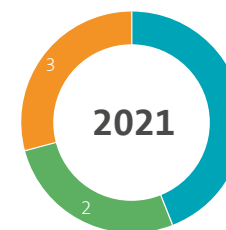
Spire Healthcare offers the NHS capacity, capability and flexibility.

We perform high volumes of routine elective surgery, including a proportion of complex surgery. As we take most work directly from GPs this prevents patients sitting on NHS waiting lists and, in addition, we take thousands of patients off waiting lists nationally. The activity is at the same tariff prices as local NHS Trusts and the capital we invest in our sites, at no charge to the NHS, allows us to increase capacity through expanded clinical teams, theatre time and bed availability. This means we can increase capacity aligned to NHS commissioning requirements.

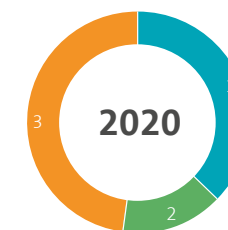
Most NHS work comes from NHS GPs via the Electronic Referral System (eRS) which allows patients to book appointments with providers with the shortest waits.



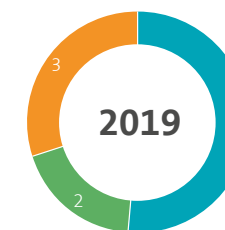
1. PMI 46.0%  
2. Self-pay 28.8%  
3. NHS 25.2%



1. PMI 43.9%  
2. Self-pay 27.0%  
3. NHS 29.1%



1. PMI 37.4%  
2. Self-pay 15.0%  
3. NHS 47.6%



1. PMI 51.4%  
2. Self-pay 18.7%  
3. NHS 29.9%

## How we work

### We have an unwavering commitment to the highest standards of safety, quality and care and effective consultant oversight

Patients, consultants and GPs trust Spire Healthcare to deliver high-quality care. We have a proactive approach to quality improvement through our Quality Improvement strategy, and a strong ward-to-board governance framework to ensure we maintain the highest standards, and each hospital director is focused on safety and quality. At the year-end, 98% of our inspected hospitals and clinics were rated 'Good' or 'Outstanding' by the CQC or the equivalent in Scotland and Wales. All of our hospitals have on-site resident doctors at all times. The resident doctors work closely with our consultants and nursing teams to ensure safe and effective care.

### We have a highly motivated and skilled team

We employ a wide range of well-trained and dedicated clinical and non-clinical people, whose flexibility and resilience is vital to us maintaining high standards of personalised care. Our culture is based on respect, inclusion and collaboration, and we all share the values of the business.

### We work closely with GPs

People are usually referred to us by their own NHS GP. We work with GPs to facilitate speedy, convenient and fully informed referrals, and have business development teams who build links with their local GP communities. Once referred, we aim to see patients quickly, and following the initial contact, we can usually offer them the opportunity to select the consultant and hospital with which they are most comfortable.

### We aim to make Spire Healthcare the first choice for consultants

Consultants are independent of the group. They are granted privileges to practise in our hospitals, operating according to our policies and procedures. They are integral to providing high levels of medical care to our patients, so we want to be their first choice as a place to work. That's why we engage with local consultants at a hospital level, both those with practising privileges and those in the wider consultant community. We aim to build on our close working partnerships and offer them the facilities and support they need to establish a practice at our sites. Some Spire GPs operate in a similar way, independent of the group; others are directly employed.

### We invest in the business

We have invested £90.1 million in our estate and the latest medical facilities and equipment in 2022. Building on our digital infrastructure remains a key business priority, as centralised processes not only make the lives of our patients and colleagues easier, but digital and telephone options for pre-assessments and even diagnosis enable us to deliver our services more quickly and safely.



Our business model continued

What drives us

How we generate revenue

The value we create

# The value we create

## Patients



We provide fast access to high-quality, personalised clinical care with world-class experts.

# 926,500

all patients seen in 2022  
2021: 869,400  
96% say their experience of our service was 'Very Good' or 'Good'  
2021: 96%

## Colleagues



We aim to provide our colleagues with high job satisfaction, a competitive reward and recognition framework, and the chance to learn, develop and grow through a wide range of apprenticeships and development opportunities.

# 14,500

colleagues  
2021: 15,100

## Consultants



We invest in the best people, facilities and equipment to make Spire Healthcare the partner of choice for our consultants.

# 8,760

expert consultants we worked with in 2022  
2021: 8,150

## NHS



We help the NHS reduce waiting lists, ease capacity constraints and work closely with the NHS centrally and in local communities, with commissioners and trusts.

# 182,000

NHS patients seen in 2022  
2021: 191,000

## Shareholders



We aim to create value through total shareholder returns.

During the three-year period 2020-22, Spire Healthcare's share price rose by 60.6% and outperformed the FTSE All-Share Index by 63.5 percentage points. Our total shareholder return for the same period was 60.6%. During the year ended 31 December 2022, Spire Healthcare's share price advanced by 8.8%.



## Our strategy

# We're helping to meet Britain's healthcare needs by running great hospitals and developing new services

“Our purpose has moved on from making a positive difference to ‘patients’ lives’ to ‘people’s lives’, broadening our offer of outstanding personalised care to more people in a wider range of settings. We aim to be involved in people’s healthcare across both pre- and post-hospital care. After all, it’s in our name, Spire Healthcare. We are more than just our hospitals.”

**Justin Ash**  
Chief Executive Officer



At Spire Healthcare, quality and patient safety always come first. Our strategy has served the business well over the past few years, helping us to build the clinical and financial platforms we needed to deliver for our patients to consultants, and our colleagues to investors. But demand has increased significantly in the wake of the pandemic, both inside and outside hospital. That’s why we have refreshed our strategy this year to focus on five strategic pillars that will not only enable us to meet this demand and fulfil our purpose as a company, but also will continue to underpin the long-term financial performance and strength of the group.

### Our purpose drives our strategy

Our purpose is ‘Making a positive difference to people’s lives through outstanding personalised care’.

That’s why we need a strategy that helps us to meet Britain’s healthcare needs, not just by running great hospitals, but also by developing new services. A strategy that focuses on quality and safety at its core, champions sustainability throughout the organisation, recognises the vital role our people play in all of this, and delivers a strong financial performance for shareholders while generating value for all our stakeholders.



**Our key performance indicators (KPIs) are explained in detail**  
page 33-35



**Read about our engagement with stakeholders**  
page 36-41



**Read about our alignment to the United Nations Sustainable Goals (UN SDGs)**  
page 42-59

## 01 Driving hospital performance



page 19-21

## 02 Building on quality



page 22-24

## 03 Investing in our workforce



page 25-27

## 04 Championing sustainability



page 28-30

## 05 Expand our proposition



page 31-32



Our strategy continued

# 01 Drive hospital performance

Continue to grow across our existing hospital estate with increasing margins

As a preferred provider and partner, we aim to offer an outstanding patient experience in our hospitals, and ensure we are easy to do business with.



## Our goals

- Provide people with rapid access to diagnosis and treatment
- Provide market-leading offer to private patients, with targeted growth in NHS treatments
- Outperform the UK's overall hospital market growth
- Improve our hospital margins and maximise opportunities

## Our performance

### Progress during 2022

- Marketing activity, including television advertising, further increased brand awareness
- Increased private inpatient revenue by 14.7% to £335.3 million from £285.9 million
- £90.1 million investment including major projects at Spire Alexandra Hospital and new facilities at Spire Shawfair Park
- Won both the 'Hospital Group of the Year' and 'Nursing Practice' awards at the annual LaingBuisson awards

### Priorities for 2023

- Continue to increase private revenue
- Continued investment as part of the five-year investment plan
- Continue to deliver services under the NHS Increasing Capacity Framework and work with NHS partners to address waiting lists
- Expand the use of digital technology to further improve the patient experience

## Relevant UN SDGs



## Maximising our capacity

As we evolve our strategy, the core of our business remains running great hospitals. With demand for healthcare at record levels, the biggest focus for our hospital directors, directors of clinical services and other hospital leaders has been on making the best possible use of our capacity to meet that demand. This has tested our teams' flexibility, and our ability to back-fill cancelled appointments where patients had to cancel because they were unwell or had decided to delay their procedure for another reason. We have also been more creative with the space we have – redesignating administration areas as clinical space, and trialling weekend appointments and surgeries.

Making sure we always have patients who can come in for their treatment at short notice has helped us reduce 'lost' capacity, although one of the biggest challenges to scheduling and maintaining lists in the face of the COVID waves this year has been ensuring we have the workforce available.

## The challenge of COVID

While COVID-19 restrictions have eased during the year, we started 2022 with the Omicron variant at its peak, so following all NHS, government and UKHSA guidance was of the utmost importance. The agility and resourcefulness of our people remained vital, as we continued to face challenges and pressures, due to employee and patient illness or changing rules. We responded carefully to these challenges, with the support and guidance of our Medical Advisory Committees, while keeping our colleagues, consultants and patients safe at all times, focused on the highest quality standards. Illness among our own teams, and people trying to catch up with holidays that have been accrued during the pandemic, have made resource planning a very high priority.

## Highlights

Patients say their experience of our service was 'Very Good' or 'Good'

# 96%

2021: 96%  
Source: Patient Discharge Survey

Private inpatient revenue growth 2022

# £335m

2021: £285.9m up 14.7%

Private new outpatient consultations 2022

# +7.8%

581,981 in 2022 vs 539,018 in 2021

Self-pay outpatient consultations 2022

# +3.9%

284,692 in 2022 vs 274,130 in 2021



Our strategy continued

**01 Drive hospital performance continued****Better patient experience**

We have made efforts to deliver an enhanced patient experience, while offering patients both electronic bookings and electronic pre-operative assessments (ePOA). We have great teams working in partnership with our consultants, with whom they have developed excellent relationships. The success of our ePOA programme, which was fully rolled out last year, was recognised with an award for 'Nursing Practice' at the annual LaingBuisson awards. We are leveraging the programme, which provides real time data, shorter processing times, and a better patient experience, while freeing up both nurses' time and our hospital consulting rooms. Patients access their pre-operative assessment questionnaires via MySpire – our secure online patient portal – and 242,740 electronic pre-operative assessment questionnaires were sent to patients in 2022, up from 75,000 last year.

Our website and customer experience was further enhanced by the addition of live chat for patients seeking appointments, advice or answers to their questions.

**Focus on efficiencies to improve margin and profit**

We have identified numerous opportunities to improve efficiency, with £15 million savings delivered this year, and significant potential savings identified for the next two years. Our procurement team has worked hard to lock in some supplier pricing for the medium term, securing the best value for Spire Healthcare's third-party expenditure. We mitigate supplier inflation through our annual savings delivery plan and strategic procurement, with the team handling around 5,000 high volume clinical consumables each week, delivered directly to our hospitals.

This success is despite having to deal with further shortages this year, such as the Amber blood alert in the NHS. Fortunately, our experiences during the pandemic taught us how to deal with uncertainties, and we respond to them calmly and with control. The energy crisis could also represent a threat to our hospitals during the winter, but we have made winter plans to deal with power shortages and any other supply shortages that may arise, and have energy prices locked in until autumn 2024.

**Investing in our estate**

We continued our investments in quality, our core estate and digital systems in 2022, as part of our ongoing five-year investment plan, accounting for an overall capital expenditure of £90.1 million. This included five MRI and CT scanner replacements, accounting for a total investment of £6.6 million. We have already approved an investment of £6.5 million for a further five units to be replaced in 2023, with another nine units identified for consideration after that.

A further investment of around £10 million across the estate was made in 13 x-ray/fluoroscopy rooms, 12 mobile x-ray machines, two mammography units (with five to be completed in 2023), four C-arm medical imaging devices, and six ultrasound units. In addition to all this, further significant investments are planned for 2023 on anaesthetic machines and monitoring, camera stacks, and flexible endoscopy.

## New care suite at Spire Alexandra Hospital

In October 2022, we opened a new care suite at Spire Alexandra Hospital in Chatham, Kent, to treat patients with chronic pain. The suite, which will treat up to 60,000 patients a year, represents a six-month, £250,000 infrastructure development project, which will expand the range of healthcare services we provide at the hospital to both NHS and private patients alike.

The suite will allow colleagues at Spire Alexandra Hospital to treat patients who need minor procedures without a general anaesthetic. This means more patients can receive their treatment and return home on the same day. Our initial focus was to ease pressure on NHS waiting lists in the Kent and Medway area, treating patients suffering from chronic pain, although from 2023 Spire Alexandra will seek to further expand its own daytime services within the new suite.



# 500,000

over 500,000 NHS patients treated since  
March 2020



## Our strategy continued

## 01 Drive hospital performance continued

These investments in state-of-the-art technology will benefit both our patients and hospitals, and provide the best environment for consultants to work with us, while ensuring Spire Healthcare achieves the best value by fully leveraging the group's volume. Major projects have included:

- An £11 million development by Spire Yale Hospital to convert administrative buildings into an outpatient centre, which is due to complete in early 2023. This will create a more comfortable environment where people can receive much-needed diagnoses – making use of a new MRI scanner that will enable more patients to be scanned for cardiac disease, urological, orthopaedic and other conditions than ever before.
- An £8.5 million investment at Spire Shawfair Park in Edinburgh which has enabled it to accommodate overnight patients for the first time. This has been accompanied by additional recovery and new ambulatory care and daycase facilities, and a new operating theatre.
- Further investments have been made at a number of other hospitals in the group, such as Spire Norwich (£1.7 million), Spire Cambridge (£1.3 million), and Spire Tunbridge Wells (£1.2 million).

**Forging strong PMI partnerships**

We aim to establish and maintain long-term market-leading partnerships with all private medical insurers (PMI), agreeing value-based contracts based on price, clinical quality and patient experience. By building these strong partnerships, and through effective operational performance and collaborative initiatives, we aim to make market share gains. During 2022, we agreed new arrangements with three of our main four PMI providers, Bupa, Aviva and Vitality, with AXA already being in a long-term contract.

**Attracting self-pay patients**

We continue to optimise our multi-channel marketing strategy, building on our successful TV advertising campaigns, with the aim of enhancing our position as one of the UK's go-to private healthcare brands. We ran two bursts of our TV campaign in the spring and autumn which continue to drive brand performance.

**Pricing clarity**

We continue to strengthen our pricing governance, structures and reporting, through the use of our market-leading pricing engine, which supports our revenue management. The pricing engine enables us to adjust many prices quickly and respond much more flexibly to rapid changes in the market to remain competitive, and protect our margin in the face of rising inflation.

**Our partnership with the NHS**

The independent sector can help to tackle the backlog in elective care by the working in partnership with the NHS. Our volume of NHS work increased during 2022; by the end of the year, we were treating more NHS patients than prior to the pandemic and the flow of patients through the electronic referral system was strong. We also helped the NHS to treat patients who had been waiting longer than two years, nearly reducing to zero the numbers of people waiting this long. We have now treated over 500,000 NHS patients since the start of the pandemic in March 2020. We look forward to continuing to support the NHS through the outcomes of the Elective Recovery Taskforce (see chief executive officer introduction on page 8).

**Working with Integrated Care Systems**

2022 saw the formation of Integrated Care Systems (ICS) that support the NHS. ICSs are partnerships that bring together providers and commissioners of health and care services across a geographical area, and we are involved in discussion around decision-making. This relationship also means that we have access to GPs' summary care records – so from a patient safety perspective we can view critical information that ensures we treat people safely. Our new hub hospital director roles are a great opportunity to work directly with ICSs, giving a single point of contact across the ICS geography, allowing us to place work where it fits best. We will continue to engage closely with ICSs during 2023 as they further develop their plans for the future.

**Services for children and young people**

Spire Healthcare is a prominent provider of treatment for children and young people, offering a full range of paediatric services from initial consultation and diagnosis through to treatment and surgery, including dermatology, gastroenterology and ear, nose and throat services with the latter the busiest service.

We provide paediatric outpatient care to children from birth, and inpatient theatre procedures from 12 months in Manchester and Leeds and from three years in all other sites. We have 14 hubs providing inpatient services for children and an additional 17 spoke sites with an outpatient facility. In 2022 we saw over 35,000 children in our outpatient departments and nursed over 4,500 on our inpatient wards. Children at Spire Nottingham can travel to theatre in a toy electric car to ease their nerves.



Our strategy continued

## 02 Build on quality

Maintain strong quality and safety credentials for patients and as a competitive advantage

With a proven integrated governance model and a strong quality improvement culture, we remain fully focused on quality and patient safety across the organisation.

### Our goals

- 100% of our inspected locations achieve 'Good' or 'Outstanding' ratings from CQC (or equivalent in Scotland and Wales)
- Sector leading patient satisfaction
- Above average patient reported outcomes

### Our performance

#### Progress during 2022

- Embedding our new Quality Improvement strategy
- Introduced the role of Surgical Care Nurse Practitioners to enhance patient experience
- Continued to strengthen all of our governance standards
- Launched our new Nursing and Allied Health Professional (AHP) Strategy Framework

#### Priorities for 2023

- Implement the Patient Safety Incident Response Framework
- Continue to strengthen our clinical governance and learning frameworks
- Prepare for changing CQC assessment
- Roll out surgical care practitioner nursing role more widely and plan to introduce new clinical apprenticeship roles

### Outstanding clinical quality

Quality underpins everything we do. It is an essential part of delivering on our purpose to make a positive difference to people's lives through outstanding personalised care. At a clinical level, we are committed to matching, then exceeding best in class, with 'Good' or 'Outstanding' CQC ratings (or equivalent in Scotland and Wales) across all our sites and a focus on consistently good patient engagement and feedback.

98% of our inspected hospitals and clinics – including 10 hospitals inspected this year – have now achieved 'Good' or 'Outstanding' from CQC or the equivalent in Scotland and Wales.

We have processes in place to support our hospitals when they face challenges, with shared learning across the group that helps us to achieve consistently high quality standards. We are also uncompromising on patient safety, and aspire to have high levels of incident reporting, but the lowest level of patient harm incidents in the sector – we work hard to ensure our colleagues and consultants have the skills and support they need to improve patient safety in the entire system.

### A framework for continuous improvement

We speak with patients every day to better understand their experience with us. We want to know about their experience of care, their outcomes, what they thought of the discharge process, and their broader patient experience before and after they came into our care.

We use online feedback and patient forums with a direct loop to our hospitals so we can learn across all parts of the patient pathway and national best practice.

### Highlights

**Regulatory inspections  
(Hospital inspection reports  
published during the year)**

# 10

2021: 10 inspection reports

**Inspected hospitals and clinics  
rated 'Good' or 'Outstanding'  
by the CQC and its equivalents  
in Wales and Scotland**

# 98%

2021: 90%

**Patients say they 'felt in safe  
hands' when receiving care  
at Spire Healthcare**

# 97.0%

2021: 97.3%  
Source: Patient Discharge Survey

### Relevant UN SDGs





## Our strategy continued

## 02 Build on quality continued

All senior leaders, including all hospital directors, attend a Monday '10@10' meeting – 10 minutes at 10am to share key developments and safety issues, followed by a written briefing for cascade. This ensures vital information is shared for safety and continuous improvement.

We recognise that much of a patient's journey will be affected directly by the nursing and allied health professional care they receive. That's why we have launched our new Nursing and Allied Health Professional (AHP) Strategy Framework this year. The framework sets requirements to continually improve our services, and is focused on:

- Making sure we have the right colleagues and the right skills, in the right place at the right time
- Quality Improvement (QI)
- Having a team structure to deliver high-quality care
- Investing in clinical education
- Providing excellence in care

We aim for the framework to increase further our focus on quality and the care we provide. We also want to encourage the best national and international nurses and AHPs to join Spire Healthcare, and work with us to improve the patient experience.

**New surgical care practitioner roles**

We are also introducing more advanced nursing roles across the organisation. The first of these are the two new Surgical Care Practitioners (SCP) we have recruited at Spire Cambridge Lea and Spire Bushey in Watford. Both are nurses with advanced qualifications who can support consultants' practice at our hospitals. They will help with continuity across the patient pathway – support in all areas, including clinics.

An SCP is all about improving patient care and experience, improving efficiency and effectiveness in theatres and making it easier for consultants to do business with us, and so far we have received good patient and consultant feedback on these appointments.

**Getting reporting right, getting assurance right**

We continue to strengthen all of our governance standards, having improved our reporting processes on quality to streamline ward-to-board assurance. Our integrated Quality Assurance Framework includes a suite of key performance indicators (KPIs) that is reported monthly to the board. Our Quality Assurance Framework is based on the NHS National Quality Board framework, with KPIs grouped under safe, effective, experience, well led, and money and people.

The report is carefully constructed to provide information, not just data, giving board members context, so that they can focus on conversations around assurance rather than seeking data.

**Treating higher acuity conditions**

Enhancing our ability to treat patients with higher acuity conditions is an important aspect of our strategy. Greater capacity to carry out more complex operations in our hospitals opens up new areas of care we can provide, and makes Spire Healthcare more self-supporting, by ensuring that we need to do fewer transfers out where critical care needs arise.

We continue to validate our quality standards, and have now earned JAG accreditation, which is awarded by the Royal College of Physicians' Joint Advisory Group on Gastrointestinal Endoscopy, for our endoscopy services at 12 sites. In addition, 15 of our 17 chemotherapy sites have Macmillan Quality Environment Mark (MOEM) accreditation, which champions cancer environments that go above and beyond to create welcoming and friendly spaces for patients.

## Recognising, diagnosing and treating hyponatraemia

Hyponatraemia occurs when the concentration of sodium in a patient's blood is abnormally low and can cause a range of symptoms, some of which can be severe. When we noticed a slight increase in hyponatraemia in patients after their operations, we gathered colleagues from two of our hospitals, Spire Alexandra in Kent and Spire Washington in north east England, along with central clinical colleagues, to understand why this was happening and what we could do to improve this trend and raise quality. As a result, we created a new clinical guideline, Clinical Policy 24, and supporting information to help our people recognise, diagnose and treat hyponatremia urgently. Early indications show that incidences have been reduced, and treatment plans are improving. We are participating in the development of a project run by the National Confidential Enquiry into Patient Outcome and Death, looking at the safe treatment of acute highs and lows of sodium in hospitals.





Our strategy continued

**02 Build on quality** continued**Quality improvement**

Our Quality Improvement (QI) Strategy, developed and launched in 2021, is designed to build on the progress on safety and quality we have made in recent years, and has introduced a standard QI methodology across the business to enhance our quality improvement culture.

The strategy is underpinned by Spire Healthcare's QI principles:

- Pursue value and quality as defined by our customers and our stakeholders
- Understand through observation – go, look, see and measure
- Remove waste – work or systems and processes that add no value and increase workload
- Create flow – optimise efficiency in all that we do
- Make it visible so you can see what is happening
- Standardise, document and continuously improve operations

Projects have included an initiative to improve the flow through an imaging department, which has reduced waiting times from 20 minutes to just five minutes, delivering a better patient experience and a more efficient process. Elsewhere, with knee and hip replacements, we have been working to reduce a patient's need to stay in hospital – achieving small but significant reductions of 0.4 days for knees and 0.25 days for hips on average. We are also running a six-month project to complete joint replacements within 23 hours from admission to discharge in a pilot at six hospitals – with the benefits of a lower risk of deep vein thrombosis, less muscle loss, and better recovery times and outcomes for patients.

Now that our QI Strategy is embedded across the organisation, each hospital runs its own QI programme. To date, we have run more than 120 QI projects, not only to improve patient outcomes and their experiences in our care, but also to drive efficiency and reduce waste.

As part of the strategy, we set up a QI Academy, aiming to train all our colleagues in QI methodology. To date, more than 11,000 colleagues have accessed the QI training, either virtually or in face-to-face sessions, and we now have more than 150 QI trained practitioners. We have also delivered bespoke QI training to our medical advisory committee chairs, business unit directors, directors of clinical services, finance managers, and Freedom to Speak Up Guardians.

**Implementing the recommendations of the Paterson Inquiry**

During the year, we continued to work with the Department of Health and Social Care, NHS England, IHPN, the CQC and others to implement the recommendations of the Independent Inquiry into Ian Paterson. As part of this work, we led jointly a project involving these stakeholders in 2021 to develop a national toolkit for patient reviews and recalls. The work was completed in 2022, and the toolkit was adopted across the healthcare sector and published by the National Quality Board. Meanwhile, during 2022, we continued to take steps to ensure that there were no outstanding patients of Ian Paterson who had not been contacted and offered support, and we completed a complex analysis of historic legacy IT systems that were in use at the start of Paterson's practice, over 20 years ago. This resulted in the identification of around 1,500 patients, and these patients were contacted after year end.



Our strategy continued

# 03 Invest in our workforce

With the shortage of clinical staff across the healthcare sector, we aspire to attract, retain and develop the most talented people to our business.



## Our goals

- Sector-leading colleague satisfaction
- Sector-leading consultant satisfaction
- Sector-leading private hospital apprenticeship scheme

## Our performance

### Progress during 2022

- Launched our new Equity, Diversity and Inclusion Strategy
- Continued to build on our sector-leading apprenticeship programmes, including new apprenticeship in cardio physiology
- Developing our own in-house resourcing service to attract talented people
- Launched our Helping Hands initiative for colleagues

### Priorities for 2023

- Launch our new Reward Framework
- Further develop our employer brand and refresh our recruitment website
- Work with innovative technology partners to support our resourcing team
- Promote allyship across our hospitals and central functions

## Relevant UN SDGs



## Positive working environment

Making a positive difference to people's lives is what we're here for at Spire Healthcare. Not just as a company, but every one of us, from our nurses, theatre teams and allied health professionals, to our non-clinical support teams and bank colleagues. And that principle extends to the way we look after our people. We recognise that none of us have experienced the combination of factors we all face today – COVID-19, recession, political turmoil, and societal unrest. The need for wellbeing, inclusion, and a positive, rewarding working environment has never been greater.

That's why we work hard to share a welcoming culture that is characterised by openness, respect, collaborative working, a focus on clinical safety, and a spirit of continuous improvement. Attracting, retaining and developing great people is a high priority for us, and we can only do this if colleagues feel valued, rewarded, motivated, and supported by clearly defined career paths.

## 'Be your brilliant self'

Resourcing remains a challenge in the current healthcare market, and is the most significant barrier to building capacity across our services. We have developed our own in-house resourcing service to help us attract talented people to our teams, alongside actively recruiting people to new roles from within Spire Healthcare. Bank staff recruitment will also move in house in 2023.

Our recruitment branding 'Be your brilliant self' is based around authenticity, personal culture, and a personable employment experience. We will continue to build on our employer brand next year in full alignment with the work we are doing to build awareness and recognition of the Spire Healthcare brand through television advertising and other media channels, including with our 50,000+ followers on LinkedIn, and a refreshed recruitment website with better functionality.

## Highlights

### Colleagues proud to work for Spire Healthcare

# 80%

2021: 84%  
Spire Healthcare annual survey 2022

### Overseas nurses

# 520

2021: 545  
Spire Healthcare recruitment data

### Colleagues who get satisfaction from their work

# 84%

2021: 85%  
Spire Healthcare annual survey 2022



Our strategy continued

### 03 Invest in our workforce continued

#### Valuing and rewarding colleagues

We're committed to supporting colleagues as they develop and grow with us, while ensuring that everyone is fairly rewarded for their contribution. We made an exceptional annual salary award for permanent, eligible colleagues from September this year with up to 16% for the lowest paid. These rises were in addition to the £100 thank you payment paid to colleagues in March, recognising work done during the pandemic, and the increases more than 4,000 colleagues received in April. All colleagues are now paid at least the Real Living Wage.

We have also been working on a new Reward Framework, which will define new job levels and job families for all roles, with competitive target salaries, and provide greater transparency to our permanent colleagues. Once these have been introduced in 2023, we will work towards recognising individual contribution and performance with further salary improvements.

#### Spotlight on engagement

We want our colleagues to have a successful and rewarding experience working at Spire Healthcare, where they feel engaged and can perform at their best. We use a range of two-way communications channels to communicate and engage with colleagues. These channels include our Ryalto colleague communications tool, which is used to build employee communities, publish key information and videos to colleagues from our chief executive officer, Justin Ash, and members of the executive committee every month.

We launched our 'Little book of making a positive difference: spotlight on engagement' in September. This provides practical ideas to improve engagement at Spire Healthcare. The aim is to capture better our 'colleague needs', and embed a culture of growth relevant to each individual.

We have also refitted our London headquarters at 3 Dorset Rise – creating a venue where people can come together again, but one that also facilitates hybrid working. We remain flexible, and colleagues are very pleased to be back together.

#### Colleague surveys

We also used Ryalto to hold a mid-year temperature check on colleague engagement, which was followed up by our full annual survey in October 2022. The overall response rate was 77%, with 80% of colleagues proud to work for Spire Healthcare (~4% from 2021, level with 2020) and 84% of colleagues get personal satisfaction from the work they do. 83% of colleagues would be happy if their friends or family needed treatment at Spire Healthcare and 72% would recommend it as a place to work. Following these results, teams across the business are developing action plans collaboratively to drive improvements.

#### Our new equity, diversity and inclusion strategy

Diversity and inclusion is core to everything that we do, and we are committed to delivering an environment where everyone is respected and cared for, and where difference is celebrated. That makes us stronger as a team and as an organisation, and it is only by ensuring all of our colleagues feel confident to bring their whole selves to work that we can be truly successful as a business.

Everyone's job is to create a working environment in which our people are able to realise their potential in a workplace where they feel comfortable to share their views and experiences. That's why we have launched our Equity, Diversity and Inclusion Strategy around four commitments that ensure that: (i) we recognise the value of diversity, (ii) we understand how it will help us deliver our purpose, (iii) we respect and appreciate each other for who we are, and (iv) we include diverse colleagues in our problem solving to make better, faster decisions.

#### Investing in apprenticeships

We now have around 550 apprentices across the business in a wide range of clinical areas such as biomedical science, physiotherapy, medical laboratory technicians, as well as non-clinical disciplines. In 2022, we introduced a new apprenticeship in cardiac physiology, and are looking at other expansion options. Our most significant scheme is our nurse degree apprenticeship programme in England, with 180 nurses apprentices on the programme. Read more on page 51.

## Two Spire Healthcare medical technicians featured at the Science Museum

We were proud to see that Georgia Godwin, a medical laboratory technician from Spire Southampton, and Kelly Greaney, a radiology practitioner from Spire Leicester, were chosen to feature in the new Technicians' Gallery at London's Science Museum. The gallery is aimed at encouraging 11-16 year olds to consider a scientific or technical career. Young people who visit can 'have-a go' at being a technician and learn about exciting technician opportunities.

QR codes around the gallery direct people to a special website, where they can learn about Georgia's and Kelly's stories and those of the other technicians featured. Having studied forensics, Georgia now works in the pathology laboratory at Spire Southampton, analysing blood and other samples from patients who come for diagnosis and treatment at the hospital. Kelly was an administrator in Spire Leicester's radiology department, where she was encouraged by her manager to take on more patient-facing duties, and has now qualified as a radiology assistant practitioner.





## Our strategy continued

## 03 Invest in our workforce continued

**International nurses programme making a lasting difference to people's lives**

The recruitment of overseas nurses has also proven highly beneficial to Spire Healthcare – not just adding valuable colleagues and capacity, but also broadening the cultures of our clinical colleagues. It has proved popular with our nurses joining from other countries, with many commenting on the welcoming experience of working with clinicians in our hospitals. By the end of the year, we had 520 international colleagues working in the business.

We are committed to ethical recruitment. This means that we only recruit actively from 'green' countries under the World Health Organization definition. Overseas colleagues are supported to connect with others making the journey. Each new colleague goes for Objective Standard Clinical Examination (OSCE) training and is individually welcomed, and we provide them with access to support teams 24/7.

**Mental health and wellbeing**

We continue to build on the wide range of practical and emotional support we put in place for colleagues in 2020, with Mental Health First Aiders (MHFAs) at all of our sites, and access to support networks. We also offer a comprehensive Employee Assistance Programme providing confidential advice and support online and via a free helpline, available 24 hours a day, 365 days a year.

While ordinarily mental health and wellbeing is not typically recognised as a diversity strand, it is such a huge and important workforce issue that we have included it in our new Equity, Diversity and Inclusion Strategy. This focus will further bolster our support for colleagues, and we will create a new network for all of our MHFAs to support them in what they do. We will also continue with wellbeing 1:1s to ensure that managers are having regular conversations with all colleagues about their wellbeing, and understand more about their experiences.

**Freedom to Speak Up**

We want all colleagues to feel confident and empowered to raise any issues, concerns or quality

improvement suggestions they may have. This is part of a healthy culture in which concerns are identified and speaking up is not only encouraged, but also embedded across all areas of the business. All colleagues can submit a Freedom to Speak Up (FTSU) concern via a dedicated module on Datix, our risk management software. The handler for the concern is a trained guardian. We have a dedicated FTSU month each October which raises the profile of speaking up and of the guardians at our sites, together with further support and training to ensure colleagues know who they are and how to contact them. Colleagues also have access to a confidential whistleblowing helpline, managed by an independent third-party provider, enabling them to raise any concerns anonymously. We now submit regular data to the National Guardian's Office.

**Making a positive difference to each other**

With the pressures of the past few years compounded by the cost of living, high inflation, and recession in the economy, supporting our colleagues' health and wellbeing is a top priority. We launched our Helping Hand initiative in September with bespoke notice boards now available at all sites where our people can ask for help, or share what they can help their colleagues with, from donating or loaning useful items to offering their skills and time to help.

To support colleagues with the rising cost of living, we launched affordable take home meals across all hospitals – with nutritionally balanced frozen foods available at cost price, ready for colleagues to cook at home. We also offer supermarket savings via our online colleague support network Spire for You, and have promoted Blue Light cards, which provide more than 15,000 discounts from national retailers to local businesses on holidays, cars, days out, fashion, insurance, phones, and more.

**Absence and turnover**

Managing absence and turnover is key to understanding colleagues and ensuring they are valued and rewarded. We use sickness absence and employee turnover data to flex our workforce and ensure we have sufficient capacity and resilience in

our teams. Our absence rates show a reduction in 2022 as the pressures of COVID-19 started to ease. The overall rate of absence was 5.6% compared to 6.3% in 2021. The cost of absences also reduced by over £1m across the group in hours lost to sickness. Our monthly turnover rate, while higher than 2021, reduced on average in Q4, suggesting that the recent pay award and increased development opportunities have had a positive impact on retention. The highest recorded reason for leaving has changed from pay and benefits to career progression, and our focus moving forward will continue to be on career development and talent. The market for talented

people remains highly competitive, with the demand for nurses particularly high. We are pleased however to see sustained and improving recruitment, and next year we will bring this in-house to further improve the recruitment experience for new joiners.



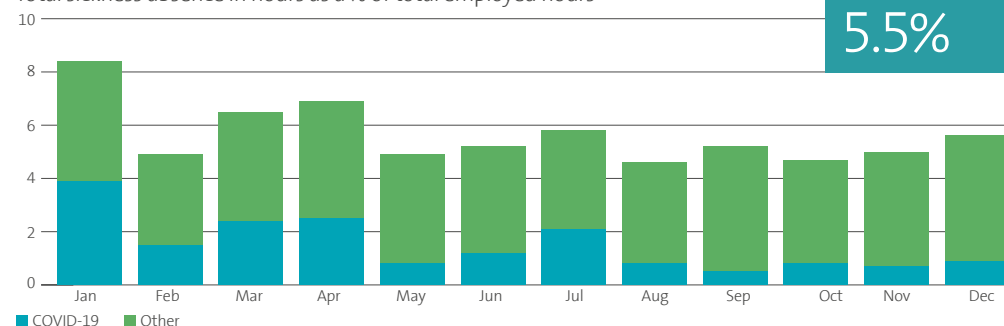
**Read more about diversity networks, allyship and data in our sustainability section on page 52.**



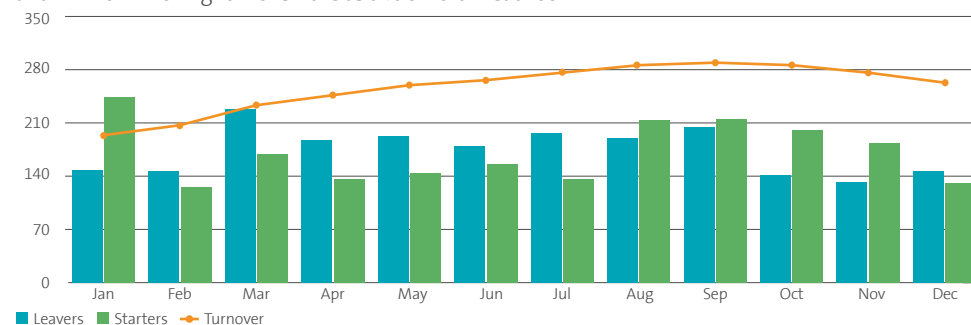
**Read more about apprentices in our sustainability section on page 51.**

**Employee absence, 2022**

Total sickness absence in hours as a % of total employed hours

**Employee turnover, 2022**

Starters and leavers by month for employed colleagues and 12 month rolling turnover rate as a % of total headcount





Our strategy continued

# 04 Champion sustainability

Become recognised as a leader in environmental, social and governance (ESG) in our industry

Spire Healthcare's purpose, strategy and sustainability ambition are integrally linked to each other. By managing sustainability successfully, we aim to create lasting economic and social value.

## Our goals

- Leading the sector in delivering carbon neutral by 2030
- Net contributor to the UK's healthcare workforce and a diverse employer
- Protect and manage all sensitive data
- Reduction in waste and improved recycling

## Our performance

### Progress during 2022

- 6% reduction in greenhouse gas (GHG) emissions to 27,091 tCO<sub>2</sub>e (8% in 2021)
- 23% of dry mixed waste is recycled, up from 11% in 2021
- 37% female representation at board and executive committee level combined at end 2022, up from 25% at end 2018
- 17.3% of colleagues classify themselves as non-white by ethnicity, up from 16.5% in 2021

### Priorities for 2023

- Continue to seek opportunities for carbon reduction at all Spire Healthcare sites
- Strengthen security measures governing the storage of and accessibility of sensitive data
- Further increase female representation at board and executive committee level in pursuit of 40% target by 2025
- Continue to encourage the recycling of cardboard, plastic, polystyrene, face masks, tray wrap and disposable curtains

## Relevant UN SDGs



## Sustainability is core to Spire Healthcare

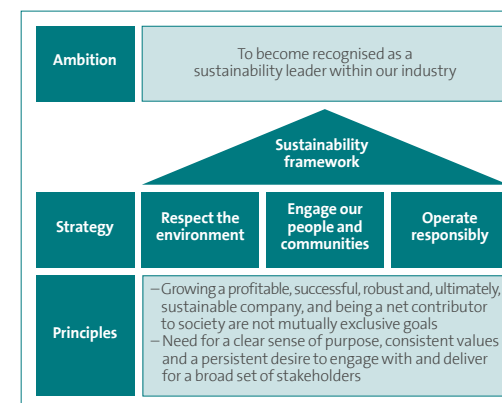
Championing sustainability is a core pillar of the group's strategy and fundamental to our success and future. By managing sustainability successfully, we aim to create lasting social economic value.

2022 saw Spire Healthcare develop its first ever sustainability strategy. The strategy is a progressive journey in which the group is evolving from risk management to providing social value and driving opportunities for sustainable growth. We actively collaborate with our stakeholders, including patients, colleagues, consultants, local communities and partners, to enrich lives and be a net contributor to society, not just through the services we provide, but in everything we do.

## Our sustainability strategy

We are positioning ourselves to better understand and predict people's healthcare needs while maximising our contribution to both the communities we serve and wider society. We're looking to drive positive change in the workplace, our local communities and the environment, as we challenge our workforce to factor sustainability into all aspects of their work.

Our sustainability strategy is characterised as follows:



## Highlights

### Reduction in GHG emissions

# 6%

2021: 8%  
Report on emissions by Inenco Group Ltd for Spire Healthcare

### Dry mixed recycling rate

# 23%

2021: 11%  
Source: Spire Healthcare waste report 2022

### Female representation at executive committee and board level combined

# 37%

2021: 37%  
Source: Spire Healthcare data



## Our strategy continued

## 04 Champion sustainability continued

**Respect the environment**

We continually seek ways to reduce our impact on the environment. We are reducing our carbon emissions, focusing our efforts on waste and recycling, including reducing the use of single-use plastics, while working with our suppliers to align goals to develop healthcare in sympathy with a sustainable planet.

In 2022, we made good progress towards our aim of becoming net zero carbon by 2030 and were highly commended in the BusinessGreen awards for Net Zero Strategy of the Year this summer. During the year, we installed 15 electric vehicle chargers, and replaced gas-fired boilers with more efficient steam boilers in four hospitals. We increased the amount of dry mixed waste we recycled – more than doubling since 2021 – and began a project to reduce piped nitrous oxide from our hospitals, removing it in almost one quarter of the estate.

**Engage our people and communities**

Having a dedicated and engaged workforce is fundamental to the delivery of our purpose. We celebrate having a large number of long-standing colleagues who bring experience and dedication. We're continuing to invest in our workforce through strong recruitment, retention and development programmes. Our aim is to provide a stimulating, diverse, inclusive and healthy working environment within which colleagues can thrive and achieve their career goals and aspirations.

We have narrowed our overall median gender pay gap in Spire Healthcare Limited from 7.1% in 2021 to 6.2% in 2022.

A key way we ensure the sustainability of our business is through our award-winning learning and development programmes. Our sector-leading nurse apprenticeship scheme continues to grow, as do our other apprenticeship programmes for both clinical and non-clinical colleagues. In 2022 we introduced a new apprenticeship in cardio physiology. 5% of our permanent workforce are now apprentices. These schemes also contribute to the sustainability of the whole healthcare sector, because many of the graduates from the programmes will go on to careers in the NHS and elsewhere – something we encourage.

Further investment has been through our new equity, diversity and inclusion strategy. We are developing networks across six diversity strands – ethnicity, sexuality, age, gender, disability, and mental health and wellbeing – and will work with these diversity network groups to improve the way we attract, recruit, develop and promote diverse, talented colleagues.

Closely linked is the way we engage with the communities in which we operate. As well as expanding to provide services in the community, we also fundraise to support charities in the areas around our hospitals. In the summer, we held a week-long charity challenge, in which colleagues cycled, baked, and organised raffles, competitions and other fundraising endeavours to support the British Red Cross Ukraine Appeal.

Read more about our diversity and learning and development initiatives in our sustainability section on pages 51 to 55.

## Removal of piped nitrous oxide

In 2022, we made significant progress towards our carbon reduction targets by beginning to move away from using nitrous oxide. Following consultation and engagement with appropriate stakeholders in early 2022, business approval was given to begin disconnecting piped nitrous oxide from the estate. At the end of 2022, seven hospitals are complete, nine are ready and awaiting disconnection, and a further five hospitals have approved authorisation and await anaesthetic machine modifications. Disconnection of supplies to the remaining hospitals is a key part of our carbon reduction plan for 2023. Once implemented, this will reduce our carbon emissions by up to 4,000 tonnes per year. It will also bring benefits such as lowering exposure risk to the gas for patients and colleagues, reducing manual handling of cylinders and mitigating the security risk from organised criminals who may engage in attempted break-ins to manifold rooms and steal cylinders. We have also agreed to begin removal of desflurane, another climate change gas.





## Our strategy continued

## 04 Champion sustainability continued

**Operate responsibly**

Ethical and responsible behaviour is borne out of a culture that is based on core values. Spire Healthcare's values are:

- Driving clinical excellence
- Doing the right thing
- Caring is our passion
- Keeping it simple
- Delivering on our promises
- Succeeding and celebrating together

We have a relentless focus on delivering the highest standards of healthcare and prioritising patient safety at all times. We aim to maintain robust standards of clinical and corporate governance in line with best practice while promoting an open and learning culture for all colleagues. Operating responsibly also requires strict compliance with the law. We continue to monitor all aspects of the group's operations to ensure compliance with all applicable laws, including competition law, anti-bribery law, anti-tax evasion facilitation law, healthcare regulations and data protection law.

**Strengthening information and data security**

Security can never be risk free, but Spire Healthcare has demonstrated commitment and support for continual improvement through investment in people, processes and technology to mitigate against cyber risk. Spire Healthcare has invested time, attention and capital to reduce risk and strengthen the group's information governance and data security position. Read more on page 59.

**Sustainability-linked financing**

During the first quarter of 2022, we successfully re-financed the group's existing bank funding facilities, taking the opportunity to pay down £100 million to leave a Senior Loan Facility of £325 million and an undrawn Revolving Credit Facility of £100 million. The new facilities include a sustainability-linked element connected to environmental and quality factors, the first of its kind amongst UK independent hospital providers. Embedding sustainability targets in the group's debt facilities provides evidence of Spire Healthcare's commitment to sustainability.

Read more about sustainability and our goals, progress and KPIs in our sustainability section on page 42.



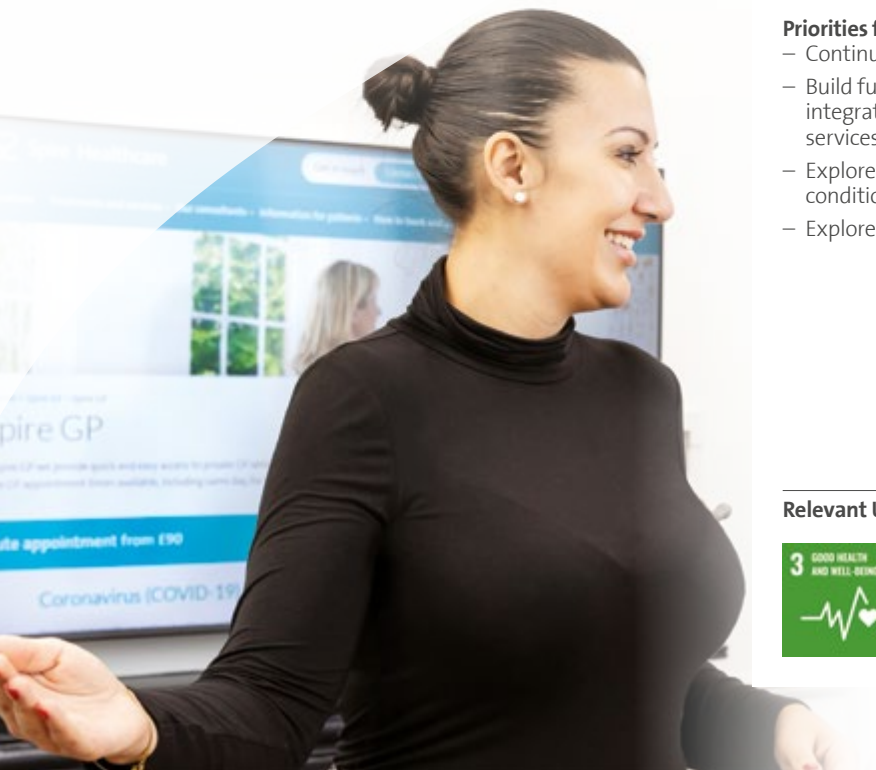


Our strategy continued

# 05 Expand our proposition

Selectively invest to attract patients and meet more of their healthcare needs

Expanding our proposition enables us to meet changing demands for healthcare, reach a wider target market, and provide a broader service to patients and the public.



## Our goals

- Develop Spire Healthcare as an innovative healthcare business
- Build new revenue and profit streams by building and acquiring new services, as well as partnering to expand our proposition

## Our performance

### Progress during 2022

- Significant growth in Spire GP appointments
- Commenced plans for new diagnostic and outpatient clinics
- Acquired The Doctors Clinic Group, a provider of occupational health and private GP services
- Started a nurse-led diabetes care pilot working with the Leicester Diabetes Centre

### Priorities for 2023

- Continue to expand our national footprint of clinics
- Build further on the success of Spire GP and integrate, and grow, our occupational health services
- Explore new services to support long-term conditions
- Explore the potential for supporting female health

## Relevant UN SDGs



## Broadening our impact

In the aftermath of the pandemic, increased waiting times and growing demand for healthcare aren't just affecting people with conditions that need treating in hospital. More and more, it's affecting people wanting to understand if they have a problem, and what they can do about it with the right medical support in an appropriate setting.

That's why, at the same time as we are building capacity at our hospitals, we are actively seeking innovative ways to broaden our impact in the communities we serve. That means supporting the delivery of a broader range of healthcare services which complement our existing offer to patients, and taking a more proactive role in their care before and after a stay in hospital. The key principle is that we want to be with our patients throughout their whole healthcare journey.

## Building on the success of Spire GP

The majority of the work we do begins with a GP referral and our Spire GP service, which is available through almost all of our hospitals, was set up primarily to provide people with a fast and convenient way to access the diagnoses and treatments we can offer. We saw another significant increase in the demand for Spire GP this year, driven by perceived or experienced difficulties for people accessing NHS primary care, with around 32,900 Spire GP appointments, compared to 23,000 in 2021.

As demand for our Spire GP service grows, it is becoming more of a revenue generator for the business, and we are building on the premium GP service we provide. Patients can choose between varying length consultations as long as 30 minutes, face-to-face, and discuss multiple symptoms at a single visit if they wish. As part of Spire Healthcare's strategy to expand our proposition, we will look to grow Spire GP, both organically and by further acquisition where appropriate.

## Highlights

### Occupational health

# 700

New corporate clients through  
The Doctors Clinic Group acquisition

### Spire GP visits

# 32,900

2021: 23,000  
Spire Healthcare data

### GPs

# 128

2021: 90  
Spire Healthcare data

## Our strategy continued

## 05 Expand our proposition continued

**Acquisition of The Doctors Clinic Group**

We acquired The Doctors Clinic Group (DCG), an integrated provider of occupational health and private GP services, for a total consideration of £12 million, in December 2022. This increased the number of locations where we provide GP services to 58 and means we now have 128 GPs, making ours one of the largest networks of GPs in the independent sector. DCG has a strong presence in central London, establishing a footprint for the group as a whole in that market for the first time.

DCG provides occupational health services to more than 700 corporate clients, and the acquisition will provide us with a strong platform to enter and expand in this fast-growing sector.

**Treatment clinics**

An important part of expanding our footprint will be opening new clinics that offer GP and outpatient consultations, and where we can carry out minor treatments, in particular ophthalmology, dermatology and gynaecology. The clinics will not be diagnostic centres, but will focus on surgery that doesn't require a general anaesthetic. We will offer ambulatory care, but through daycase units only, with no beds. This approach means we can build in efficiencies from the start, which is not possible when running a full hospital.

The first of our new clinics in Abergele, North Wales, is due to open in late 2023, and our ambition is to open a second clinic and have a further two clinics in development by the end of 2023. Some will be outreach clinics close to existing hospitals, which is a model we use already, allowing us to move some of our outpatient functions and minor treatments out of our hospitals. Others will be in completely new parts of the country where we don't currently have a presence, enabling us to meet the healthcare needs of more people, and to build relationships with new consultants.

**Chronic condition management**

With many people struggling with a general deterioration in their health since the start of the pandemic, this is leading to more acute and chronic conditions over time. When we speak with these patients, they tell us that they find it difficult to get a joined-up service in many parts of the country, so we are looking to improve this by offering paid-for services that help people to manage long-term conditions.

We are piloting the first of these services for patients with Type 2 diabetes. It's a nurse-led subscription service, using digital technology for home monitoring with 1:1 support from a diabetes support nurse. The next step may be to offer similar services for other conditions, offering digital care supported by 1:1 personalised care, as we recognise that, for most patients, access to an app is more valuable with a clinician to respond and support.

**Supporting female health**

There are a number of other areas where we think we can build healthcare services that better support people on an ongoing basis and we believe that female health is one of these. While many discussions around female health may centre on specific issues such as the menopause or fertility, the need for ongoing support and fast access to appropriate treatment and care for women is far broader. For example, more women are likely than men to die or be misdiagnosed after a heart attack, and more women than men have strokes. In dermatology, many skin diseases are more prevalent in females. And conditions like endometriosis and polycystic ovary syndrome can go undiagnosed for years. In our early stages of discovery we are pleased to be engaging with specialists and charities to explore how we can better support women and their health.

## Spire Diabetes Care

As part of our plans to develop new services to support the management of long-term conditions, we are piloting a subscription-based, nurse-led service for people with Type 2 diabetes. Spire Diabetes Care combines digital innovation and physical consultations, giving patients use of an app and platform provided by InHealthcare to help them manage their conditions remotely, supported by clinicians. Patients will have a virtual appointment with a Spire GP twice a year to review the results of blood tests and discuss any recommended changes to their medication, and both virtual and face-to-face appointments with a diabetes support nurse. During the face-to-face appointments they will have a blood test and foot check. We are delighted to be working with the Leicester Diabetes Centre, a Centre of Excellence for diabetes care, which will support our pilot with nurse training and mentoring, and evaluate the service throughout 2023. We will publish a paper detailing this evaluation in March 2024, with a view to offering Spire Diabetes Care as a service on a commercial basis.



## Making a positive difference to Britain's working population

The addition of occupational health to our group extends our services into the workplace, providing support for companies to keep their employees in work, protected, supported and healthy. Our ambition is to be a leading provider in this space and we believe the combination of the skills in Maitland and Soma (part of The Doctors Clinic Group) combined with Spire Healthcare give us a unique advantage. We will extend the offering to include rapid access to diagnostics and treatment to more than 700 corporate clients. These integrated services will help our clients reduce absence, improve productivity, recruit and retain a talented workforce, meet their legal obligations and provide exceptional corporate wellbeing offerings, delivering real and tangible business benefits.





## Our key performance indicators

We use a range of financial and non-financial metrics to measure group performance. These metrics have updated for 2022, to align with our new strategy and to deliver strong financial performance

### Non-financial KPIs

Colleague engagement index  
>80%

80%

2021: 84%

#### Why is this a KPI?

We are a people business. Having engaged colleagues is not only important for their own wellbeing, but also helps them in daily efforts to provide high-quality care to our patients.

#### Performance

We are achieving high levels of colleague engagement – 80% of colleagues said they felt proud to work for Spire Healthcare.

100% CQC/HIS/HIW  
Good or Outstanding

98%

2021: 90%

#### Why is this a KPI?

Providing personalised quality care is our daily responsibility and a key business driver. We seek to reach 100% Good or Outstanding ratings from the CQC or the equivalent in Scotland and Wales.

#### Performance

98% of inspected hospitals and clinics are rated Good or Outstanding or the equivalent. One hospital is awaiting re-inspection by CQC.

>75 net promoter score  
among admitted patients

81

2021: 81

#### Why is this a KPI?

Our net promoter score (NPS) metric measures admitted patients' likelihood to recommend Spire Healthcare to friends or family in need of similar treatment. This is a key indicator of customer satisfaction and the quality we are delivering to our patients.

#### Performance

We continue to achieve high levels of private patient recommendation. NPS among admitted patients in 2022 was 81, the same score as seen in 2021. We continue to monitor all patient feedback to drive continuous improvement.

Apprentices constitute 5% of  
our workforce

5%

2021: 5%

#### Why is this a KPI?

There is a shortage of clinicians in the UK and worldwide. We are committed to building up the talent pipeline for our business and for the UK healthcare sector more widely.

#### Performance

We now have around 550 clinical and non-clinical apprentices in Spire Healthcare which is 5% of our total workforce.



Our key performance indicators continued

## Non-financial KPIs continued

Net zero carbon emissions  
(tCO<sub>2</sub>e) by 2030

27,091

2021: 28,805, down 6%

**Why is this a KPI?**

We continually seek ways to reduce our impact on the environment. We are reducing our carbon emissions, focusing our efforts on waste and recycling, including reducing the use of single-use plastics, while working with our suppliers to align goals to develop healthcare in sympathy with a sustainable planet.

**Performance**

We delivered a reduction in tCO<sub>2</sub>e of 27,091, down 6% on 2021 and are in line to hit our 2030 target.



Please see the Sustainability section for more information.  
page 42

Year-on-year reductions  
in gender pay gap

6.2%

2021: 7.1%

**Why is this a KPI?**

Our purpose is to make a positive difference to people's lives and that includes fairness for all our employees. The gender pay gap measures the median difference between pay for males and females.

**Performance**

In 2022, the overall median gender pay gap in Spire Healthcare Limited was 6.2% (2021: 7.1%). We are taking steps to reduce the gender pay gap and ensure the fair treatment of females across our business. We are developing our job framework to allow colleagues to better understand their roles and support progression by recognising contribution, performance, learning and development.

40% female membership  
of board and executive team  
by 2025

37%

2021: 37%

**Why is this a KPI?**

Spire Healthcare wants to support women to become leaders within the business. More diverse boards are more effective; diversity drives innovation and better decision-making, and is reflective of the group and its employees.

**Performance**

The combined executive committee and board demographic in 2022 is 37% female. Our executive committee demographic is now 43% female, compared to 75% male just four years ago. Spire Healthcare is supporting women to become leaders within the business and by May 2023 we will have five women on our board, moving the board's gender balance from 33% to 45% women.



Risks – for more information see  
pages 66 and 101



## Our key performance indicators continued

All three financial KPIs described below align with Spire Healthcare's refreshed strategy and the long-term financial objectives outlined at the group's Capital Markets Day event in June 2022

## Financial KPIs

Revenue CAGR c5%  
by 2025

|      |           | CAGR  |
|------|-----------|-------|
| 2022 | £1,198.5m | 8.3%  |
| 2021 | £1,106.2m | 20.3% |
| 2020 | £919.9m   | -6.2% |
| 2019 | £980.8m   | 5.3%  |
| 2018 | £931.1m   | -0.1% |

## Why is this a KPI?

Monitoring revenue provides a measure of Spire Healthcare's growth.

## Performance

Overall revenue was £1,198.5 million, up 8.3% compared to 2021.

Adjusted EBITDA\* margin  
>21% by 2025

|      |       |
|------|-------|
| 2022 | 17.0% |
| 2021 | 16.1% |
| 2020 | 17.5% |
| 2019 | 19.3% |
| 2018 | 12.8% |

## Why is this a KPI?

The margin we achieve is a reflection of the group's efficiency in generating shareholder returns. An increasing margin makes the profit more resilient to adverse effects and demonstrates the group's strategy for managing cost and targeting private payors is the right one.

## Performance

Adjusted EBITDA was £203.5 million, up 14.2% on 2021, despite the impact of COVID-19 on cancellations, and colleague and consultant sickness which reduced income and increased costs at times through the year. Adjusted EBITDA margin was 17.0%, up from 16.1% in 2021.

ROCE\* >10%  
by 2025

|      |      |
|------|------|
| 2022 | 6.2% |
| 2021 | 4.9% |
| 2020 | 4.0% |
| 2019 | 5.1% |
| 2018 | 4.9% |

## Why is this a KPI?

ROCE is an important metric and measures how well the group's capital is being deployed to generate returns. Adopting ROCE as a KPI influences future investment strategy by the business to ensure that available capital this is directed towards generating improving shareholder return.

## Performance

Spire Healthcare seeks financial discipline with a clear capital allocation policy and targeted investment. We have improved operational effectiveness with our efficiency programmes which delivered more than £15 million savings in the year. We have also implemented price rises where appropriate, managed our mix of services and been more selective in the choice of products we use. The strong operational performance in the period resulted in Adjusted EBIT climbing by 30.2% to £105.6 million, leading to a material improvement in ROCE, up by 1.3 percentage points to 6.2%.

\*Refer to page 81 for a reconciliation of non-GAAP financial measures.



**Risks – for more information see**  
page 66 and 101



**Read more in our financial review**  
page 79



## Engagement with stakeholders

Engagement with our stakeholders is critical to our success and delivering on our purpose, strategy and objectives. Their input informs our strategic and everyday business-level decisions, and the board is provided with an overview of any relevant stakeholder feedback.

### Patients

#### Who they are and how we engage

##### Who they are

We treat a wide variety of patients who self-pay, use private medical insurance or are referred to us by the NHS.

##### Why they are important to us

Providing the highest quality, safe, personalised care is at the core of everything we do.

##### What is important to them

Rapid access to high-quality healthcare, both diagnosis and treatment, at a price they can afford.

##### How we engage

We engage continuously with patients before, during and after their treatment and seek to involve them in all key decisions about their care.

We use a framework of customer and patient surveys, including questions mandated by regulation (eg Private Healthcare Information Network) or contracts (eg NHS). These cover our major touchpoints with patients, whether they receive admitted care or come to us as outpatients.

We work closely with patients, with the support of the Patients Association, on a range of projects, to understand their experience of care with us, and we use their feedback to further shape and refine our processes. We run hospital patient forums and conduct regular director and board level site visits.

##### Board engagement

While we review the feedback from our patient engagement locally in our hospitals and as part of our operational reviews, we also do this through the board's clinical governance and safety committee. This helps us develop and continuously improve the services we provide to patients, as well as define our annual quality priorities, which we set out in our annual Quality Account.

##### Responsible executive owner

Group clinical director

#### Issues raised

Increased demand for patient care, in and out of hospital due to longer NHS waiting times

Need to provide safe and efficient patient pathways

#### Actions/outcomes

- Care provided for over 926,500 patients (NHS and private) in the year
- Expansion of care for private patients seeking to avoid NHS waiting lists
- Government elective recovery initiatives, in which Spire Healthcare is participating
- Expansion of Spire GP and other new propositions to meet demand
- Relationships with GPs to enable patient choice

- Increasing use of digital technology, offering in-person and virtual consultations and assessments, online brochures and appointment booking

#### Read more

Chief executive officer's review, page 9

Strategy: build on quality, page 22



## Engagement with stakeholders continued

# Colleagues

## Who they are and how we engage

### Who they are

We have 14,500 colleagues; nurses, theatre teams, allied health professionals, non-clinical support (such as reception staff and porters), head office teams, and bank colleagues.

### Why they are important to us

Our colleagues interact with thousands of patients every day and play a crucial role in delivering the highest quality care and outcomes.

### What is important to them

A fulfilling career with an organisation that offers opportunities for development, the chance to make a difference, and appropriate rewards and recognition for their efforts.

### How we engage

We value what our colleagues do, engage closely with them, and support them in terms of their personal health and wellbeing, as well as in their professional life and career aspirations. We gain feedback from colleagues through regular surveys and engagement and a full annual survey took place during 2022.

### Board engagement

The feedback we receive is analysed by the full board, remuneration committee and executive committee, with action plans put in place to respond to the findings.

### Responsible executive owner

Group human resources director

## Issues raised

Continued focus on colleagues' health and wellbeing

National shortage of healthcare professionals across the UK, increasing pressure on existing workforce

Continued focus on issues from feedback such as vacancies, volume of work

## Actions/outcomes

– Increased investment in wellbeing support, including mental health support  
– Ran sessions with expert speakers

– Nursing and other apprenticeship schemes, addressing future as well as current requirements  
– Recruiting, integrating and training overseas nurses

– Strong recruitment, retention, and development programmes  
– Surveys during the year eg online pulse surveys, new joiner surveys, exit interviews, full annual survey  
– Chief executive officer and executive committee member forums on visits  
– Regular all-hands calls and online sessions, 'askJustin' email address  
– Consultation with selected colleagues on key initiatives  
– Listening sessions with board members and hospital teams  
– Fortnightly listening calls with chief operating officer for hospital directors

## Read more

Strategy: Invest in our workforce, page 25

# Consultants

## Who they are and how we engage

### Who they are

We work with 8,760 consultants, who operate as self-employed practitioners in our business. They are experts in their fields, drawn from all medical disciplines, who are granted privileges to practise in our hospitals, in line with our stringent medical governance procedures.

### Why they are important to us

Our consultants are integral to providing high levels of medical care to our patients.

### What is important to them

High-quality facilities, continuity of trained, committed employees providing support to establish and develop an efficient practice at our sites, and the quality of care that we provide to patients.

### How we engage

We meet with consultants to plan individual procedures, understand their future needs and horizon scan for developing clinical innovation. They are invited to complete an annual feedback survey.

In addition, each hospital has its own medical advisory committee (MAC) to advise the hospital director, the director of clinical services on any matter relating to the proper, safe, efficient and ethical medical and dental use of the hospital; they meet quarterly. Each medical specialty is represented. Topics including clinical quality, learning from concerns, incidents and complaints are discussed, plus feedback from members about matters concerning consultants. MACs are governed by standard terms of reference, and all discuss the same key items using a standard agenda. The medical director and associate medical directors attend MACs at hospitals, with the aim of attending all MACs at least annually. In addition, hospitals hold an AGM for their whole medical society, to which all consultants are invited.

### Board engagement

Feedback from our annual consultant survey is reviewed by the board's clinical governance and safety committee and we use this to enhance the offer we provide to consultants. Board and executive committee members visit regularly to listen, learn and guide and there are biannual reviews with hospital directors.

### Responsible executive owner

Group medical director

## Issues raised

Desire for improved digital solutions to reduce paperwork

Ongoing need for open and regular dialogue with our consultants

## Actions/outcomes

– Digital solutions, equipment and marketing support, which create an improved patient experience and ultimately make it easier for consultants to do business with Spire Healthcare  
– Improved feedback from consultants on the high-quality service we provide

– Fortnightly 'Two Minute Times' connects consultants with each other and with Spire Healthcare with a mix of national and local news  
– MAC chairs meet regularly with board members and executive committee  
– Continued close working with our MAC Chairs  
– Continued rigorous oversight of all aspects of consultant clinical practice

## Read more

Our market, page 12



## Engagement with stakeholders continued

## Suppliers

| Who they are and how we engage                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Issues raised                                                                                                                                                                                        | Actions/outcomes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Read more |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| <p><b>Who they are</b><br/>In the prevailing volatile environment, with high levels of inflation and ongoing supply challenges, the continued existence of a reliable and efficient supply chain has been important to us throughout 2022.</p> <p><b>Why they are important to us</b><br/>In an increasingly volatile environment, resulting from rising inflation and Russia's invasion of Ukraine, the existence of a reliable and effective supply chain has been particularly important during 2022.</p> <p><b>What is important to them</b><br/>Clear policies, contracts and a strong relationship to ensure long-term and mutually beneficial commercial arrangements.</p> <p><b>How we engage</b><br/>We hold performance evaluation sessions with our existing suppliers, with the frequency determined by the nature of purchase and the risk profile of the goods or services supplied. Spire Healthcare's procurement team undertake detailed supplier assessments as part of tender evaluation processes in order to ensure a supplier's capabilities are aligned to the group's business requirements. We ensure they are compliant on key issues, including modern slavery.</p> <p><b>Board engagement</b><br/>The audit and risk committee reviews all relevant risks in our supply chain as part of its annual risk assessments.</p> | <p>Global logistics issues which challenged our procurement teams</p> <p>– Continuity in our supply chain<br/>a) Inflation<br/>b) Temporary cessation of supply of renewable sourced electricity</p> | <p>– Centralised supply chain with a centre maintaining an average of eight weeks supply</p> <p>– Work with supply chain to mitigate detrimental impacts from global product recalls, supply issues and supply chain friction<br/>a) Work with suppliers and internal stakeholders to minimise impact of inflation through effective use of demand and supply levers<br/>b) rephrasing of trajectory to reflect impact until end of 2024 and consideration of acceleration of other measures to reduce emissions impact</p> |           |
| <p><b>Responsible executive owner</b><br/>Chief operating officer</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |           |

## Private Medical Insurers (PMI)

| Who they are and how we engage                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Issues raised                                                                         | Actions/outcomes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Read more                  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| <p><b>Who they are</b><br/>Private Medical Insurers (PMI) provide medical insurance cover for both employees and individual members.</p> <p><b>Why they are important to us</b><br/>PMIs are a core part of our referral network, as in a normal year, approximately 50% of our revenue comes from PMIs.</p> <p><b>What is important to them</b><br/>The need to provide their members with access to leading consultants, facilities and clinical teams with a strong track record on safety, quality and patient satisfaction.</p> <p><b>How we engage</b><br/>Regular commercial and clinical review meetings are held with insurers, covering contract performance, clinical and financial governance, member satisfaction and operational and clinical KPIs. We also work to agree and action strategic joint projects. This is a key part of the relationship management of our payors and therefore is conducted quarterly.</p> <p>We have opened a number of Breast Cancer Specialist centres accredited by, and in partnership with, Bupa. We have a rolling plan to launch in more locations and to work on further cancer pathways together such as prostate and bowel cancer care.</p> <p>All our hospitals are providing fast access to imaging and pathology services to support AXA's primary care virtual GP service and onward hospital referrals.</p> | <p>Seeking information to support their understanding of recovery in PMI activity</p> | <p>Regular proactive and real-time, open communications with the insurers:</p> <p>– Daily reporting at an individual hospital and service level of available care for private patients</p> <p>– Regular meetings with the PMI medical governance and operational leads</p> <p>– PMIs kept abreast of key variations to the NHS England contract through the Independent Healthcare Providers Network and the Association of British Insurers</p> <p>– Ensure rapid access to the best quality clinical care, and develop our propositions in partnership</p> | <p>Our market, page 12</p> |
| <p><b>Board engagement</b><br/>The board supports management as needed in their relationships with leading PMIs.</p> <p><b>Responsible executive owner</b><br/>Chief commercial officer</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                            |



## Engagement with stakeholders continued

## NHS

| Who they are and how we engage                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Issues raised                                                                                                                                                                                                   | Actions/outcomes                                                                                                                                                                                                                                                                                                | Read more                                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|
| <p><b>Who they are</b><br/>Our hospitals liaise closely with local NHS trusts and clinical commissioning groups (and the equivalent in Scotland and Wales).</p> <p><b>Why they are important to us</b><br/>In 2022 we treated 182,000 NHS patients.</p> <p><b>What is important to them</b><br/>Our ability to provide elective care for their patients, helping them to address waiting lists and relieving pressure on their hospitals.</p> <p><b>How we engage</b><br/>Our local leadership teams have maintained their well-established relationships with their NHS counterparts as we have exited the pandemic. As well as holding regular meetings, local NHS leaders visit our hospitals to ensure they understand the capability we have and the services we offer.</p> <p>Our national leadership team holds relationships with the NHS central team in England, Scotland and Wales.</p> <p><b>Board engagement</b><br/>Our board and executive committee liaise with their NHS counterparts to agree the contractual support we provide them in meeting the UK's demand for healthcare.</p> | <p>National request for assistance in the light of rise in Omicron variant in early 2022</p> <p>Local and national request for assistance to address elective care backlog and 104 and 78-week-long waiters</p> | <p>– National contract with the independent sector in place</p> <p>– Re-contracted with local commissioners for all Spire Healthcare sites and recovered volumes in eReferrals</p> <p>– Elective Recovery Taskforce established by the Prime Minister in December 2022, with Spire Healthcare participating</p> | Chief executive officer's review, page 9 |
| <p><b>Responsible executive owner</b><br/>Chief executive officer</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                 |                                          |

## GPs

| Who they are and how we engage                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Issues raised                                     | Actions/outcomes                                                                                                                                                                               | Read more               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| <p><b>Who they are</b><br/>GPs treat all common medical conditions and refer patients to hospitals and other medical services for urgent and specialist treatment.</p> <p><b>Why they are important to us</b><br/>GPs are critical parts of our referral network, as most patients are referred to us by their GP. For that reason, we seek to liaise closely with NHS GPs.</p> <p>We also offer our own private GP service (Spire GP), using a network of 128 GPs, who are granted privileges to practise, in the same way as consultants, or are directly employed by Spire Healthcare.</p> <p><b>What is important to them</b><br/>An understanding of our business and services, to make it easier for them to refer patients to us.</p> <p><b>How we engage</b><br/>Our hospitals offer regular educational events which support the continuing professional development of GPs. Hospital colleagues also provide educational events on site at GP practices. We use the feedback that we receive from GPs to organise future events that are tailored to their ongoing needs.</p> <p><b>Board engagement</b><br/>Some of our board members are experienced medical practitioners, and liaise with GPs through medical forums and conferences.</p> | <p>Omicron issues</p> <p>Referrals and choice</p> | <p>– Events and consultations continued virtually and returned to in person format</p> <p>– Close relations with NHS GPs and electronic referral system (eRS) as a major form of referrals</p> | Business model, page 15 |
| <p><b>Responsible executive owner</b><br/>Group medical director<br/>Group commercial director</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                   |                                                                                                                                                                                                |                         |



## Engagement with stakeholders continued

## Regulators

| Who they are and how we engage                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Issues raised                                    | Actions/outcomes                                                                                                                                                                         | Read more                           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| <p><b>Who they are</b><br/>We are required to engage with a range of financial, clinical, health and safety, and competition and market regulators.</p> <p>The principal healthcare regulators we engage with are the Care Quality Commission (CQC), the Healthcare Inspectorate Wales (HIW) and Healthcare Improvement Scotland (HIS).</p> <p><b>Why they are important to us</b><br/>Each of our hospitals is required to be registered with the relevant national healthcare regulator in order to be authorised to offer services to patients.</p> <p><b>What is important to them</b><br/>Compliance with the law and all relevant regulations.</p> <p><b>How we engage</b><br/>We have regular dialogue with the healthcare regulators, with local relationships at hospital level and a national relationship with the group clinical director. Our hospitals have focused contact with inspection teams pre, during and post formal inspections. Individual hospitals draw up and implement improvement plans on the basis of feedback from regulators. Our hospital directors are integral to these relationships.</p> <p>Centrally we also have regular calls with CQC, HIW and HIS, to understand the changing face of regulation, and to provide assurance to the regulators of action being taken to improve safety and quality, and share good practice.</p> <p>For other regulators, such as the Competition and Markets Authority, we have a dedicated legal team who, with external counsel, monitor and advise the group on legal and regulatory developments.</p> <p><b>Board engagement</b><br/>CQC have attended our executive Safety, Quality and Risk (SQR) Committee meeting to assure themselves of effective ward-to-board governance processes.</p> <p>The SQR Committee reviews collated feedback from regulators to identify trends and drive responses.</p> <p><b>Responsible executive owner</b><br/>Group clinical director</p> | CQC is changing its regulatory model during 2023 | <ul style="list-style-type: none"> <li>– We have worked with CQC to understand the proposed changes and their impact on our business</li> <li>– Training for staff on changes</li> </ul> | Strategy: build on quality, page 22 |

## Investors/lenders

| Who they are and how we engage                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Issues raised                                                                                                                                                                                                                                                                                                                                                       | Actions/outcomes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Read more                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Who they are</b><br/>Shareholders, potential shareholders, analysts and lenders. Our largest investor is Mediclinic, which holds a 29% stake in Spire Healthcare and has a seat on the board.</p> <p><b>Why they are important to us</b><br/>Our investors and lenders help to ensure we have access to the resources, support and finances we need to develop and grow the business.</p> <p>Our aim is to reduce covenant leverage over time through robust cash management and conservation.</p> <p><b>What is important to them</b><br/>Investors and lenders are looking for sustainable returns from any capital outlaid and are keen to understand our work with the NHS, how we are building our private business, expansion into new areas of healthcare and how we work sustainably and support the community.</p> <p><b>How we engage</b><br/>Our director of investor relations engages with shareholders and analysts. We also maintain regular contact with the banks and keep them informed on all major issues affecting the business. At the end of June 2022, we held a Capital Markets Day for professional investors and analysts, at which we outlined the group's refreshed strategy. Our interim results were presented as a webinar, while our full-year results presentation was a hybrid event. All presentations were well attended. We regularly gather feedback after each results roadshow and use this to guide our future investor relations strategy.</p> <p>The chief executive officer and chief financial officer regularly meet with investors, and our major shareholder, Mediclinic, is on the board.</p> <p><b>Board engagement</b><br/>Our chairman, senior independent director and executive directors meet with institutional investors at individual meetings and analyst presentations, as well as at results roadshows.</p> <p><b>Responsible executive owner</b><br/>Chief executive officer<br/>Chief financial officer</p> | <p>Impact of COVID-19 on the business</p> <p>Recovery of our private self-pay business has a critical impact on Return on Capital Employed and other measures</p> <p>Environmental, social and governance (ESG) impacts</p> <p>Effect on the business of operating in a high inflationary environment</p> <p>Capital allocation – use of surplus cash generated</p> | <ul style="list-style-type: none"> <li>– Regular updates to the market</li> <li>– Presentations to investors and analysts</li> <li>– Net carbon zero target by 2030</li> <li>– ESG targets in remuneration</li> <li>– Sustainability working group established</li> <li>– Sustainability strategy developed and communicated at Capital Markets Day event in June 2022</li> <li>– Through our efficiency programmes, we have delivered more than £15 million of cost savings and are targeting a further £15 million savings across 2023-24. Further self-help actions taken include implementing price rises where appropriate, managing our mix of services and being more selective in the choice of products we use</li> <li>– We balance use of surplus cash between a number of areas including reduction of leverage, payment of dividends to our shareholders and M&amp;A opportunities</li> </ul> | <p>Our strategy, page 18 and financial review, page 79</p> <p>Our strategy, page 28 and Sustainability, page 42</p> <p>Chief executive officer review, page 9</p> <p>Our strategy, page 18</p> |



## Engagement with stakeholders continued

# Community

| Who they are and how we engage                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Issues raised | Actions/outcomes                                                                                                                                                                                                                                                                                                                                   | Read more                                                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| <p><b>Who they are</b><br/>Our business plays an important part in the communities in which we operate.</p> <p><b>Why they are important to us</b><br/>We have a duty to give back to these areas and contribute to their greater wellbeing. We also have a duty of care to the environment and are committed to becoming net zero carbon by 2030.</p> <p><b>What is important to them</b><br/>A strategy that focuses on the ethical, social, environmental, cultural, and economic dimensions of doing business.</p> <p><b>How we engage</b><br/>Local hospitals forge relationships with community organisations in their locality and liaise with local authorities and other local groups when investment projects are planned which may cause disruption to residents. Many hospitals also undertake fundraising initiatives for local causes and charities. Nationally, Spire Healthcare undertakes company-wide charity challenges and other community initiatives. We are engaged in environmental projects to reduce greenhouse gas emissions and manage our waste effectively. Engagement with Integrated Care Systems, including local authorities and community services can provide closer links with local health and social care communities around our hospitals and clinics.</p> <p><b>Board engagement</b><br/>The board reviews our sustainability and environmental ambitions on a regular basis.</p> |               | <ul style="list-style-type: none"> <li>– Our 2022 company-wide charity challenge supported the British Red Cross Ukraine appeal with monies raised matched by the business</li> <li>– As a business we support several major fundraising and awareness events such as Macmillan's coffee morning and Breast Cancer Now's wear it pink.'</li> </ul> | Chief executive officer review, page 9 and Sustainability, page 55 |
| <p><b>Responsible executive owner</b><br/>Chief executive officer</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |               |                                                                                                                                                                                                                                                                                                                                                    |                                                                    |



# Sustainability

We want to become recognised as a leader in sustainability in our industry. That's why our sustainability strategy seeks to drive positive change in the workplace, our local communities and the environment.



Read more about our sustainability strategy and how it links to our purpose and business strategy page 28

## How we support the United Nations Sustainable Development Goals

The United Nations Agenda 2030 is underpinned by 17 Sustainable Development Goals (SDGs) that were ratified by UN Member Countries in September 2015. The SDGs together form a roadmap for global prosperity that can only be achieved with a concerted global effort led by national governments and supported by non-governmental organisations, civil society and business enterprises. The achievement of the SDGs, including SDG 3 (Good Health and Well-Being), depends upon the efforts of many, including governments, non-governmental organisations, multilateral groups, the private sector and others. As a leading corporation in UK healthcare, Spire Healthcare is committed to the UN's SDGs and, where possible, we map our sustainability activities to the SDGs.

The long-term success of Spire Healthcare depends on responding to the needs of all our stakeholders and the world around us. We have developed our sustainability strategy to address the critical environmental, social and governance issues for our business. We have mapped our sustainability strategy and targets against the 17 SDGs. The SDGs have helped us understand how our objectives and targets align to the broader global issues and have shown us where we can make a positive impact on society. We are committed to applying our expertise, skills and ambition to drive the group's contribution towards the achievement of those SDGs where we can provide the greatest impact to society.

Overall, Spire Healthcare's sustainability strategy supports eight SDGs, as follows:

### Respect the environment



### Engage our people and communities



### Operate responsibly





## Our sustainability goals, timelines and KPIs

This section shows Spire Healthcare's current and high priority sustainability-related goals, together with relevant timelines and KPIs where appropriate.

### Respect the environment



| Goal                                                                                          | SDG         | Page |
|-----------------------------------------------------------------------------------------------|-------------|------|
| <b>1</b> Attain net zero carbon status by the end of 2030                                     | <b>7 13</b> | 44   |
| <b>2</b> Manage our waste more efficiently while minimising detrimental effects to our planet | <b>12</b>   | 48   |
| <b>3</b> Undertake a comprehensive review of climate risk across our operations               | <b>13</b>   | 49   |
| <b>4</b> Identify opportunities to reduce use of single-use plastics                          | <b>12</b>   | 50   |
| <b>5</b> Identify and act on water-saving opportunities                                       | <b>12</b>   | 50   |

### Engage our people and communities



| Goal                                                                                                                                                                                   | SDG        | Page |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------|
| <b>6</b> Be a net contributor to the UK's healthcare workforce through innovative schemes                                                                                              | <b>4</b>   | 51   |
| <b>7</b> Take action to ensure that the ethnic diversity of Spire Healthcare's leadership programmes reflects, or is ahead of, the overall ethnic diversity of the business as a whole | <b>4 5</b> | 52   |
| <b>8</b> Achieve a gender balance of at least 40% female representation at board and executive committee level by 2025                                                                 | <b>5</b>   | 53   |
| <b>9</b> Further reduce gender pay gap amongst Spire Healthcare colleagues                                                                                                             | <b>5</b>   | 54   |
| <b>10</b> Maintain an overall colleague engagement score of at least 80%                                                                                                               | <b>8</b>   | 55   |
| <b>11</b> Build strong connections between Spire Healthcare hospitals and local communities                                                                                            | <b>3</b>   | 55   |

### Operate responsibly



| Goal                                                                                                                                                                 | SDG         | Page |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|------|
| <b>12</b> Target 'Good'/'Outstanding' CQC (or equivalent) scores across all inspected sites                                                                          | <b>3</b>    | 56   |
| <b>13</b> Target all Spire Healthcare sites to achieve a rating of at least 80% across:<br>– Colleague experience<br>– Patient experience<br>– Consultant experience | <b>3 8</b>  | 56   |
| <b>14</b> Maintain robust standards of clinical and corporate governance in line with best practice                                                                  | <b>3 16</b> | 57   |
| <b>15</b> Promote an open and learning culture                                                                                                                       | <b>5 8</b>  | 57   |
| <b>16</b> Further develop our approach to controls around Modern Slavery                                                                                             | <b>16</b>   | 58   |
| <b>17</b> Maintain and strengthen information governance and data security                                                                                           | <b>16</b>   | 59   |



Our sustainability goals, timelines and KPIs continued

Respect the Environment

Engage our People and Communities

Operate Responsibly

# 1. Attain net zero carbon status by the end of 2030

## Progress in 2022



We have a duty of care to the environment around us, as well as to our patients. We want to make sure we look after people more broadly, and this includes our commitment to the environment

### Our 10-year carbon reduction target

Our work continues to reduce the harmful impact on our planet of climate change through a robust decarbonisation strategy and delivery programme that is designed to achieve net zero carbon emissions by 31 December 2030. We were the first large independent sector hospital provider to make such a commitment, along with a dedicated investment of £16.0 million to help achieve this aim by 2030.

Our strategy continues to prioritise a targeted approach to reduction from the greatest carbon emission sources for example, installing LED lighting throughout all our buildings, removal of old inefficient gas-powered primary steam boilers and piped nitrous oxide across the estate, optimising the use of our buildings, fixed plant and equipment to ensure we maximise both energy and operational efficiencies.

We continue to engage, empower and support our appointed carbon champions at each of our hospitals who play a key role in meeting our net zero objective by promoting, coordinating and delivering carbon management improvement at a local level. Through implementation of their audits and action plans, further efficiencies are realised which collectively across the group support our carbon reduction targets and strategy together with operational savings objectives.

### Measuring our performance

We use the intensity metric of carbon emissions per £ revenue, which increases in proportion to the growth in our business. Our values are based on providing excellence in clinical quality and innovation to our patients. As a consequence of continuing to meet these values, we will continue to grow, treat more patients, provide more treatments and offer the latest technology.

While the business continues to see positive revenue growth, our intensity figures from 2018 to date have reduced year-on-year (cumulatively 45% since 2018, see roadmap on page 45) which demonstrates that we continue to become a less carbon reliant company as we grow.

### Our carbon reduction roadmap

We have mapped out our carbon reduction plans to net zero in 2030, using 2019 as our reference base year. The projected timeline has changed this year from that originally set in 2020 to reflect the unanticipated reversion to brown electricity tariff between April 2022 and October 2024 as a consequence of our energy supplier reneging upon its commitment to supply renewable electricity. The overall reduction target remains unchanged and we continue to reduce our carbon emissions in line with target. The reduction to date has been achieved through:

- Monitoring and targeting utility benchmarking reports which are issued monthly to our sites
- Reviewing half hourly energy consumption data and heat maps for each of our hospitals to identify energy efficiency and cost saving opportunities
- Targeted and informed investment in low carbon infrastructure and heat recovery, including LED lighting and solar PV technology across the estate
- End of life replacement of fixed engineering and building services, plant and equipment with the most efficient technology available

Looking at our progress against our original plan, excluding electrical emissions we are 8% ahead of target which is a great achievement by all involved and provides confidence in our plan.

### Timeline

End 2030

### KPI

tCO<sub>2</sub>e emissions in line with our decarbonisation plan

Our net zero target includes full Scope 1 and 2 emissions and Scope 3 emissions from air and rail travel. Our emissions in 2022, measured against our net zero target were 25,854tCO<sub>2</sub>e, against a target of 28,163tCO<sub>2</sub>e (8% less). This excludes Scope 3 emissions included in our 2022 green house gas emissions data shown on page 46 from electricity transmission (1,056tCO<sub>2</sub>e), waste (106tCO<sub>2</sub>e), and Hotels (75tCO<sub>2</sub>e).

### Initiatives

- Continuing LED replacements
- Optimisation of Building Management Systems (BMS)
- Replacement of the remaining gas-powered primary steam boilers in the estate at Claremont
- Removal of the remaining piped nitrous oxide across the estate
- Further PV installations and thermal upgrades as part of roofing replacements
- Completion of the EV charging point roll-out across the estate
- Use of electric vehicles in the group's fleet





## Our sustainability goals, timelines and KPIs continued

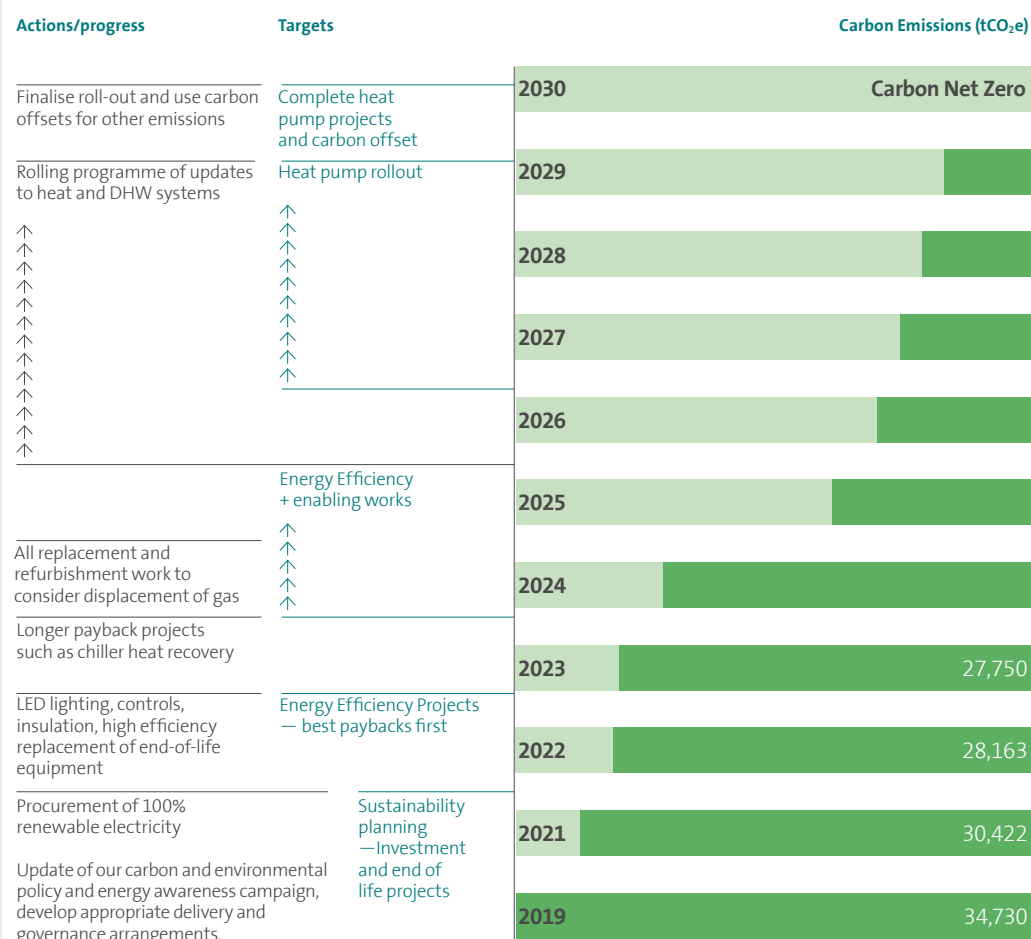
## Respect the Environment

## Engage our People and Communities

## Operate Responsibly

## 1. Attain net zero carbon status by the end of 2030 continued

## The roadmap to carbon net zero



## Energy monitoring

Business utility and sustainability consultancy Inenco produce quarterly performance reports that chart our results against our carbon reduction targets. We also separately monitor our hospitals on a monthly basis, and issue energy reports detailing their utilities consumption and benchmark them against similar-sized hospitals within the group. The reports include dashboards at site and group level detailing year-on-year performance. Our regional engineering team audits and monitors our hospitals' carbon reduction action plans as part of our annual compliance auditing programme.

## Capital investment in low carbon infrastructure

We continue to invest in our estate and engineering infrastructure to improve our energy efficiencies. Key projects this year included:

- Replacing gas-powered primary steam boilers with more efficient electrically powered equipment at Spire Cardiff, Clare Park in Farnham, Little Aston in Sutton Coldfield and Edinburgh Murrayfield
- Introducing high efficiency heating, cooling and ventilation – through the upgrade of critical ventilation systems at Cambridge, replacement of chiller plant at Spire Wellesley in Southend and Spire Cambridge incorporating heat recovery systems and optimised BMS systems at Spire Leeds and Cheshire
- Continuing to replace the remaining older lighting across the estate with LED fittings that are 50% to 60% more energy efficient
- Planning and design is in the advanced stages for installing roof and ground-mounted photo-voltaic (PV) solar panels at Spire Wirral that will generate up to 12% of the hospital's electricity

- Installation of EV charging points to two-thirds of our hospitals with the remainder planned for 2023
- Improving insulation in our buildings at Liverpool Penny Lane and Wirral hospital as part of planned roof replacement works
- Removal of R22 refrigerant gases from old air conditioning systems
- Pipework and ducting insulation upgrades and replacement of old inefficient single glazed windows requested via carbon champions at Spire Hull, Little Aston, Bristol, Leicester

Alongside these investments, all of our carbon champions continue to receive training and guidance to help them produce local action plans and identify opportunities for operational improvements and efficiencies. Their action plans are reviewed twice yearly to monitor and track progress.

## Legislation

Since becoming a publicly listed company in 2014, Spire Healthcare has discharged its responsibilities under the government's CRC Energy Efficiency Scheme, and we will continue to report on our energy consumption in line with the requirements of the upcoming Streamlined Energy and Carbon Reporting legislation.

Spire Healthcare was invited to participate in the CDP (formerly Carbon Disclosure Project) again in 2022. We made our eighth annual submission to the CDP and received a 'B' grading, improving on previous 'C' rating for 2021 placing Spire Healthcare well above the market sector average of 'D', and demonstrating our knowledge and understanding of our impact on climate change issues.



## Our sustainability goals, timelines and KPIs continued

## Respect the Environment

## Engage our People and Communities

## Operate Responsibly

## 1. Attain net zero carbon status by the end of 2030 continued

## Greenhouse gas emissions in 2022

This section provides the emissions data and supporting information required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Total greenhouse gas (GHG) emissions for Spire Healthcare for January to December 2022 were 27,091 tCO<sub>2</sub>e, down 6% on 2021. The table below shows this, broken down by emissions source.

6%

Emissions reduction in GHG

| Emissions source                            | 2018          | 2019          | 2020          | 2021          | 2022          | Share %     | YoY % change |
|---------------------------------------------|---------------|---------------|---------------|---------------|---------------|-------------|--------------|
| Fuel combustion: stationary                 | 12,917        | 12,098        | 11,590        | 12,539        | 10,943        | 40%         | -13%         |
| Fuel combustion: mobile                     | 1,145         | 1,209         | 1,447         | 1,325         | 1,346         | 5%          | 2%           |
| Fugitive emissions                          | 6,936         | 5,895         | 5,018         | 5,139         | 4,703         | 17%         | -8%          |
| Purchased electricity                       | 17,151        | 15,193        | 13,330        | 9,802         | 9,837         | 36%         | <1%          |
| Air travel                                  |               |               |               |               | 40            | <1%         |              |
| Rail travel                                 |               |               |               |               | 40            | <1%         |              |
| Hotel                                       |               |               |               |               | 75            | <1%         |              |
| Waste                                       |               |               |               |               | 106           | <1%         |              |
| <b>Total emissions (tCO<sub>2</sub>e)</b>   | <b>38,148</b> | <b>34,395</b> | <b>31,384</b> | <b>28,805</b> | <b>27,091</b> | <b>100%</b> | <b>-6%</b>   |
| Revenue £m                                  | 931.1         | 980.8         | 919.9         | 1,106.2       | 1,198.5       |             | 8%           |
| <b>Intensity: (tCO<sub>2</sub>e per £m)</b> | <b>41.0</b>   | <b>35.1</b>   | <b>34.1</b>   | <b>26.0</b>   | <b>22.6</b>   |             | <b>-13%</b>  |

| Energy consumption by year (MWh) | 2018           | 2019           | 2020           | 2021           | 2022           | Share %     | YoY % change |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|-------------|--------------|
| Natural gas                      | 69,462         | 65,285         | 63,032         | 67,766         | 59,648         | 48%         | -12%         |
| Electricity                      | 55,829         | 54,788         | 52,647         | 54,704         | 59,717         | 48%         | 9%           |
| Transport fuel                   | 4,622          | 4,883          | 5,386          | 5,363          | 5,407          | 4%          | 1%           |
| Gas oil                          | 503            | 374            | 369            | 384            | 212            | <1%         | -45%         |
| <b>Total</b>                     | <b>130,416</b> | <b>125,330</b> | <b>121,434</b> | <b>128,217</b> | <b>124,984</b> | <b>100%</b> | <b>-3%</b>   |

## Notes to the table:

## a. Scope 2/purchased electricity emissions reporting

The figure for emissions from purchased electricity above reflects our investment in a zero-carbon electricity tariff across all of our sites from October 2021. We have calculated emissions for the period January to March following the market-based method and for April to December following the location-based method (to reflect our zero-carbon tariff only applied for first 3 months of the year). If we apply the location-based method for the full 12 months, our emissions from purchased electricity were 12,604 tCO<sub>2</sub>e.

## b. Footprint boundary

An operational control approach has been used to define the GHG emissions boundary, as defined in the Department for Environment, Food and Rural Affairs' latest environmental reporting guidelines: "Your organisation has operational control over an operation if it, or one of its subsidiaries, has the full authority to introduce and implement its operating policies at the operation." For Spire Healthcare, this captures emissions associated with the operation of all our hospitals and other buildings such as clinics, offices and our National Distribution Centre, plus company-owned and leased transport. As Spire Healthcare has no overseas operations, all emissions refer to UK operations only.

## c. Emission sources

All material Scope 1 and Scope 2 emissions are included, plus Scope 3 electricity transmission and distribution losses. These include emissions associated with:

- Fuel combustion: stationary (natural gas and red diesel for backup generators) and mobile (vehicle fuel)
- Purchased electricity
- Fugitive emissions (refrigerants, medical gases)

27,091

tCO<sub>2</sub>e Total GHG emissions for 2022

12,604

tCO<sub>2</sub>e emissions from purchased electricity in 2022

## d. Methodology and emissions factors

This information was collected and reported in line with the methodology set out in the UK government's Environmental Reporting Guidelines, 2019.

Emissions factors are taken from the Department for Business, Energy and Industrial Strategy emissions factor update published in 2022. There are no notable omissions from the mandatory Scope 1 and 2 emissions. Approximately 1.9% of emissions are based on estimated data.

## e. Fugitive emissions

These are attributable to the use of refrigerants and medical gases (eg carbon dioxide, nitrous oxide and Entonox).



## Our sustainability goals, timelines and KPIs continued

## Respect the Environment

## Engage our People and Communities

## Operate Responsibly

## 1. Attain net zero carbon status by the end of 2030 continued

## Engineering governance and compliance

To support the group's quality and patient safety agenda, the estate in which we operate must be monitored, maintained and developed appropriately to satisfy our goals and remain fit for purpose. Our property portfolio, engineering and health and safety governance sit under a common leadership provided by the supply chain and procurement directorate.

The identification, publication and management of risk associated with our estate and its operation is managed through annual audit alongside our clinical team. These audits are used to make this risk transparent, enabling a prioritised approach to risk mitigation. The resultant risk profile informs the business of future capital requirements, gives confidence that this capital is managed on a true risk basis and is targeted in the most efficient and effective way. The central estates team supplements the formal annual audits with regular routine visits that ensure our governance system is dynamic, with continual addition, closure and re-assessment of risk. This in turn future-proofs the business.

## Looking ahead

In the year ahead we will continue to prioritise our approach to carbon reduction and energy saving to effect the required target emission savings concentrating on those projects that will offer the greatest reduction opportunity including but not limited to the following:

- Continuing LED replacements
- Optimisation of building management systems (BMS)
- Replacement of the remaining gas-powered primary steam boilers in the estate at Spire Claremont in Sheffield
- Removal of the remaining piped nitrous oxide across the estate
- Further PV installations and thermal upgrades as part of roofing replacements
- Completion of the EV charging point roll out across the estate





Our sustainability goals, timelines and KPIs continued

Respect the Environment

Engage our People and Communities

Operate Responsibly

## 2. Manage our waste more efficiently while minimising detrimental effects to our planet

### Progress in 2022



Ensuring that we manage our waste properly, and recycle what we can, is vitally important for a business like ours in the healthcare sector. It is all about doing the right thing, contributing to our carbon reduction programme, protecting the environment, and ultimately reducing costs.

In 2022, Spire Healthcare's waste management initiatives saved approximately 296 tonnes of CO<sub>2</sub>. This is the equivalent of:

- 1,020 trees planted each year
- 111 cars off the road or
- 180 houses powered each year

As a business, we generate a considerable amount of general waste – largely a combination of 'domestic waste', most of which generates renewable energy, and dry mixed recycling, which can be re-used or re-purposed. We are now recycling at 44 sites, up from 30 in 2021 and 23 in 2020.

Spire Healthcare has increased its overall recycling significantly over the last three years:

# 30%

overall waste recycled in 2022  
up from 27% in 2021

# 23%

dry mixed waste recycled,  
up from 11% in 2021

The group also disposes of clinical, infectious and offensive healthcare waste that requires specialist treatment, incineration or disposal through the renewable energy system. The challenge of managing and sorting such complex waste streams is unique to the healthcare sector.

During 2022, we successfully implemented new initiatives to improve our dry mixed recycling and food waste disposal. For example, our sites are now sending large cardboard, plastic packaging and polystyrene back to our national distribution centre, so that it can be baled and sent off to be reused resulting in a overall recycling figure of 30%. Not only does this significantly reduce the waste we need to dispose of from our sites, but we also receive rebates for the materials returned.

Dry Mixed Recycling (DMR) and food waste has been rolled out across the business (which includes plastic bottles, Vegiware cups and food trays, cans, etc) resulting in a DMR recycling figure of 23.0%.

Our waste leads also worked hard in 2022 to complete the roll-out of 'offensive waste' segregation to all our sites during the year. Offensive waste, as bad as it sounds, is actually 60% cheaper to dispose of, and a more environmentally friendly waste disposal process to use than clinical waste or infectious waste. It does not need to go for incineration. Instead, it goes to a special materials recovery facility, where it generates renewable energy, without releasing any harmful substances into the atmosphere.

To help reduce Spire Healthcare's carbon footprint, the Sharps Bio System, designed by Stericycle, our waste partner, is also being rolled out across the estate. Stericycle's containers are reusable UN-approved puncture-resistant containers that can be used up to 600 times after washing and disinfection, as opposed to the single-use sharps containers that are disposed of after just one use. This is having a positive impact on Spire Healthcare's CO<sub>2</sub> reduction programme and progress towards our 2030 carbon neutral target.

#### KPI

- Overall recycling target end 2022: 25%  
– achieved 30%
- Dry mixed recycling target end 2022: 20%  
– achieved 23%
- Offensive waste target for end 2023: 40% – below target: 23% achieved during 2022 as a whole, but since December 2022, exceeding 40% on a monthly basis

#### Initiatives

- Waste strategy established
- Increase recycling rates through further segregation of waste and hazardous materials
- Mitigate wherever possible waste going to landfill sites
- Ensure all sites have offensive waste stream in place and work to increase their percentage of waste segregated into this waste stream





Our sustainability goals, timelines and KPIs continued

Respect the Environment

Engage our People and Communities

Operate Responsibly

## 2. Manage our waste more efficiently while minimising detrimental effects to our planet continued

“In 2022, Spire Healthcare’s waste management initiatives saved approximately 296 tonnes of CO<sub>2</sub>. This is the equivalent of 1,020 trees planted each year, 111 cars off the road or 180 houses powered each year.”

The differences between clinical, infectious and offensive waste are as follows:

- Clinical waste is any waste that consists wholly or partly of human or animal tissue, or is contaminated with biologically active pharmaceutical agents
- Infectious healthcare waste can be a particularly complex waste stream to manage, because of the risks it poses to people who may come into contact with it. This waste is any soft waste that is not contaminated with chemicals or pharmaceuticals but may be potentially infectious waste
- Offensive waste is the term for items soiled by body fluids or bad odour that may be considered unpleasant. This does not include items contaminated by infection, medicine or chemicals

waste management and compliance solutions. We believe that a shift towards a 20-40-40 waste model (20% clinical, 40% offensive, and 40% infectious) across the group will not only deliver significant environmental benefits, but could also save the business money.

Each hospital has a waste lead, and they are appropriately trained to ensure they carry out their responsibilities as efficiently as possible. Local waste audits are carried out with the waste leads, working alongside the pre-acceptance waste audits completed by Stericycle. The aim of these audits is to ensure all waste is properly segregated and stored securely before it goes off site.

Implementing this new waste initiative across Spire Healthcare has been an in-depth process, as any failure to classify our waste correctly could have serious implications with environmental health agencies. We have been supported in this by Stericycle, which offers world-class specialist

## 3. Undertake a comprehensive review of climate risk across our operations

## Progress in 2022



In our TCFD disclosures, we set out the risks we have identified from climate change. We consider risks arising from transitioning to a carbon neutral economy as well as physical risks, both chronic and acute, that the changing weather patterns will bring. We also carried out specific site-by-site risk assessments against the risks of flash flooding and wildfires.

In 2023, we will supplement our risk analysis to date with scenario analysis of future climate warming scenarios as described in our TCFD disclosures across short-to-long-term time horizons on page 60.



Please see TCFD section  
page 60

## Timeline

End 2023

## Initiatives

- Undertake scenario analysis of future climate warming scenarios as set out in our TCFD reporting on page 60





Our sustainability goals, timelines and KPIs continued

Respect the Environment

Engage our People and Communities

Operate Responsibly

## 4. Identify opportunities to reduce use of single-use plastics

### Progress in 2022



The use of plastics is a major environmental issue across the healthcare industry in the UK and globally. Plastic is a very versatile product for keeping medical equipment sterile, storage of clinically related products (eg drugs) and as an infection control barrier. It will take concerted effort across the global healthcare industry to develop new products that can replace the versatility of plastic over the medium to long term.

We are examining what steps we can take as a single entity to reduce single use plastics (for example we have reduced the use of single use sharp bins as described on page 48-49), but we recognise that we will need to work with other healthcare providers and our supply chain collaboratively to affect significant change.

#### KPI

Target to be determined

#### Initiatives

- Plastic packaging, large cardboard and polystyrene is returned to Spire Healthcare's National Distribution Centre for baling and recycling
- Dry mixed recycling (DMR) and food waste management has been rolled out across the business (which includes plastic bottles, Vegiware cups and food trays, cans, etc)
- Plastic spoons and cutlery have been replaced with metal reusable or wooden disposable items
- Working with waste treatment supplier to develop recycle initiative for single-use oxygen face masks and tubing



## 5. Identify and act on water-saving opportunities

### Progress in 2022



Water consumption monitoring is in development and we plan to form a strategic water management plan setting out achievable targets.

Possible areas might include:

- Reviewing the application of latest technologies to our fixtures, fittings and equipment requirements to ensure appropriate use of eco fittings
- Monitoring water consumption to identify any potential leaks or high use
- Optimising building management control systems
- Identifying efficient practice in kitchens, catering, housekeeping and cleaning

#### KPI

Target of consumption m<sup>3</sup> to be determined

#### Initiatives

- Rolling out automatic meter reading
- Analysing consumption per site to identify outliers
- Encouraging local initiatives through net zero project to reduce consumption





Our sustainability goals, timelines and KPIs continued

Respect the Environment

Engage our People and Communities

Operate Responsibly

## 6. Be a net contributor to the UK's healthcare workforce through innovative schemes

### Progress in 2022



Investing in talented people, for us and the wider system, continues to be a major focus.

Alongside a range of training opportunities, we have several initiatives in place to help new and existing colleagues develop the professional and leadership skills they need to further their careers. Our GROW learning framework includes LEAP, for new managers, or leaders coming into a leadership role; our Step Up Leadership Programme for our talented future leaders; our Stretch Leadership Programme, an advanced programme for senior leaders; and our Theatre Managers Leadership Programme.

The framework is moving us towards more self-directed learning – digital learning where colleagues monitor their own development and make time for it, alongside more formal classroom or webinar sessions. Together, they offer a virtual leadership journey, and are designed to ensure we have a strong succession pipeline across the organisation and a range of disciplines.

#### Investing in apprenticeships

Making full use of the government's apprenticeship levy, we now have around 550 apprentices across the business in a wide range of clinical areas such as biomedical science, physiotherapy, medical laboratory technicians, as well as non-clinical disciplines such as marketing, human resources, engineering and business administration. In 2022, we introduced a new apprenticeship in cardiac physiology, and we have been reviewing development options within pharmacy, which will pave the way to increasing the number of places available on these programmes.

# 180

colleagues on our nurse apprenticeship programme

Our most significant scheme is our nurse degree apprenticeship programme in England, which we expanded last year in response to the national shortage of nursing staff. The programme is run in partnership with the University of Sunderland, and combines study and assessments with on-site placements to gain practical knowledge. Apprentices gain a BSc degree on completion, and the programme is open to applicants at all stages of life, including school leavers, university graduates, working parents and part-qualified nurse associates.

Currently, there are 180 nurse apprentices on the programme (177 in 2021), making it one of the largest nurse apprenticeship programmes run by a single organisation in England. The nurses we train will benefit the entire healthcare system as they could go on to work in the NHS, either at the end of their apprenticeship or later in their career.

#### Initiatives

- Learning and development strategy; apprenticeship programmes including one of the largest nurse apprenticeship programmes in England



Please see TCFD section  
Read more in 'Invest in our workforce'  
section page 25





Our sustainability goals, timelines and KPIs continued

Respect the Environment

Engage our People and Communities

Operate Responsibly

## 7. Take action to ensure that the ethnic diversity of Spire Healthcare's leadership programmes reflects, or is ahead of, the overall ethnic diversity of the business as a whole

### Progress in 2022



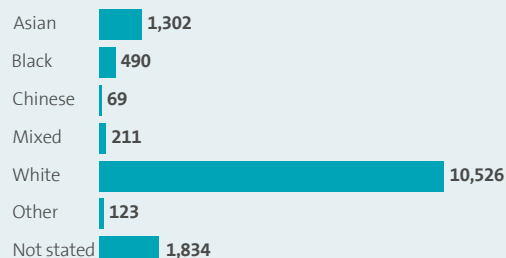
To support our new equity, diversity and inclusion strategy, we are developing networks across six diversity strands, all of which overlap and do not sit independently of each other – The strands include ethnicity, sexuality, age, gender, disability, and mental health and wellbeing.

Each strand is supported by a member of the executive committee, and has its own chair and deputy chair so that we can give each network the focus and impetus we need to make a difference.

We will work with these diversity network groups to understand and improve how we attract, recruit, and develop talented colleagues and promote diversity by encouraging colleagues to share their challenges, share insights and promote 'fresh thinking'.

We now have an active Race Equality network and LGBTQ+ network that promote and celebrate key diversity and inclusion awareness dates eg Race Equality Week and Pride month, engage with our colleagues and hold a number of educational 'lunch and learns' on diversity and inclusion.

#### Headcount by ethnicity



We will continue to promote allyship across all the diversity strands and the organisation – an ally is someone who is not a member of a marginalised group but wants to support and take action to help others in that group.

Their role will be to support all colleagues to understand the different communities at Spire Healthcare.

We will provide them with a toolkit to help them achieve this effectively and feel supported themselves.

Of those colleagues who disclose their ethnicity, 17.3% report having a non-white background, up from 16.5% in 2021. 21.9% of new starters in 2022 who reported their ethnicity to us are non-white.



Read more about our EDI strategy in 'Invest in our workforce' section page 25

#### Initiatives

- Consider ethnic diversity balance when constructing Spire Healthcare's leadership programmes
- Broad range of Let's Talk Networks including mental health and wellbeing support, LGBTQ+, Race Equality Network





Our sustainability goals, timelines and KPIs continued

Respect the Environment

Engage our People and Communities

Operate Responsibly

## 8. Achieve a balance of at least 40% female representation at board and executive committee level by 2025

### Progress in 2022



Spire Healthcare is committed to diversity and inclusion, which includes supporting women to become leaders within the business.

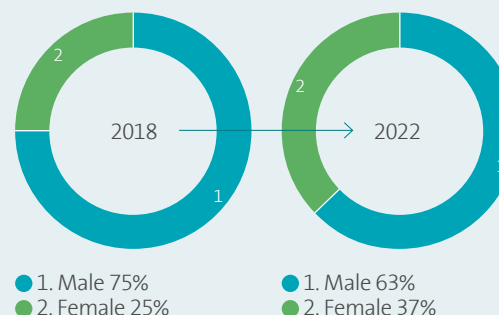
The combined executive committee and board demographic in 2022 is 37% female.

Our executive committee demographic is 43% female in 2022, compared to 75% male just four years ago.

By May 2023, we will have five women on our group board, moving the balance from 33% female in 2022 to 45% in 2023, reflecting our commitment to driving fair representation across the wider business.

Our board members monitor diversity regularly through data reviews, recruitment decisions and discussions in their board meetings. Diversity is also regularly reviewed as part of the workforce demographics by the remuneration committee and executive committee.

### Combined gender balance of board and executive committee



### Timeline

End 2025

### KPI

Proportion of female representation

### Initiatives

- FT Diversity Index top 850 company
- Board – agreed targets of minimum of 33% by the next AGM 2023 and 40% by 2025



Please see 'Invest in our workforce' strategy section page 25, KPIs section page 33 and gender pay gap page 54





Our sustainability goals, timelines and KPIs continued

Respect the Environment

Engage our People and Communities

Operate Responsibly

## 9. Further reduce gender pay gap amongst Spire Healthcare colleagues

### Progress in 2022



We are required to report gender pay gap figures for our main employing entity – Spire Healthcare Limited – covering 96% of all reportable employees of Spire Healthcare Group.

In the interests of full transparency, we have supplemented the statutory disclosure requirements with additional data that captures relevant employees across the Spire Healthcare Group. The gender pay gap required by the Gender Pay Gap Regulations represents an average figure. This is distinct from 'equal pay', which considers whether men and women are paid the same for carrying out the same work, or work of equal value.

In 2022, the overall median gender pay gap in Spire Healthcare Limited was 6.2% (2021: 7.1%), with the Spire Healthcare Group at 6.1% (2021: 6.6%), which is considerably lower than the Office for National Statistics provisional national average of 14.9% (October 2022).

Our mean gender bonus gap is 70.2%, and our median gender bonus gap is 0.0%, the same as 2021 at 0.0%. In 2022, 82.2% of males received a bonus (up from 73.8% in 2021) compared to 83.7% of females (up from 77.1% in 2021).

#### Responding to the gender pay gap

We are taking a number of positive steps to reduce the gender pay gap and ensure the fair treatment of females across our business. Our newly established workforce and sustainability committee has been put in place to speed up the decision-making process for colleague focused activity.

We have an inclusive approach to training and development and twice a year we undertake talent and succession planning where we look to create opportunities and support the development of female leaders. We are developing our job framework to allow colleagues to better understand their roles and support progression by recognising contribution, performance, learning and development.

#### Gender breakdown

| Employees                   | Male  | Female |
|-----------------------------|-------|--------|
| Overall employees           | 3,100 | 11,858 |
| Senior managers             | 51    | 108    |
| Executive committee members | 4     | 3      |
| Board members               | 8     | 4      |

#### Employee table

| Entity                                                   | Spire Healthcare Limited | Spire Healthcare Group plc <sup>1</sup> |
|----------------------------------------------------------|--------------------------|-----------------------------------------|
| Number of employees (includes bank workers) <sup>2</sup> | 12,408                   | 12,889                                  |
| <b>Women's hourly rate is:</b>                           |                          |                                         |
| Mean                                                     | 17.1% lower              | 16.6% lower                             |
| Median                                                   | 6.2% lower               | 6.1% lower                              |
| <b>Pay quartiles:</b>                                    | <b>Men</b>               | <b>Women</b>                            |
| Top quartile                                             | 25.7%                    | 74.3%                                   |
| Upper middle quartile                                    | 17.8%                    | 82.2%                                   |
| Lower middle quartile                                    | 20.1%                    | 79.9%                                   |
| Lower quartile                                           | 17.9%                    | 82.1%                                   |
| <b>Women's bonus pay is:</b>                             |                          |                                         |
| Mean                                                     | 70.2% lower              | 69.4% lower                             |
| Median                                                   | 0.0%                     | 0.0%                                    |
| <b>Who received a bonus?</b>                             |                          |                                         |
| Men                                                      | 82.2%                    | 82.4%                                   |
| Women                                                    | 83.7%                    | 83.9%                                   |

1. Including Spire Healthcare Limited, Montefiore House Limited and Claremont.

2. In line with government reporting requirements, the number of employees stated in the table above is the number of colleagues who received full pay in the pay period April 2022.

#### Timeline

End 2025

#### KPI

Gender pay gap: achieved, year-on-year reduction

#### Initiatives

- New workforce and sustainability board to speed up the decision-making process
- Inclusive approach to training and development
- Talent and succession planning to support development of female leaders





Our sustainability goals, timelines and KPIs continued

Respect the Environment

Engage our People and Communities

Operate Responsibly

## 10. Maintain an overall colleague engagement score of at least 80%

### Progress in 2022



We held a mid-year temperature check on colleague engagement, followed up by a full annual survey in October 2022. The overall response rate for the full survey was 77%, with 80% of colleagues proud to work for Spire Healthcare (-4% in 2021, level with 2020) and 84% of colleagues get personal satisfaction from the work they do. 83% of colleagues would be happy if their friends or family needed treatment at Spire Healthcare and 72% would recommend it as a place to work. Teams across the business are developing action plans to drive improvements.

### KPI

- Colleague engagement score: achieved – 80% say proud to work for Spire Healthcare



Please see 'Invest in our workforce' strategy section and KPIs section page 25 and 33

## 11. Build strong connections between Spire hospitals and local communities

### Progress in 2022



At Spire Healthcare, we take a responsible approach to everything we do, and this goes beyond the high-quality personalised care we provide for our patients.

### Contributing to our communities

Colleagues across our business play an important part in their communities, and we recognise the duty we have to give back to people in these areas and contribute to the greater wellbeing, especially during the ongoing health crisis.

### Supporting the British Red Cross Ukraine Appeal

As every year, hospitals continued to support local charities and causes throughout the year. Following a break owing to COVID-19 restrictions, we were able to hold a large company-wide charity event in June. This included a range of activities including raffles, bake sales, competitions and cycle challenges, along with a showcase cycle ride visiting three hospitals in Yorkshire and a cycle track in Leeds. The ride was led by Justin Ash, Chief Executive Officer, and included many colleagues and consultants, raising over £10,000 for the British Red Cross Ukraine Appeal, matched by Spire Healthcare, making a £20,000 total.

### Initiatives

- Community programmes including supporting local foodbanks





Our sustainability goals, timelines and KPIs continued

Respect the Environment

Engage our People and Communities

Operate Responsibly

## 12. Target 'Good'/'Outstanding' CQC scores across all our hospitals (or equivalent)

### Progress in 2022



Quality underpins everything we do. We have robust ward-to-board governance and internal audit procedures and members of the board and executive committee regularly visit and meet with hospital leaders, colleagues, consultants and medical advisory committees.

#### KPI

Currently 98% of inspected sites rated 'Good' or 'Outstanding' by the CQC (or the equivalent in Scotland and Wales)

#### Initiatives

- More information in Build on quality on pages 22-24.



Please see 'Build on quality' strategy section page 22

## 13. Target all Spire Healthcare sites to achieve a rating of at least 80% across:

– Colleague experience

– Patient experience

– Consultant experience

### Progress in 2022



We seek to offer our patients rapid access to high-quality, compassionate, personalised healthcare, with expert clinicians, at a price they can afford.

We aim to make Spire Healthcare the first choice for consultants, and invest in the best people, facilities and equipment to achieve this.



Please see strategy sections 'Drive hospital performance', 'Build on quality' and 'Invest in our workforce' page 18 and No 10 on page 55.

#### KPI

% of employees stating they are proud to work for Spire Healthcare  
% of private patients rating their overall experience as 'very good'  
% of consultants who rate the care given to their patients by Spire as either 'excellent' or 'very good'

- In 2022, seven hospitals met all three of these criteria, 31 hospitals met at least one and 16 met at least two





Our sustainability goals, timelines and KPIs continued

Respect the Environment

Engage our People and Communities

Operate Responsibly

## 14. Maintain robust standards of clinical and corporate governance in line with best practice

### Progress in 2022



Quality continues to be at the centre of Spire Healthcare's culture and everything we do. It is a key pillar of our updated business strategy, and our Quality Improvement (QI) strategy has strengthened in 2022. Non-executive directors regularly visit and meet with hospital leadership and attend local medical advisory boards and national conferences.

#### Initiatives

– See 'Build on quality' pages 22-24



Please see 'Build on quality' strategy section page 22 and Clinical governance and safety committee report page 98

## 15. Promote an open and learning culture

### Progress in 2022



We work hard to share a welcoming culture that is characterised by openness, respect, collaborative working, a focus on clinical safety, and a spirit of continuous improvement. Attracting, retaining and developing great people is a high priority for us, and we can only do this if colleagues feel valued, rewarded, motivated, and supported by clearly defined career paths. We have Freedom to Speak Up Guardians in all sites.

#### Initiatives

– Freedom To Speak Up Guardians appointed at all sites



Please see 'Invest in our workforce' strategy section page 25 and Clinical governance and safety committee report page 98



Our sustainability goals, timelines and KPIs continued

Respect the Environment

Engage our People and Communities

Operate Responsibly

## 16. Further develop our approach to controls around modern slavery

### Progress in 2022



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

Our two main areas of focus are at front-line level, to safeguard patients and others who come through our facilities, and in our supply chain. In our business operations, we believe practitioners and our staff are well 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. 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 2022, we maintained our modern slavery due diligence process for all new suppliers with an annual spend of more than £1m; there were no issues identified through this process. In addition, we started an assessment exercise of third-party management systems to provide robust evaluation of the level of performance and risk of key suppliers across a range of areas including labour and human rights. We plan to conclude this assessment exercise during 2023.

### Initiatives

- Review the level of performance and risk of our key suppliers across a range of areas including the environment, labour and human rights, fair business practices, ethics and sustainable procurement

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





Our sustainability goals, timelines and KPIs continued

Respect the Environment

Engage our People and Communities

Operate Responsibly

## 17. Maintain and strengthen information governance and data security

### Progress in 2022



Security can never be risk free, but Spire Healthcare's board has demonstrated commitment and support for continual improvement in the form of investment, technology and practices to mitigate against cyber risk.

Spire Healthcare's cybersecurity sustainability strategy covers three key pillars: people, process and technology, with a view to investing time, attention and capital to reduce risk and strengthen the group's information governance and data security position. With ever changing security landscapes, risks and threats, Spire Healthcare engages with security partners to conduct independent reviews and audits.

Spire Healthcare maintains industry-recognised security certifications such as ISO27001:2013, Cyber Essentials and regulatory compliance for contracts such as the NHS Data Security and Protection toolkit. In addition, Spire Healthcare has adopted the National Institute of Standards and Technology (NIST) score for continual security improvements and is annually benchmarked against peers in the healthcare industry. In 2022, Spire Healthcare's security benchmark improved significantly, and was deemed to be a leading organisation in the healthcare sector for cyber security maturity.

Additional external technical security assessments with the Council for Registered Ethical Security Testers are conducted, such as penetration tests, red teaming exercises and incident simulation exercises. Spire Healthcare receives regular threat intelligence from a number of sources and agencies for additional further advisories and guidance. Considerable security and technology advances were made in 2022 in network security, identity and access management, incident response, processes and procedures.

#### KPI

NIST Cyber Security Maturity Score

#### Initiatives

- Ensure our NIST Cyber Security Maturity Score moves towards 3
- Conduct an independent annual cyber maturity assessment (CMA) review, using the NIST cybersecurity framework (CSF). This assesses security posture and compares against the previous year's maturity. In 2020 Spire Healthcare received an overall maturity level of Partial (1.6). In January 2022 we received a level of Risk Informed (2.4), and are on target for a level of Repeatable (3.0)
- Make an accelerated investment in security to move us towards an overall rating of 3.0 and improve productivity



Sustainability continued

## Task Force on Climate-Related Financial Disclosures (TCFD) Report

The board makes its statement of compliance with TCFD disclosures as required by Listing Rule (LR 9.8.6 R(8)) below.

### Governance

Disclose the organisation's governance around climate-related risks and opportunities.

| Recommended disclosures                                                                          | Status          |
|--------------------------------------------------------------------------------------------------|-----------------|
| a) Describe the board's oversight of climate-related risks and opportunities.                    | ● – see page 61 |
| b) Describe management's role in assessing and managing climate-related risks and opportunities. | ● – see page 61 |

### Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

| Recommended disclosures                                                                                                                                      | Status                                        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.                               | ● – see page 62                               |
| b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.                        | ● – see page 63                               |
| c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. | Complete scenario analysis<br>● – see page 64 |

### Risk management

Disclose how the organisation identifies, assesses and manages climate-related risks.

| Recommended disclosures                                                                                                                                 | Status          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| a) Describe the organisation's processes for identifying and assessing climate-related risks.                                                           | ● – see page 64 |
| b) Describe the organisation's processes for managing climate-related risks.                                                                            | ● – see page 64 |
| c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management. | ● – see page 65 |

### Metrics and targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

| Recommended disclosures                                                                                                                                   | Status          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. | ● – see page 65 |
| b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.                                         | ● – see page 65 |
| c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.                       | ● – see page 65 |

- Compliant
- Partial compliance
- Non-compliant



## Sustainability continued

## Task Force on Climate-Related Financial Disclosures (TCFD) Report continued

## Governance

## a) The board's oversight of climate-related risks and opportunities

Our board has ultimate oversight of climate-related risks and opportunities facing us. It exercises that oversight through:

- Annual review of our corporate strategy, that includes championing sustainability as one of its five pillars as described on pages 18 to 32
- Review of major strategic climate and environmental-related initiatives as put to the board by the executive management team in line with the corporate strategy eg the environmental, social and governance strategy explained on pages 42 to 59 in 2022 and the net zero strategy as explained on pages 44 to 47 in 2022
- Quarterly key performance indicator report on the corporate strategic objectives, including progress against the sustainability development goals and the net zero strategy. The major strategic initiatives have milestones and targets. The management information presented to the board shows progress against those targets. For example, the board was made aware by executive management that our energy supplier unilaterally switched our supply from entirely green energy sources to brown sources effective from 1 April 2022 following the energy price shocks in quarter 1 of 2022. For 2022, and going forwards into 2023, this means we cannot meet our CO<sub>2</sub> reduction targets without buying cost prohibitive REGO's, until we are able to switch back to green energy sources.
- Receiving reports from board sub-committees following their meetings, eg the audit and risk committee (ARC) that reviews the principal risks on behalf of the board and oversees our risk management processes, that includes climate-related risks, as explained on pages 101 to 106.
- Annual review of emerging risks with the executive management team through the audit and risk committee

As the board also retains the authority to approve all capital projects over £5 million under its delegated levels of authority, in doing so, it reviews all major capital expenditure projects that affect sustainability.

## b) Management's role in assessing and managing climate-related risks and opportunities

The executive committee retains overall responsibility for assessing climate-related risks and opportunities. The committee is chaired by Justin Ash, our CEO, and comprises his direct reports.

The committee receives a quarterly report from the director of audit, risk and compliance on the principal risks and the overall risk profile of the group prior to reporting to the ARC. The principal risk report analyses the principal risks in a number of ways, from individual assessment of their probability and impact, their interrelationships, and detail on the individual current and planned risk mitigations and sources of assurance. It is through that assessment, in conjunction with other management information, that the executive committee understands and acts on its assessment of climate-related risks.

The committee also reviews global trends for emerging risks on an annual basis, and submits a report to the ARC on emerging risks it sees from those global trends. It was through this process that the executive committee initially recognised climate change as an emerging risk area and then, in 2021, recommended to the board that climate change be considered a principal risk of the group.

The executive committee receives data and information from various functional management teams to help it collate its overall view of the climate-related risk and opportunities facing the group. In 2021, it received reports from a sustainability working group, and then in 2022 it decided to create a formal sub-committee to the executive committee, the workforce and sustainability committee; more details are given below.

The majority of the detailed climate-related risks and opportunities, to date, have been identified in the physical assets of the estate as explained on page 62. The executive committee directly monitors progress against our net zero strategy as it receives a quarterly report from our retained environmental engineers on the levels of CO<sub>2</sub> emissions. As the detailed risk assessments from flash flooding and wild fire (climate-related risks) principally affect our ability to operate our hospitals safely, the health and safety committee (a sub-committee of the executive committee) has taken oversight of the management of those specific risk areas as described below.

## Workforce and sustainability committee

During the second quarter of 2022, we established the Workforce and Sustainability Committee (WSC) which is charged with making material decisions on behalf of the group's executive committee in relation to Spire Healthcare's sustainability strategy.

The WSC is a delegated committee of the executive committee with a remit to provide assurance on:

- The delivery of Spire Healthcare's sustainability strategy, as approved by the board and presented to investors, and compliance with the overall sustainability framework agreed by the board
- Meeting Spire Healthcare's legislative responsibilities in relation to its people and that the people function prioritises and supports the strategic direction of the organisation within integrated HR and sustainability frameworks
- Spire Healthcare's progress towards the ambition to be net zero carbon by 2030 and the effectiveness of plans for achieving this

Specifically, the WSC is positioned to:

- Oversee the agreed sustainability framework and the delivery of key steps within Spire Healthcare's sustainability strategy
- Take decisions to resolve issues or mitigate risks escalated from any relevant project and work streams
- Oversee key elements of the HR strategy, principles and oversight of all remuneration policies and decisions below the executive level
- Review how the company is performing against its commitment to respect the environment
- Ensure appropriate measurement and reporting of key sustainability deliverables

The executive committee communicates with the board through two main reports from the chief executive officer and chief financial officer, and reports from the chief operating officer. The executive committee also presents reports to the board through specific topics that are on the agenda for the board, eg the executive committee's proposed ESG strategy that the board approved in 2022.



## Sustainability continued

## Task Force on Climate-Related Financial Disclosures (TCFD) Report continued

## Strategy

## a) Climate-related risks and opportunities the organisation has identified over the short, medium and long term

## Timeframes

The board recognises that climate-related risks and opportunities would emerge over very long timeframes, and well outside the normal five-year strategic planning horizon. Its review of going concern and viability are conducted over 12 months, and three years, from the date of reporting respectively. The board conducts these reviews every six months before publication of the interim and annual financial statements, and while they model the impact of a near-term climate event in line with the principal risks, do not capture longer-term impacts from climate change.

In 2021, we stated that we will look at climate-related risk and opportunities over:

- Short term 1-3 years
- Medium term 3-10 years
- Long term 10 years+

The periods above support the more immediate responses to impacts of transitional risks and opportunities (for example our net zero strategy for 2030 and initiatives on waste management as described on pages 44 to 49). For physical risks, we have engaged a third party to consider the physical impacts of climate change over a longer term because the effects of climate change will be more material over the longer time horizon. Therefore, the scenario analysis will assess the impacts to physical risks from climate change over the following time horizons:

- Short term – to 2030
- Medium term 2030-2050
- Long term 2050-2100

## Relative importance of physical risks and transitional risks to the business

From a climate change perspective, the board considers our operations as one business unit because all of our operations are within the UK, and similar in nature. We have done an initial exercise to identify physical and transitional risks as part of our emerging risk process and incorporated the more immediate near-term risks into our principal risk (see page 66). In 2022, we conducted further detailed risk analysis in two physical risk areas being flash floods and wild fires. These risk analyses have concentrated on the risk as of today. In 2023, we will conduct scenario analysis to build out the risk assessments over the longer periods above from:

- Chronic heat-stress
- Chronic drought-stress
- River flood
- Sea level rise
- Tropical cyclone
- Chronic precipitation-stress
- Wildfire weather index

The board will also review the transitional risks identified to date as part of the scenario analysis. The physical risks we have identified could impact upon our operations in the short term (1-3) years. The transition risks we have identified are likely to materialise over a longer timeframe (up to the next ten years). The main transition risk we have identified is a failure to move to net zero carbon emissions. That is why we adopted the net zero strategy as explained on pages 44 to 47. This is also an opportunity for us to reduce our energy costs by a reduction in absolute levels of consumption, and to position ourselves positively in the market as our strategy seeks to achieve. Below we describe the physical and transitional risks we have identified.

## Physical risks – initial assessment

| Risk title            | Description                                                                         | Potential impact(s)                                                                                                                                                                                                                                                                                      | Timeframe           |
|-----------------------|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Acute weather event   | Risk of damage to physical assets from acute weather events eg flooding             | Per the Met Office climate change model for the UK, the UK is likely to incur higher, more intense rainfall and stronger winds, especially in the north west. This may cause damage to our hospitals in the worst affected regions.                                                                      | Short to long term  |
| Chronic weather event | Risk of operational disruption from chronic weather events – eg sustained heatwaves | Per the Met office climate change model for the UK, the UK is likely to incur longer and dry and hot spells, especially in the south east. This may cause interruption to our hospitals in the worst affected regions because of the operating theatres and wards being too hot to provide safe service. | Medium to long term |

## Acute water events

Severe storm weather – high winds and rain can cause major disruption to our sites. We consider this a short-term risk, with recognition that the likelihood will increase over the longer term because of more storm events per year. For example, in 2021, heavy rain and wind caused damage to the roof of one of our hospitals, leading to internal flooding and operational disruption. Such disruption has been minor to date, but does result in higher capital costs.

Increased storm events also raise the risk of floods at our buildings due to blocked drains and rising water levels in local water bodies. Water ingress would affect medical equipment and risks the hygiene of our premises and the safety of our patients. While we have not yet had to cancel treatment for patients, we recognise that increasingly patients may elect to cancel on-site treatment due to their inability to travel, which may disrupt revenue flow in the longer term. It also generates the risk that staff are unable to access sites and disrupts our supply chains.



## Sustainability continued

## Task Force on Climate-Related Financial Disclosures (TCFD) Report continued

## Chronic weather events

Prolonged spells of extreme temperatures are considered a long-term risk. While we are witnessing the impact of these in the shorter term, eg where the temperature in the UK reached 29°C for eight consecutive days and hit a high of 35.3°C in 2018. In 2022, although the heatwave was shorter, recorded temperatures exceeded 40°C for the first time in the UK.

The 2018 heatwave caused little disruption to the group's operations but did raise awareness of the need to consider adaptation strategies. This is because we anticipate that instances of prolonged heat will increase and our buildings must be capable of adjusting to these temperatures (eg in July 2022 the Met Office issued the first ever 'red' warning for exceptional heat). In the longer term we recognise that high temperatures could lead to existing critical heating, ventilation, and air-conditioning systems (HVAC) being unable to cope and may cause cancellation of procedures and operations. Following the heatwave in 2018, we conducted an estate wide review of the HVACs. Those deemed at risk of failing were registered on the facilities risk register and a managed replacement or upgrade programme put in place for those HVACs most at risk.

We recognise that intense storm events, flooding, fire and heavy snow may increasingly affect the business and have implemented strategies to mitigate the risk.

## Transitional risks

**Energy costs** – Providing healthcare services is a relatively energy intensive industry. We are vulnerable in the short term to fluctuations in energy prices driven by political events and in the longer term by rising carbon costs imposed on power generators, as well as through increasing taxation at the point of consumption.

**New technologies** – A strategy in our decarbonisation plan requires removal of a high emission energy source with a lower emission source, replacing our gas-fired heating and hot water with what is, currently, a more expensive energy source, electricity. There is a cost and risk associated with transitioning to lower emission technology. There is also a risk of obsolescence of other assets or increased cost from technological developments to combat climate change eg the combustion engine and replacement of the use of plastics in clinical processes. We have identified and addressed under our waste management strategy that we must adapt to new materials used in clinical procedures that are more environmentally friendly.

**Market risk** – This is the risk of a change in market dynamics because of climate change. We will need to develop the capability to treat different health conditions that may present themselves in order to remain competitive.

**Reputation risk** – Increasingly the business is operating in an environment of consumer awareness around climate change, which risks damage to Spire Healthcare's reputation if we contribute to, or do not avoid, climate change. While our assessment is that consumers are focused on healthcare quality, we envisage that, increasingly, they will choose more sustainable companies. This is a significant reason behind our rationale to become net zero at a much earlier date than the UK's goal. We see this reputational aspect as an opportunity to inform our customers of our ambitious objective, which we hope will ensure additional reasons for them to select our services.

**Legal and regulatory** – This type of risk is relevant to us due to the potential cost of compliance with new legislation, potential financial impact of litigation as well as the reputational impact of non-compliance, which could result in negative impacts to earnings potential. As a listed company, we are open to scrutiny in these areas from regulators and our other stakeholders as described on page 36. We are at risk of penalties and legal action due to non-compliance with legislation such as SECR, ESOS, MCBP and MEES. Other regulatory drivers include PPN 06/21: which sets out how, if we wish to remain a supplier to the NHS, we must provide detail of our carbon reduction plans and commitment to net zero. We anticipate that regulation will continue to strengthen in this area, increasing the cost of compliance in the longer term.

## Impact on climate-related risk and opportunities on the financial statements

To date, the board has not identified any climate-related risks or opportunities that would have a material impact on the assets or liabilities of the group, and therefore has not adjusted financial balances for climate-related risks or opportunities.

## Opportunities

We have an opportunity to turn some of the risks to opportunities, especially communicating our environmental credentials more prominently, including our carbon reduction strategy, as a differentiator from our competitors in the private healthcare sector, placing us in a better competitive position.

There are predictions that climate change disruptions will affect health to include increased respiratory and cardiovascular disease, injuries and illness related to extreme weather events, changes in the prevalence and geographical distribution of food and water-borne illnesses and other infectious diseases, and threats to mental health. As a business, we recognise this and are committed to reducing our impact on climate change, but we are also in a position to support the UK to prepare for the health impacts of climate change and to ensure we continue to adapt and deliver quality healthcare services that meet changing needs in the market.

## b) Impact of climate-related risks and opportunities on Spire Healthcare's businesses, strategy, and financial planning

## Financial impact of climate change risks and opportunities

We have focused on the near-term financial impacts for the purposes of the going concern and viability modelling. The outcomes of that modelling are reported in the statement on viability on page 77. We have previously announced that the net zero strategy represents a cash investment of £16 million up to 2030. Capital expenditure for routine upgrades of hospital infrastructure, where we build in the latest design tolerances for future climate change, has been within our normal capital expenditure programme, the total quantum of which was £90.1 million in 2022.

In our five-year strategic plan, other than the allocation of capital to the net zero strategy, and except for energy costs or potential losses from major disruption from an adverse weather event as modelled in our viability testing, we do not consider that other climate-related risks and opportunities will have a material impact on our revenues, operating costs, acquisitions, divestments and access to capital over that time horizon. In relation to energy costs, we have energy price hedging in place until October 2024. Thereafter, we are exposed to future energy prices. We are already reviewing future hedging strategies to reduce our level of exposure from price volatility post October 2024.

We will consider the output from our scenario analysis, which will take a much longer-term horizon, whether, that implies there will be material financial impacts.



## Sustainability continued

## Task Force on Climate-Related Financial Disclosures (TCFD) Report continued

## Other impacts on our business, strategy and financial planning

Our net zero strategy does not rely on unproven technology. Details of the net zero strategy are on pages 44 to 49. We are aware that technological developments are occurring at pace, for example looking at the electrification of HGVs. They may have an impact on our strategy before 2030 if they become commercially viable.

While we have strengthened our governance in 2022 as described on page 61, there has been no significant change in 2022 to our approach of identifying climate-related risks and opportunities, or our mitigation strategies against the risks we have identified. The process of risk management described on pages 66 to 68 utilises well-established methodologies to prioritise risks by assessing their impact and probability. We will continue to review our mitigations through:

- Our normal risk management process
- The scenario analysis we will carry out in 2023
- Taking advantage of opportunities as we identify them and they arise

## c) Resilience of Spire Healthcare's strategy, including a 2°C or lower scenario

We will conduct a scenario analysis in 2023, the scope of the physical risks and the timescales as described above. The primary objective is to undertake a physical climate risk assessment of our portfolio of hospitals based on current climate conditions as well as projections of climate change impact in the long-term. The assessment will also consider a range of different climate scenarios in line with the recommendations of the TCFD. From this, the assessment will identify exposed locations and assets most at risk in the form of a physical climate risk exposure matrix and additional deep dive quantification of impact for highly exposed assets.

The assessment will rely on the use of our third-party's climate diagnostic model, which uses underlying climate data provided by Munich Re's new climate change hazard layers. The layers utilise data from the European Centre for Medium-Range Weather Forecasts (ECMWF), UKCP18, JBA Global Flood Model and the Met Office. The flood model provides a view of the risk based on an underlying digital terrain model, which provides a robust view of buildings and physical assets being exposed.

Climate Scenarios and corresponding average global warming we will model are based on the Intergovernmental Panel for Climate Change's scenarios:

- RCP2.6 (1.5°C)
- RCP4.5 (2-3°C)
- RCP8.5 (4°C+)

## Risk management

## a) Spire Healthcare's processes for identifying and assessing climate-related risks

On pages 66 to 68 we describe our risk management process and its governance. We use the same process to identify and assess climate-related risks augmented by specific deeper dive risk assessments where appropriate, for example, the risk assessment into each of our properties exposure to wild fires as discussed above. The relative importance of climate-related risks are established through the same method of estimating the range of potential impacts and the likelihood. As risk management is looking to the future, there is always a degree of uncertainty over probability and impact measures, especially with climate change, given the climate is dynamic and the changes are complex to model. Page 67 shows the relative importance we judge climate change risk to have compared to other principal risks (which are fully described on pages 69 to 76). We have set out on page 62 and 63 what we believe are the climate-related risks that are specific to our circumstances. The scenario analysis we will carry out in 2023 will further deepen our understanding of the potential longer-term risks we may face from climate change.

## b) Spire Healthcare's processes for managing climate-related risks

On page 61 we describe the governance of climate-related risks and opportunities including the role the WSC will have going forward. Our governance structure results in three levels of management of our climate-related risks and opportunities depending on the materiality of the activity as shown in the figure below.



The structure shown above reflects the type of actions we have taken to manage our climate-related risks, for example:

- Major strategic initiatives sponsored by the board, eg the net zero strategy
- The pragmatic management of risk assessed and prioritised activities such as the replacement of ageing HVAC systems, the installation of energy saving technologies from new building management software, solar panels and energy efficient lighting led by functional leadership reporting into the executive committee
- As described on page 45 local carbon champions working with their local leadership teams have developed site specific action plans that have been fundamental in making site level changes that are saving energy, reducing CO<sub>2</sub> emissions and improving waste disposal on a daily basis



## Sustainability continued

## Task Force on Climate-Related Financial Disclosures (TCFD) Report continued

**c) How processes for identifying, assessing and managing climate-related risks are integrated into Spire Healthcare's overall risk management**

As the responsibility for identifying and managing risks, including climate-related risks, as set out on pages 66 to 68 is with the board, the executive committee and then through functional and local leadership, management of climate-related risks is entirely integrated in our normal management processes. We have not built a separate management process to manage climate change related risks and opportunities.

Whilst various committees look at specific aspects of climate-related risks as described on pages 62 to 63, reporting on the sustainability pillar of the corporate strategy is embedded in the quarterly KPI report with all other strategic KPI's. From there, the identification, assessment and management of more detailed climate-related risk management activity is embedded within our established management systems, whether that be the recording of specific risk assessments within our risk management system, or the review and decision-making by established committees and local management teams.

**Metrics****a) Our metrics used to assess climate-related risks and opportunities**

In our risk management process, we assess all risks against a range of impacts including financial, reputational, patient safety amongst others.

In relation to climate change, the main strategic risk and opportunity that we have developed metrics for is the decarbonisation of our operations in line with our net zero strategy. We use the following metrics to track progress towards achieving our net zero targets:

- Gas and electricity consumption against targets plus associated carbon emissions quarterly, to include Scope 3, twice yearly
- Carbon intensity against revenue
- Electricity generated by solar PV
- Waste to landfill/energy-from-waste/recycling
- Water consumption
- Financial losses due to climate-related incidents

We report Scope 1 and 2 emissions in full, and some of the Scope 3 emissions being grey fleet, air and rail travel, hotel and waste. We do anticipate carbon pricing to impact our net zero strategy until 2030 when the residual unmitigated emissions will be offset.

We have separate metrics to measure our performance of our waste management. Our metrics are described on page 48.

The net zero targets are built into the relevant management rewards structures. In 2022, management met the performance targets.

**b) Our Scope 1, Scope 2 and, Scope 3 greenhouse gas (GHG) emissions, and their related risks**

We disclose our GHG emissions, methodology and footprint boundary on page 46 in accordance with the methodology set out in the UK government's Environmental Reporting Guidelines, 2019. There has been no change to the methodology applied to calculate our emissions in 2022. As we use an independent third party to calculate our emissions and only 1.9% of our emissions data is based on estimated data, we believe the risk of material error in our data is low.

We express our energy intensity ratio as a tCO<sub>2</sub>e per £m. This ratio provides a consistent year-on-year basis to measure the energy required to deliver our operational activities. We track and disclose the change in intensity ratio over the last five years as disclosed on page 46. Our intensity ratio has fallen by 45% between 2018 and 2022.

We assess Scope 3 emissions to be material to our operations. Those we have been able to measure to date (grey fleet, air and rail travel, hotel and waste), we include in our emissions data on page 46. Our supply chain will make up a material portion of our Scope 3 emissions.

**c) Our targets to manage climate-related risks and opportunities and performance against targets.**

The net zero target is measured as Net Zero CO<sub>2</sub>e (carbon dioxide equivalent) emissions, ie that CO<sub>2</sub>e emissions taking 2019 as our baseline, will be fully mitigated or offset. Our plan anticipates that we will mitigate over 85% of our 2019 CO<sub>2</sub>e levels by the end of calendar year 2030, with the remainder offset.

We have an annual target as set out in our net zero strategy and waste management strategy to reduce our GHG emissions until 2030. As described above, our net zero target includes elements of Scope 3 emissions, but it does not include Scope 3 emissions from our supply chain, including energy transmission, hotels and waste. We start measuring our supply chain emissions in 2023. We report our progress and the initiatives to deliver against those targets on page 45. Our targets for net zero and waste management are actively pursued and included in our business plans.



## Risk management and internal control

# “Responsibility for risk management and internal control systems lies with the board of directors”

The board has a consolidated view of key risks from across Spire Healthcare. Our risk management and internal control processes are managed through the audit and risk committee in association with the clinical governance and safety committee (CGSC).

### Risk management

The risk management framework is designed to identify, evaluate and mitigate the risks that we face at all levels. All significant risks are recorded on Spire Healthcare's risk management system.

We have reviewed a range of potential emerging risks and their possible impact on Spire Healthcare, using internal and external sources of emerging risk information, for example:

- The University of Cambridge Judge Business School Centre for Risk Studies' taxonomy of business risk
- The UK government's national risk register
- The World Economic Forum's annual risk assessment

We use the risk register to manage all significant risks facing Spire Healthcare by assessing risk in terms of consequence and likelihood. Our risk management methodology captures the assessment of risk on a “current” or “net” basis, after existing controls are considered. The detailed registers also include management actions to further reduce risk exposures where considered necessary. In the case of the principal risks, sources of assurance over mitigation of the risks are also reported to the audit and risk committee. Reporting of risk within our management information (eg to the executive committee and audit and risk committee), is on a current basis, and the importance of each risk as presented in this report is on the current basis. The relative exposures from the principal risks to Spire Healthcare are shown on page 67.

All risks have an identified risk lead in charge of monitoring and mitigating the risk. Management reviews risk registers in line with the risk management policy at intervals of one, three or six months or when there is imminent change in the risk environment such as legislation.

### Current risk environment

2022 was a highly volatile year in our external risk environment, primarily because of the invasion of Ukraine by Russia but also because of the changes in government within the UK. We have had to respond to a number of changing risks and threats to our operations on our supply side. We have been able to mitigate much of the impact as described in our individual principal risks. Through high levels of demand for our services, we have been able to offset much of the inflationary risk we faced. We expect that there is a high chance of further volatility in our external risk environment in 2023. We continue to review our risk profile and challenge ourselves on whether we are taking all reasonable steps to mitigate our principal risks.

### Risk appetite

Whilst Spire Healthcare makes every effort to ensure that all risks are as low as reasonably achievable, it is not possible to reduce all risks to zero because there is no such thing as clinically neutral care. Decisions must therefore be made as to whether the benefits and best use of resources outweigh the risks.

We define our risk appetite as the amount of risk we are prepared to accept, tolerate or be exposed to at any particular time. We are committed to doing everything reasonably possible to reduce risk for all patients and to deliver high-quality, efficient and effective care. We are uncompromising on patient safety relating to our clinical service delivery. The lowest risk appetite applies to all safety and compliance objectives, including preventable patient harm, public and employee health and safety. We have a marginally higher risk appetite for the pursuit of innovation and our strategic and operational objectives. This means meeting legal and other regulatory obligations will take priority over other business objectives.

We apply the following definitions to our risk appetite for the strategic principal risks:

- VL** Very low: A high level of risk mitigation or risk avoidance representing the safest strategic route available.
- L** Low: Seeking to integrate sufficient control and mitigation methods in order to accommodate a low level of risk.
- B** Balanced: An approach that brings a high chance for success, considering the risks, along with reasonable rewards, economic and otherwise.
- H** High: Willing to consider bolder opportunities with higher levels of risk in exchange for increased business payoffs.
- VH** Very high: Pursuing high-risk, unproven options that carry with them the potential for high-level rewards.

The risk appetite for each principal risk is shown on pages 69 to 76 in the detailed risk descriptions.

### Principal risks outside of risk appetite

One principal risk falls outside of our risk appetite.

Workforce – (reported as outside of appetite in 2021) because there is a long-term structural shortage of clinical and medical staff in the UK, which has been the case since before the COVID-19 pandemic, and now even more so. We are working to recruit and retain colleagues in a highly competitive global market for healthcare workers. Given the scale and range of external factors that cause the risk, and especially the dominant role that the NHS plays in attracting, recruiting and training clinical and medical staff in the UK, the mitigations available to the board are unlikely to mitigate the risk fully in the near to medium term.

### Material change to our risk profile from 2021

As reported in our interim financial statements, the board decided that greater emphasis needs to be given to external risks facing the organisation. The board no longer considers four risks reported in the 2021 annual report and accounts as being principal risks, being: liquidity and covenants; insurance and indemnity; transformation; and, compliance and regulation. Four new principal risks have been added: diversification and disintermediation; major infrastructure failure; antimicrobial resistance and a pandemic from a new pathogen. The new risks are described in detail below.



## Risk management and internal control continued

## Principal risks

The diagram shows the principal risks of the group. Further detail on the individual risks is provided on pages 69 to 76.

The principal risks fall under the following categories:

| Ranked by likelihood                     | Category                    |
|------------------------------------------|-----------------------------|
| 1 Workforce                              | People                      |
| 2 Macroeconomic                          | Financial                   |
| 3 Climate change                         | Environment                 |
| 4 Competitor challenge                   | Financial                   |
| 5 Information governance and security    | Technology                  |
| 6 COVID-19 new variants                  | Social                      |
| 7 Brand reputation                       | Social                      |
| 8 Supply chain disruption                | Geopolitical                |
| 9 Government and NHS policy              | Geopolitical                |
| 10 Pandemic from new pathogen            | Social                      |
| 11 Diversification and disintermediation | Governance                  |
| 12 Patient safety and clinical quality   | Clinical and patient safety |
| 13 PMI market dynamics                   | Financial                   |
| 14 Major infrastructure failure          | Technology                  |
| 15 Antimicrobial resistance              | Social                      |



## Inter-relationships of principal risks

We recognise the strong inter-relationships between the principal risks. The risks that would have the most material affect other principal risks are:

- Government and NHS policy
- Major infrastructure failure
- Patient safety
- Information governance and security
- Workforce

## Emerging risks

The board considers emerging risks to be those with the following characteristics:

- Any manifestation of the risk is most likely outside of the normal strategic planning horizon of five years
- Are risks for which we have little or no prior experience because of their novelty or highly uncertain nature
- There are no practical control measures that can be taken now but a longer-term strategic response may be appropriate

The emerging risk process is as follows:

- The executive committee prepares an annual analysis of long-term global trends that may lead to emerging risks and opportunities
- It then recommends specific long-term risks to be added to an emerging risk register for monitoring and consideration in our strategic planning process
- The board, via the audit and risk committee, reviews and approves the potential emerging risks and opportunities that the executive committee is monitoring

Through the emerging risk process in 2022, we have not added any new emerging risks to our register.

Our assessment of climate change risk in the short term is described below; further details of our assessment of climate change risk are provided in our TCFD disclosures on pages 60 to 65.

## Internal controls

## 1) Standard policies and procedures

We have documented policies and standard procedures in place covering all significant activities and areas of risk, which are subject to regular review and update by the policy approval committee (PAC) comprising a cross functional membership of subject matter experts. The PAC reports into the safety, quality and risk committee. The PAC meets eleven times a year and publishes updates to policies on our intranet. All policies are required to follow a standard process for creation and review. There is a standard structure for procedures and guidelines to provide our employees and consultants with further operational detail for policies where required. The default review period once a policy is approved is three years but can be shorter if required. There are certain policies that the board reserves the right to approve, for example treasury management, raising concerns and risk management policies.



## Risk management and internal control continued

**2) Assurance over clinical delivery and clinical regulatory compliance risks**

As a provider of clinical services to patients, we face a specific set of non-financial risks associated with such provision. We have strong control structures as described below.

- The group medical director oversees the governance of the medical professional standards of 8,760 consultants through the medical professional standards committee, the management of patient reviews and recalls, the approval of practicing privileges and setting medical governance policy
- The central clinical team oversaw a national programme of clinical audits including testing according to the approach taken at regulatory inspections. From 2023, the national clinical audit programme will move under the integrated quality governance team that reports into the group medical director
- The central clinical team also oversees the drafting, communication and training of a comprehensive set of clinical policies and procedures for Spire Healthcare. These form part of the overall framework for clinical safety governance and quality, to ensure that clinical risk and clinical regulatory compliance is managed effectively across all registered sites. The governance activities are monitored by the integrated quality governance team and are reported regularly to the safety, quality and risk committee, the executive committee and the CGSC
- Each hospital has a risk register through which clinical and medical risks are managed, mitigated and escalated
- Comprehensive, non-financial management information on clinical performance including safety, clinical effectiveness and patient experience is produced and reviewed monthly against pre-agreed standards by the corporate integrated quality governance/clinical services teams, hospital directors, directors of clinical services, divisional directors, the executive committee and reported to the CGSC quarterly. Specific KPI measures drawn from this management information are given on page 33
- We are subject to substantial levels of external inspection and review, both by the range of national healthcare regulators (CQC/HiW/HIS) and through invited assurance inspections such as the rolling programme of health and safety inspections carried out by third-party specialists. The executive committee and the CGSC review the outcomes of these activities. In 2022, we had a total of 10 CQC and HiW/HIS inspections, all producing 'Good', 'Outstanding, or equivalent performance assessments
- We have maintained throughout 2022 the structures and processes to provide the level of evidence and assurance required to monitor clinical regulatory compliance

**3) Financial and operational controls**

Our design of our finance function splits resources across on-site finance directors at each hospital, supported by a central finance function based in Reading.

We received regular fraud updates from the NHS Counter Fraud Authority during the year and, where relevant, disseminated the fraud alerts to relevant colleagues. We are subject to daily direct and indirect subject to cyber-attacks during the year. We have preprepared response plans to cyber-attacks utilising both in-house and third party experts. After any incident, we undertake a full incident review and reflected learnings into our cyber security environment.

The fundamental financial controls as reported in 2021 remained in place during 2022, namely:

- The annual process of preparing business plans and budgets, followed up by close monitoring of operational performance by the executive committee and the board
- Weekly forecasting to drive corrective action
- Monthly monitoring of actual results, compared to budgets, forecasts and the previous year
- All material capital projects are subject to an investment evaluation and authorisation procedure including board approval when the forecast capital expenditure exceeds the level of delegated authority
- Common accounting policies and procedures
- Our treasury position and forecast liquidity are kept under review to ensure that borrowings are aligned with our growth and are in compliance with banking covenants.

In anticipation of future legislation, our finance team undertook an exercise to review our key computer-based and manual financial controls to confirm we could evidence their operational effectiveness.

Other non-financial operational risks are managed by means of the application of best practice, as defined by group policies and standard procedures, in areas such as project management, human resources management and IT security and delivery, supported by detailed performance monitoring of outputs and issues.

**4) Internal Audit**

An in-house director of internal audit, supported by a dedicated team from KPMG who provide co-source internal audit resource, provides our internal audit services. The activities of internal audit are reported in the audit and risk committee report on pages 101 to 106.

**Continuous learning**

Our process of continuous improvement through events, knowledge and awareness will help us to make progress. We recognise this unequivocally and its importance in driving outstanding quality. No matter how robust and reliable, internal control systems and risk management cannot guarantee to remove all error or loss. We take all instances of incidents (including near misses), complaints, control failures, regulatory non-compliance or other risk events seriously. As such, we have a detailed process in place to understand the cause and identify learning to minimise the chances of reoccurrence.

We actively promote an open culture to positively encourage the reporting of all risk events and other issues arising. Hospital management, the executive committee, the audit and risk committee, and the CGSC closely monitor the number and nature of events arising, and the operation of incident management processes.

We offer various channels through which colleagues can report any issues or concerns. The main channel for raising concerns is the Freedom to Speak Up Guardians (FTSUGs) that were introduced into every Spire Healthcare hospital and corporate team in 2018. Other channels include a central raising concerns team, members of the executive team and board, and, an independent whistleblowing helpline to facilitate anonymous reporting of issues or concerns that they are unwilling to raise via any other channel. We have an independent national corporate guardian who oversees and supports the FTSUGs (see Engagement with stakeholders section for further details on page 36).



## Risk management and internal control continued

## Principal risk

## 1. Workforce

## Executive owner(s)

Group people director

## Link to strategy

- Drive hospital performance
- Build on quality
- Invest in our workforce
- Champion sustainability
- Expand our proposition
- Deliver strong financial performance

## Risk appetite

B

## Risk movement in 2021

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## Risk movement in 2022

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## Risk description

There is both a UK and global shortage of nursing and healthcare practitioners. As a private healthcare provider, we are subject to competition for staff from both the NHS, other independent healthcare providers, and international demand.

Our ability to attract and retain clinical and non-clinical colleagues has been affected recently by:

- Growth of NHS waiting lists requiring more clinicians in the NHS/independent sector. The NHS has targeted securing the available flexible resource, reducing our access to bank and agency workers
- Increasingly, permanent colleagues are looking for more flexibility in their work environment
- The cost of living increase is affecting all our employees. Those on the lower salary levels are more sensitive to inflationary pressures and may move to marginally higher payers, both within or outside of healthcare
- Short-term sickness absence is higher than historical norms
- During the pandemic, employees have accrued substantial unused annual leave balances that can result in staff shortages at key holiday periods

## Risk impact

In the short term, we are able to provide safe patient care only with delays to treatment because of scarce resources. Over the medium- to long-term, wage inflation and resource scarcity could result in a decline in our profits and affect expected revenue growth from more complex surgical procedures and treatment of higher-risk patients.

## Risk mitigation

We seek to retain colleagues through:

- A common purpose and a positive workplace culture
- Competitive pay and reward benefits. In 2022, we announced a competitive pay award that focused in particular on the 4,000 lowest paid colleagues in Spire Healthcare. We announced the creation in 2023 of a national reward framework. We are piloting other new benefits eg providing subsidised prepared meals for employees to take home.
- Offering greater flexibility in employees' roles, including encouraging them to move to our staff bank roles if they are to leaving permanent employment
- Responding to key employee metrics, for example rolling out a network of trainer mental health first aiders
- Continuous investment in our equipment, facilities and services to retain high-quality clinicians

We seek to recruit colleagues through:

- A centralised recruitment process
- An overseas recruitment capability to secure skilled healthcare workers from outside the EU where necessary
- Offering apprenticeship programmes to support the development of clinical and non-clinical teams across the business
- Building of local bank staff pools

The group manages immediate staff shortages using agency and bank workers.

## Principal risk

## 2. Macroeconomics

## Executive owner(s)

Chief commercial officer

## Link to strategy

- Drive hospital performance
- Invest in our workforce
- Expand our proposition
- Deliver strong financial performance

## Risk appetite

B

## Risk movement in 2021

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## Risk movement in 2022

↑

## Risk description

The wider economic outlook for the UK remains volatile. The Bank of England (BoE) is forecasting inflation reducing materially from recent levels (c10%-11% on the CPI measure) in H2 2023 but is still expected to raise interest rates to c4%-5% during 2023. The BoE is also forecasting the UK economy to decline from late 2022 and throughout 2023. The war in Ukraine initially increased the volatility of food and energy prices, and increased supply chain disruption, but both prices and supply chains are adapting. After the turbulence of UK economic policy in 2022, there now appears greater consistency.

COVID-19 remains a disrupter to global supply chains, especially with the Chinese government suddenly dropping its zero COVID-19 policy in face of public unrest meaning that they are now experiencing high levels of infection.

Despite these macroeconomic headwinds, the expectation is that the primary growth drivers for healthcare will remain medium term, namely record NHS waiting lists, growing PMI lives covered and a self-pay market that has expanded since 2019.

## Risk impact

Erosion of profit margin from input inflation.

Reduction of private patients and associated revenue and profit contributions.

## Risk mitigation

The COVID-19 pandemic has left high levels of pent up demand for our services.

We understand that private medical insurance policy renewals and sales are seeing growth, and we have seen strong activity growth in 2021-22. Self-pay enquiries remain at record levels despite growing impact of the economy on people's ability to afford treatment largely because of record waiting lists.

NHS referrals continue to recover with record levels of orthopaedics through 2022.

In response to macro inflationary pressure we will continue to benefit from a range of inflation mechanisms built into the PMI contracts and will benefit from our ability to change self-pay pricing quickly via our new pricing engine. Our conversion rate from outpatient appointment to inpatient procedure remains stable. Procurement maintains a constant review of pricing and seeks opportunities to mitigate inflationary increases. A significant pricing mitigation has been our energy price hedges that we have in place until October 2024.

In addition, we continue to respond to changing economic circumstances by optimising our private and NHS funded work ensuring we are not over-reliant on one income source, supported by an efficient cost base. We are also expanding our proposition into GP, daycase clinic, digital and occupational health areas to meet changing demand, notably the acquisition of The Doctors Clinic Group in late 2022.



## Risk management and internal control continued

## Principal risk

## 3. Climate change

## Executive owner(s)

Chief operating officer

## Link to strategy

- Drive hospital performance
- Champion sustainability
- Deliver strong financial performance

## Risk appetite

B

## Risk movement in 2021



## Risk movement in 2022



## Risk description

Climate-related risks have been identified through the emerging risk process.

Our climate-related risks include:

- Severe storm weather events eg damage to roofs or flooding
- Prolonged spells of extreme ambient temperatures
- Energy price fluctuation (Decarbonisation requires changing our energy sources: moving to more expensive zero-carbon electricity tariffs and replacing gas-fired heat sources with more expensive electricity)
- Changes to laws and regulation, including failure to meet net zero targets and obligations (eg in financial covenants)

## Risk impact

Severe storm weather has the potential to cause major damage and disruption to our sites. Storm events raise the risk of floods at our buildings due to rising external water levels, such as from river run-off and the sea. Our hospitals would be badly affected by flooding should it occur, as water ingress would affect medical equipment and risk the hygiene of our premises and safety of our patients.

Extreme weather events will also disrupt our patients', colleagues' and consultants' ability to attend our facilities.

Prolonged spells of extreme ambient temperatures could lead to an inability of existing critical heating, ventilation and air conditioning (HVAC) systems to cope with required cooling and potentially cause cancellation of procedures and operations.

Providing healthcare services is a relatively energy intensive business. We are vulnerable to fluctuations in energy prices driven by rising carbon costs imposed on power generators as well as through increasing taxation at the point of consumption.

## Risk mitigation

An estate-wide condition assessment of roofs completed in 2021 has informed a prioritised approach to capital investment to manage storm damage risk.

Flood risk mitigation includes a continued periodic review of our estate in relation to existing and predicted flood risk zones. Extreme ambient temperature risk mitigation includes an informed investment plan for upgrade of failing and vulnerable plant. Design of the replacement and upgrade would account for the predicted increase in ambient temperature profiles expected within the lifespan of the plant eg 15 years. Further mitigation measures include extreme weather warning protocol and business continuity plans to provide emergency loan HVAC plant.

Energy price risk mitigation includes energy efficiency measures to reduce consumption and our energy hedging strategy that has seen all our current energy requirements secured until October 2024.

Net zero targets form part of the remuneration of the executive directors.

## Principal risk

## 4. Competitor challenge

## Executive owner(s)

Chief commercial officer

## Link to strategy

- Drive hospital performance
- Expand our proposition
- Deliver strong financial performance

## Risk appetite

B

## Risk movement in 2021



## Risk movement in 2022



## Risk description

We operate in a competitive market. New or existing competitors may enter the market of one or more of our existing hospitals, or offer new services.

In the current economic environment, there is a risk that the pressures on competitors results in irrational market behaviour manifesting itself in low pricing on tenders or self-pay.

## Risk impact

The potential impact would be the loss of market share due to aggressive competitor activity, a new competitor and reduced profitability and cash flow.

## Risk mitigation

We maintain a watching brief on new and existing competitor activity and retain the ability to react quickly to changes in patient and market demand.

We consider that a partial mitigation of the impact of competitor activity is ensured by providing patients with high-quality clinical care and by maintaining good working relationships with GPs and consultants.

We continue to invest in the brand and deliver an effective acquisition capability both directly and via our partners in order to protect our market position. We have also strengthened our pricing and tendering capabilities.

Despite the COVID-19 pandemic, we have maintained investment into the estate and clinical equipment to differentiate our proposition.

We monitor the market for opportunities, should they arise, to acquire or open facilities in specific geographies or services creating incremental volume.



## Risk management and internal control continued

## Principal Risk

## 5. Information governance and security

## Executive owner(s)

Chief operating officer

## Link to strategy

- Drive hospital performance
- Build on quality
- Invest in our workforce
- Deliver strong financial performance

## Risk appetite

B

## Risk movement in 2021

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## Risk movement in 2022

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## Risk description

We have to maintain and manage a range of physical and digital data assets including patient records, commercial information and colleague data.

Personal data has to be managed in compliance with the principles set out in the Data Protection Act 2018 and the General Data Protection Regulations (GDPR).

The level of risk to our IT architecture and systems continues to grow as the volume of cyber security threats are increasing and becoming more sophisticated.

Healthcare and pharmaceutical organisations saw increased hostile cyber activity in 2020-22 because of the COVID-19 pandemic, especially ransomware attacks. We anticipate that the healthcare sector will remain a higher risk sector from cyber-attacks.

## Risk impact

Our business could be disrupted if our information systems fail, are breached, destroyed or damaged.

Colleague and patient data could be stolen or compromised.

We could also be subject to litigation by third parties and law enforcement agencies.

A successful cyber-attack and a breach of data security could result in:

- Material costs to recover operations
- Material financial penalties for breaches of Data Protection law
- Compensation for patients or colleagues if personal data is compromised
- Reputational damage

## Risk mitigation

We have a governance structure, with board oversight, that monitors the risk and mitigations for information governance. To support the governance structure we have a range of policies and practices covering information governance. All colleagues have to complete annual mandatory training on information governance and data protection.

Our IT team have a cyber-security strategy for continuous improvement based on industry standards. It covers the processes from identifying specific risks, to protecting physical and digital data assets through to recovery in the event of a successful cyber-attack.

We work with a number of industry-leading technical partners to provide:

- Multiple layers of business protection through the use of advanced detection and protection systems
- Regular third-party penetration testing on new and existing IT systems

## Principal Risk

## 6. COVID-19 new variants

## Executive owner(s)

The whole executive committee, led by the chief executive officer

## Link to strategy

- Drive hospital performance
- Build on quality
- Invest in our workforce
- Deliver strong financial performance

## Risk appetite

L

## Risk movement in 2021

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## Risk movement in 2022

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## Risk description

Repeated waves of infection occur from current or future variants of COVID-19 resulting in high levels of patient and colleague sickness in all areas of healthcare in the UK.

## Risk impact

Further waves of infection could adversely impact Spire Healthcare's operations and our profitability by:

- Reducing the amount of elective procedures hospitals can carry out because of cancellations from patient illness and colleague absence
- Spire Healthcare hospitals could be required to support local NHS trusts that declare surge, preventing them from treating private patients
- Consultants and anaesthetists could be required to support their NHS trusts to treat COVID-19 patients or the backlog in waiting lists, reducing their availability to undertake work in Spire Healthcare facilities

## Risk mitigation

We followed the UK Health and Security Agency's (UKHSA) guidance throughout the pandemic as well as the Infection Prevention Controls (IPC) set out in the NHSE's IPC Board Assurance Framework regarding COVID-19. IPC performance indicators are reported to the executive committee and board on a regular basis.

We follow UKHSA guidance on screening patients pre-admission before inpatient procedures, and local sites have outbreak guidance in the event of a COVID-19 outbreak.

We offered all clinical colleagues COVID-19 booster jabs and flu vaccinations in Q4 2022. We continue to educate and encourage all our employees to have all the COVID-19 vaccinations they are entitled to, and will encourage all employees to participate in future COVID-19 and flu national vaccination programmes.



## Risk management and internal control continued

## Principal Risk

## 7. Brand reputation

## Executive owner(s)

Chief commercial officer

## Link to strategy

- Drive hospital performance
- Build on quality
- Invest in our workforce
- Champion sustainability
- Expand our proposition
- Deliver strong financial performance

## Risk appetite

B

## Risk movement in 2021

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## Risk movement in 2022

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## Risk description

The COVID-19 pandemic has resulted in a substantial amount of positive media coverage for Spire Healthcare.

Our brand presence among consumers remains at higher levels than pre-pandemic.

Our brand reputation is interconnected with a number of other principal risks, eg clinical quality and patient safety, information governance and security.

Our future growth depends upon our ability to maintain, and continue to enhance, our reputation amongst patients, clinicians and other stakeholders.

As our brand presence grows, the risk increases that adverse events such as:

- Patient notifications and recalls
- Mishandling of patient data
- A breach of law or regulation

will have a more material impact on us.

## Risk impact

If we fail to protect or grow the brand it may harm our ability:

- To maintain or grow income
- To attract and retain the best colleagues and consultants
- To win new contracts
- To raise capital at competitive rates
- To meet our regulatory obligations

## Risk mitigation

Our primary mitigations against damage to our brand reputation is through the good management of our principal risks, in particular:

- Patient safety and clinical quality
- Cyber security and data protection
- Workforce

In addition, we continue to invest in the awareness and health of the brand through national advertising, public relations and centrally coordinated social media. We also continue to build our reputation amongst analysts and public commentators.

## Principal Risk

## 8. Supply chain disruption

## Executive owner(s)

Chief operating officer

## Link to strategy

- Drive hospital performance
- Champion sustainability
- Expand our proposition
- Deliver strong financial performance

## Risk appetite

L

## Risk movement in 2021

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## Risk movement in 2022

↓

## Risk description

Disruption in the global and UK supply chains because of a variety of factors could lead to shortages of critical components or products within:

- Medicines
- Consumables
- Prostheses
- Food
- Green energy supply
- Medical gases

## Risk impact

Spire Healthcare hospitals are reliant on a wide range of products in order to be able to conduct operations and procedures. Shortfalls in order fulfilment of fresh food for example, could result in hospitals having to cancel inpatient operations and procedures.

We are heavily reliant on medical consumables that in turn are heavily reliant on the availability of plastics, to carry out even the most basic procedures (eg taking blood samples). Shortages in raw materials or disruption in the supply chain from the manufacturer could result in hospitals having to cancel operations and procedures.

## Risk mitigation

We run a centralised supply chain with a national distribution centre (NDC) and our own vehicle and driver fleet. This allows us to maintain stock at a group level and source where the need is greatest. Medical consumables are held at the NDC with an average of eight weeks' supply; medicines and prostheses are held at hospital sites.

In 2021, and into 2022, we have had to respond to a number of product shortages and global recalls, and we have seen some minor shortfalls in order fulfilment. In all cases, our centralised procurement function has been able, with the support of a permanent presence from the clinical team, to find alternative supplies to maintain hospitals' activities.

Fresh food is supplied through a national food distributor which has its own delivery fleet and directly employs its HGV drivers. Order fulfilment has remained in the high 90 percentile. Because of the group's Brexit planning, it does have contingency menu plans in case of fresh food shortages.

NHS Supply Chain manages any national shortages in critical medicines and medical gases. We receive allocations based on our activity.



## Risk management and internal control continued

## Principal Risk

## 9. Government and NHS policy

## Executive owner(s)

Chief commercial officer

## Link to strategy

- Drive hospital performance
- Build on quality
- Invest in our workforce
- Champion sustainability
- Expand our proposition
- Deliver strong financial performance

## Risk appetite

B

## Risk movement in 2021



## Risk movement in 2022



## Risk description

Historically, the levels of NHS referrals have been subject to sudden and unpredictable changes dependent on national political priorities, or local NHS financial constraints.

There is a risk that wider government policy is unfavourable to the healthcare sector as a whole, eg future economic or employment policy.

## Risk impact

Changes to NHS commissioning models, if adverse, could lead to reduced access to patients, reduced tariffs, or reduced prices adversely affecting revenues and/or margins.

A reduction in patient volumes could lead to a reduction in the operational efficiency of our existing hospital network.

Changes in government fiscal policy or spending policy towards corporate organisations, or the healthcare sector in particular, could materially affect our profitability.

## Risk mitigation

Historically, we have derived 70% of our revenues from PMI and self-pay patients that provided a natural protection against a change in government and NHS policy. Post-pandemic, we are seeing strong private revenues that are expected to continue medium term.

Through the COVID-19 pandemic, we strengthened our relationships with the Department of Health and Social Care (DHSC), and NHS England. Meanwhile hospitals have also strengthened their relationships with their local NHS commissioners. The Integrated Care Systems (ICSs) are all established and starting to commission referrals effectively. The impact on NHS referrals has been minimal.

From a contract perspective we have now signed effective contracts with all ICSs.

Our chief executive officer attended the launch of the government's Elective Recovery Taskforce, aimed at reducing waiting lists.

## Principal Risk

## 10. Pandemic from new pathogen

## Executive owner(s)

Group medical director

## Link to strategy

- Drive hospital performance
- Expand our proposition
- Deliver strong financial performance

## Risk appetite

B

## Risk movement in 2021

N/A

## Risk movement in 2022



## Risk description

The emergence of new biological pathogens leads to an uncontrollable global pandemic resulting in increased demand for Spire Healthcare to assist in efforts and/or disruption/staff shortages.

## Risk impact

As seen in the COVID-19 pandemic eg:

- Cessation of elective activity
- Contract with NHS to provide capacity for an extended period of time
- Colleagues, patients and consultants impacted by pandemic illness
- Increase in waiting lists for elective surgery
- Increase in complexities of patient cases

## Risk mitigation

- We maintain awareness of early warnings of potential pandemics from organisations like the WHO, DHSC, NHS England
- We have a developed emergency response plan in line with the NHS and our experience of managing the COVID-19 pandemic



## Risk management and internal control continued

## Principal Risk

## 11. Diversification and disintermediation

## Executive owner(s)

Chief commercial officer

## Link to strategy

## Risk appetite

H

## Risk movement in 2021

N/A

## Risk movement in 2022

↑

## Risk description

There is a risk that we will not be able to launch and scale new propositions or services at sufficient pace to diversify and mitigate the risk of disintermediation from new service providers or new technologies. In addition, new digital healthcare services deliver lower margins and therefore contribution to existing services.

## Risk impact

We fail to grow the revenues, generate cash and provide a return on investment to investors of the group in line with the board's five-year strategic plan. We become disintermediated by new or specialist service providers.

## Risk mitigation

We have:

- An innovation board bringing together the chief executive officer and executive committee members of the medical, clinical, commercial and finance functions to identify healthcare trends and opportunities to develop new services
- A dedicated director of innovation and proposition development, sourcing specific opportunities to support the group strategy, leading on new service development, supported with dedicated IT and project resource
- A dedicated director sourcing suitable target acquisitions supported by an expert external financial and tax adviser
- A property lead to handle the assessment and acquisition of new physical assets with the support of retained property advisors

## Principal risk

## 12. Patient safety and clinical quality

## Executive owner(s)

– Group clinical director

– Group medical director

## Link to Strategy

– Drive hospital performance

– Build on quality

– Invest in our workforce

– Expand our proposition

– Deliver strong financial performance

## Risk appetite

VL

## Risk movement in 2021

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## Risk movement in 2022

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## Risk description

There is a risk to the provision of high-quality patient care due to:

- A shortage of skilled workforce
- Clinical and non-clinical staff and consultants failing to follow guidelines, standards and policies, resulting in avoidable patient harm
- Failing to learn from incidents, complaints, mortality reviews, patient feedback and patient notification exercises in a timely manner which may result in further patient harm.
- Failure to act on findings from audits, clinical outcome measures (including registry data), peer reviews and external inspections
- Nosocomial COVID-19 infection

## Risk impact

Reputational and financial loss could occur if we fail to adequately address issues identified by incidents, audits, complaints, PROMs, national registries, raising concerns, workforce feedback and the internal patient safety quality reviews and Care Quality Commission.

## Risk mitigation

We maintain the following controls to mitigate against a failure of patient safety and clinical quality:

- A reporting culture of openness and shared learning from ward to board, with a FTSUG at each site
- Timely Incident reporting via a database with central oversight and development of actions to ensure learning.
- Continually monitoring clinical standards, reporting progress via the board's CGSC
- Integrated quality reporting based on a quality assurance framework with a standard set of KPIs
- Development of a board assurance framework to assess risks against clinical and medical strategic objectives
- A schedule of robust and regular hospital audits including the patient safety and quality reviews, with an action plan for improvement that is monitored
- Standard operating procedure for patient notification exercises that includes learning and continuous improvement methodologies
- Colleague induction, clinical competencies requirements and mandated training
- Reporting on clinical outcomes with workforce and consultants including the chairs of hospital medical advisory committees with a view to driving up safety and performance



## Risk management and internal control continued

## Principal risk

## 13. PMI market dynamics

## Executive owner(s)

Chief commercial officer

## Link to strategy

- Drive hospital performance
- Build on quality
- Expand our proposition
- Deliver strong financial performance

## Risk appetite

L

## Risk movement in 2021

—

## Risk movement in 2022

—

## Risk description

The PMI market remains concentrated, with the top four companies (Aviva, AXA, Bupa and VitalityHealth) having a market share estimated at over 85%.

We have individual contractual relationships for the provision of our services with all the major PMI providers. These contracts come up for renewal on a recurring basis. There is a risk that renewal of contract terms cannot be secured on historical terms.

Service line tenders and the introduction of triage services are expected to continue medium term as PMIs look to reduce costs. We also expect an increase in directional networks.

## Risk impact

Loss of, or renewal at lower tariffs, of an existing contractual relationship with any of the key insurers could significantly reduce our revenue and profit.

## Risk mitigation

We work hard to maintain good relationships and a joint product/patient health offering with the PMI companies, which, in the opinion of the directors, assists the healthcare sector as a whole in delivering high-quality patient care.

We ensure we have long-term contracts in place with our PMI partners that avoid co-termination of contractual arrangements. We believe continuing to invest in our well-placed portfolio of hospitals provides a natural fit to the local requirements of all the PMI providers long term.

We continue to invest in efficiency programmes to ensure that we can offer the best combination of high-quality patient care at competitive prices.

## Principal Risk

## 14. Major infrastructure failure

## Executive owner(s)

Chief operating officer

## Link to strategy

- Drive hospital performance
- Expand our proposition
- Deliver strong financial performance

## Risk appetite

B

## Risk movement in 2021

N/A

## Risk movement in 2022

↑

## Risk description

There is a risk that there is a failure of national infrastructure, eg:

- The national electricity grid
- Import channels for our UK-based suppliers
- Fuel distribution
- Access to NHS

from a variety of causes including lack of resilience in national infrastructure, strike action, terrorist activity and action by state governments wishing to harm the UK.

## Risk impact

Our hospitals are reliant on the provision of electricity from the National Grid. Main power outages result in the immediate cancellation of procedures under general anaesthetic.

Failure of logistic channels is covered in supply chain failure risk.

In very rare cases, patients have to be transferred to the NHS for further treatment. If local NHS trust hospitals are overburdened, or suffering strike action, there could be delays in transferring patients.

## Risk mitigation

All our hospitals have a backup power source provided by diesel powered generators that operate major circuits of a hospital, but some key equipment is not covered, eg MRI scanners. Battery powered uninterrupted power is provided into specific equipment in theatres to ensure patients remain safe in the event of a generator failure. These backup power sources are designed to keep patients in the hospital safe, but are not a complete substitute for mains power.

Our national distribution fleet refuel on a daily basis at the end of their shifts to ensure resilient operational capability.

In theory, NHS hospitals will still have to take emergency transfers so Trusts should not withdraw SLAs but there may be increased frequency of delays to emergency transfers. Mitigation plans are in place and being rehearsed at hospitals as delays are being experienced occasionally because of the overstretched ambulance service across the UK. The chief operating officer is chairing a regular multi-disciplinary winter planning meeting to coordinate response activities to any infrastructure failures.



## Risk management and internal control continued

## Principal Risk

## 15. Antimicrobial resistance

## Executive owner(s)

Group medical director

## Link to strategy

- Drive hospital performance
- Build on quality
- Invest in our workforce
- Champion sustainability
- Expand our proposition
- Deliver strong financial performance

## Risk appetite

L

## Risk movement in 2021

N/A

## Risk movement in 2022

↑

## Risk description

Antimicrobial resistance (AMR) is a global health and development threat.

The World Health Organization has declared that AMR is one of the top 10 global public health threats facing humanity.

Misuse and overuse of antimicrobials are the main drivers in the development of drug-resistant pathogens.

The cost of AMR to the economy is significant. In addition to death and disability, prolonged illness results in longer hospital stays, the need for more expensive medicines and financial challenges for those impacted.

Without effective antimicrobials, the success of modern medicine in treating infections, including during major surgery and cancer chemotherapy, would be at increased risk.

Source: World Health Organization

## Risk impact

If AMR becomes prevalent in the UK, the ability for consultants to carry out routine elective surgery could become too dangerous. This would mean the current business model of Spire Healthcare would become unviable.

New antibiotic costs may increase substantially.

## Risk mitigation

- Executive level awareness of the government's five-year AMR strategy
- Participation in, and collaboration with, government monitoring of AMR outbreaks
- Require clinicians to follow national guidelines on the prescribing of antibiotics in line with government guidelines
- Access to up-to-date antimicrobial prescribing via online systems and access to microbiologists at all sites
- Appropriate investigations of post-surgery infections including review of antibiotics.



# Compliance statements

## Viability

### Assessment of prospects

In accordance with the 2018 UK Corporate Governance Code, the directors assessed the viability of the group and have maintained a period of three years for their assessment. Although longer periods are used when making significant strategic decisions, three years has been used as it is considered the longest period of time over which suitable certainty for key assumptions in the current climate can be made. The assessment conducted considered the group's current financial position and forecasted revenue, EBITDA, cash flows, risk management controls and loan covenants over the three-year period (which is consistent with the approach for prior years).

### Assessment of viability

Further detail on both macroeconomic-related risk and COVID-19 is provided in the risk management and internal control section on pages 66 and 76.

Other specific scenarios covered by our testing were as follows:

- The group is subject to temporary suspension of trade, with a temporary adverse impact on revenue, for example, as a result of a successful cyber-attack on key business systems
- The downside modelling of a number of risks which result in a decline in earnings, including the loss of a contractual relationship with a key insurer
- Significant change in government policy resulting in consultants going on payroll
- Short-term disruption to trade at a sub-set of hospitals owing to an extreme weather event

Management's approach also included testing for a specific combination of these risks. This testing entailed modelling for the potential impact if, although considered highly remote, the three risks which individually give rise to the largest adverse financial impact were to take place in combination.

This review included the following key assumptions:

- No change in capital structure given the group has since the 2022 year end refinanced its existing senior finance facility and revolving credit facility
- The government will not make significant change to its existing policy towards utilising private provision of healthcare services to supplement the NHS

Based on the results of this analysis, the directors confirm that they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the next three years.

## Going concern

The group has undertaken extensive activity to identify plausible risks which may arise and mitigating actions. Further information on these is provided in the section on viability above. Based on the current assessment of the likelihood of these risks arising by 31 March 2024, together with their assessment of the planned mitigating actions being successful, the directors have concluded that it is appropriate to prepare the accounts on a going concern basis. See note 2 – Basis of Preparation in the Financial Statements for more detail.

## Non-financial information statement

The Companies Act 2006 requires the company to disclose certain non-financial reporting information within the annual report and accounts. Accordingly, the disclosures required in the company's non-financial information statement can be found on the following pages in the strategic report (or are incorporated into the strategic report by reference for these purposes from the pages noted):

- Information on our employees (page 25)
- Information on diversity (pages 26 and 52)
- Information on our anti-bribery and corruption policy (page 30)
- Information on our approach to raising concerns (whistleblowing) and Freedom to Speak Up (pages 27, 57, 68, 90, 99 and 101)
- Information on our approach to human rights (page 58)
- Information on social matters (pages 42 to 59)
- Information on our environment policy (pages 42 to 59)

## Section 172 (1) statement

The directors are required to act in a way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, taking into account the factors as listed in section 172 of the Companies Act 2006.

Details of how the directors have had regard to their Section 172 duty can be found throughout the strategic and governance reports. We set out on pages 36 to 41 details of who we consider to be our main stakeholders, how we have engaged with them during the year and the outcomes of the process. Further details on how the directors' duties are discharged and the oversight of these duties are included in the governance section on pages 85 to 94. The principal decisions of the board during the year are shown on page 85.



## Chief financial officer's review

# Positive financial performance in an extraordinary year

“We had our best adjusted EBITDA and EBIT for five years, and expect to make further good progress and continued delivery of the group's strategy.”

**Jitesh Sodha**  
Chief Financial Officer



### Dear shareholder,

2022 was an extraordinary year. On a personal level, the year started with me suffering a serious cycling accident. After a period of recovery and recuperation, I returned to the business later in the year. I would like to thank Harbant Samra, deputy chief financial officer, in particular, and the whole finance team and other colleagues, for stepping up and stepping in while I was away.

It was also an extraordinary year for the business. We faced inflation, interest rate increases, supply chain disruption, and wage and recruitment pressures. I am pleased with how well we have performed in this environment, delivering a positive financial performance with revenue, earnings and margins improving on 2021.

Revenue was £1,198.5 million, up 8.3% compared to 2021, driven by continued growth in demand from self-pay patients and a rebound in our PMI business. Private revenue rose by 14.5% to £876.7 million during 2022, compared to 2021.

We expanded our GP services and entered the occupational health sector through the £12 million acquisition of The Doctors Clinic Group.

We had our best adjusted EBITDA and EBIT for five years. Adjusted EBITDA rose year on year by 14.2% to £203.5 million while adjusted EBIT increased 30.2% to £105.6 million. Adjusted EBITDA margin improved to 17% from 16.1% in 2021, in line with our ongoing programme to raise margins while delivering high quality care, through revenue growth and over £15 million of efficiency savings. Our continued strategic progress to a more complex treatment mix and appropriate price rises led to average revenue per case during 2022 rising to £3,179, up 10.2% (£2,883 in 2021).

Pricing changes vary between our customer groups. We actively manage self-pay pricing regularly while PMI and NHS pricing is reset annually. These annual changes tend to impact upon our business from Q2 the following year, meaning that cost increases affect

us before our prices rise to account for these costs. Margin improvement was tempered by the disruption from COVID-19, and increased sickness and absence, resulting in higher staffing and agency costs. Late patient cancellations were in excess of pre-pandemic run-rates for the same reasons, which, taken with the testing costs, amounted to total COVID-related costs of £42.9 million. COVID-19 and raised sickness levels continue to persist, though we have become adept in managing these.

The group's leverage ratio continued to reduce, resulting in a net bank debt/adjusted EBITDA covenant ratio of 2.2x as at end 2022, down from 2.3x at the end of FY21. This represents the lowest level of leverage since 2016. During 2022, we refinanced our bank debt from £425 million to £325 million, paying down £100 million of bank debt. The refinanced debt is extended until 2026.

We invested in our estate and also improved capabilities with capital investment in 2022 of £90.1 million. Our strong operational performance and increase in adjusted EBIT led to an improvement in ROCE, up by 1.3 percentage points to 6.2%.

The directors have recommended the payment of a final dividend of 0.5 pence per share for the year ending 31 December 2022. This represents the first dividend payment since we suspended dividends due to COVID-19 uncertainties in April 2020, and reflects confidence in our ongoing performance.

We continue to face uncertainties around workforce, inflation and sickness, but believe demand for independent healthcare will remain strong in 2023 and beyond. Our flexible business model enables us to mitigate these impacts, and our strong balance sheet supports continuing investment and expansion of our service offering. We expect to make further good progress and continued delivery of the group's strategy in 2023.

**Jitesh Sodha**  
Chief Financial Officer



## Financial review continued

## Selected financial information

|                                                                        | Year ended 31 December 2022        |                                |                | Year ended 31 December 2021        |                                |         |
|------------------------------------------------------------------------|------------------------------------|--------------------------------|----------------|------------------------------------|--------------------------------|---------|
|                                                                        | Total before<br>Adjusting<br>items | Adjusting<br>items<br>(note 9) | Total          | Total before<br>Adjusting<br>items | Adjusting<br>items<br>(note 9) | Total   |
| (£m)                                                                   |                                    |                                |                |                                    |                                |         |
| <b>Revenue</b>                                                         | <b>1,198.5</b>                     |                                | <b>1,198.5</b> | 1,106.2                            | –                              | 1,106.2 |
| Cost of sales                                                          | (660.1)                            |                                | (660.1)        | (615.0)                            | –                              | (615.0) |
| <b>Gross profit</b>                                                    | <b>538.4</b>                       |                                | <b>538.4</b>   | 491.2                              | –                              | 491.2   |
| Other operating costs                                                  | (435.8)                            | (10.2)                         | (446.0)        | (411.2)                            | (17.4)                         | (428.6) |
| Other income                                                           | 3.0                                |                                | 3.0            | 1.1                                | 23.3                           | 24.4    |
| <b>Operating profit (EBIT)</b>                                         | <b>105.6</b>                       | <b>(10.2)</b>                  | <b>95.4</b>    | 81.1                               | 5.9                            | 87.0    |
| Net finance costs                                                      | (91.5)                             |                                | (91.5)         | (88.1)                             | (0.8)                          | (88.9)  |
| <b>Profit/(loss) before taxation</b>                                   | <b>14.1</b>                        | <b>(10.2)</b>                  | <b>3.9</b>     | (7.0)                              | 5.1                            | (1.9)   |
| Taxation                                                               | 2.5                                | 1.8                            | 4.3            | (20.8)                             | 13.8                           | (7.0)   |
| <b>Profit/(loss) for the period<sup>(1)</sup></b>                      | <b>16.6</b>                        | <b>(8.4)</b>                   | <b>8.2</b>     | (27.8)                             | 18.9                           | (8.9)   |
| <b>Profit/(loss) for the year attributable to owners of the Parent</b> | <b>17.0</b>                        | <b>(8.4)</b>                   | <b>8.6</b>     | (28.6)                             | 18.9                           | (9.7)   |
| <b>Profit for the year attributable to non-controlling interest</b>    | <b>(0.4)</b>                       | <b>–</b>                       | <b>(0.4)</b>   | 0.8                                | –                              | 0.8     |
| Adjusted EBITDA <sup>(2)</sup>                                         |                                    |                                | 203.5          |                                    |                                | 178.2   |
| Basic earnings/(loss) per share, pence                                 |                                    |                                | 2.1            |                                    |                                | (2.4)   |
| Adjusted FCF <sup>(3)</sup>                                            |                                    |                                | 28.0           |                                    |                                | 12.0    |
| Net cash from operating activities                                     |                                    |                                | 180.1          |                                    |                                | 183.8   |
| Net bank debt <sup>(4)</sup>                                           |                                    |                                | 250.1          |                                    |                                | 224.9   |

- Profit/(loss) for the period is stated after a revision to useful lives and residual values applied to certain freehold property assets. See page 143 for more information.
- Adjusted EBITDA is calculated as Operating Profit, adjusted to add back depreciation, and adjusting items, referred to hereafter as 'Adjusted EBITDA'. For EBITDA for covenant purposes, refer to note 22.
- Adjusted FCF (Free Cash Flow) is calculated as Adjusted EBITDA, less rent, capital expenditure cash flows and changes in working capital after adjusting for one-off items which are not related to the normal trading activity of the business. Rent cash flows are defined as interest on, and payment of, lease liabilities. Capital expenditure cash flows are defined as the purchase of plant, property and equipment.
- Net bank debt is defined as bank borrowings less cash and cash equivalents.

## Revenue

Group revenues increased 8.3% to £1,198.5 million (2021: £1,106.2 million). The increase in revenue is due to the increased demand for private treatment with the continued growth in self-pay seen during the prior period, but also the recovery by PMI patients. NHS revenue of £295.4 million includes £3.5 million (2021: £314.5 million and £58.1 million respectively) revenue from specific COVID-19 contracts. In Q1 2021 the group operated under an NHS volume-based contract with a minimum income guarantee, included in the £58.1 million below was £47.4 million reflecting the 'top up' to minimum income guaranteed under the contract.

## Revenue by location and payor

| (£m)                 | 2022           | 2021    | Variance %<br>(2022-2021) |
|----------------------|----------------|---------|---------------------------|
| Total revenue        | <b>1,198.5</b> | 1,106.2 | 8.3%                      |
| Of which:            |                |         |                           |
| Inpatient            | <b>487.5</b>   | 414.2   | 17.7%                     |
| Daycase              | <b>348.0</b>   | 307.0   | 13.3%                     |
| Outpatient           | <b>333.1</b>   | 300.9   | 10.7%                     |
| Other                | <b>26.4</b>    | 26.0    | 1.4%                      |
| NHS – COVID-19       | <b>3.5</b>     | 58.1    | (93.9%)                   |
| <b>Total revenue</b> | <b>1,198.5</b> | 1,106.2 | 8.3%                      |
| Of which:            |                |         |                           |
| PMI                  | <b>538.7</b>   | 473.7   | 13.7%                     |
| Self-pay             | <b>338.0</b>   | 292.0   | 15.8%                     |
| <b>Total private</b> | <b>876.7</b>   | 765.7   | 14.5%                     |
| Total NHS            | <b>295.4</b>   | 314.5   | (6.1%)                    |
| Other                | <b>26.4</b>    | 26.0    | 1.5%                      |
| <b>Total revenue</b> | <b>1,198.5</b> | 1,106.2 | 8.3%                      |

## Cost of sales and gross profit

Gross margin for the year is 44.9% compared to 2021 levels of 44.4%. Cost of sales increased in the period by £45.1 million or 7.3% (2021: £150.9 million, 32.5%) to £660.1 million (2021: £615.0 million) on revenues that increased by 8.3% (2021: 20.3%). Increased costs are due to inflationary pressures, increased agency costs and continued wage rate expansion. Increased agency spend is due to managing short notice absences caused by the peaks of COVID-19 during the year. The margin was higher in 2022 as a result of increased private volumes, and good cost management against the inflationary backdrop.



## Financial review continued

Cost of sales is broken down, and presented as a percentage of relevant revenue, as follows:

|                | Year ended 31 December 2022 |              | Year ended 31 December 2021 |              |
|----------------|-----------------------------|--------------|-----------------------------|--------------|
|                | £m                          | % of revenue | £m                          | % of revenue |
| Clinical staff | 275.3                       | 23.0%        | 260.8                       | 23.6%        |
| Direct costs   | 280.3                       | 23.4%        | 263.4                       | 23.8%        |
| Medical fees   | 104.5                       | 8.7%         | 90.8                        | 8.2%         |
| Cost of sales  | 660.1                       | 55.1%        | 615.0                       | 55.6%        |
| Gross profit   | 538.4                       | 44.9%        | 491.2                       | 44.4%        |

## Other operating costs

Excluding adjusting items, other operating costs have increased by £24.6 million, or 6.0% to £435.8 million (2021: £411.2 million), the main driver is increased staff costs due to continued wage rate expansion and other inflationary pressures. Depreciation for the year was £97.9 million (2021: £97.1 million). The depreciation charge in 2022 benefits from a reduction in charge of £2.9 million as a consequence of a revision of the useful life and residual value policy in respect of freehold properties so that it more closely aligns with external benchmark information. The useful life has been extended from a maximum of 50 years to a maximum of 60 years, and the group has set the residual value equal to 20% of cost (previously nil). This change is anticipated to result in a reduction in depreciation of approximately £5.8 million in 2023.

Adjusting items included in operating costs decreased by £7.2 million versus 2021 mainly due to £11.4 million of charges relating to remediation of regulatory compliance and malpractice costs in the prior year versus £1.1 million in the current year with an increase of £4.5 million in the current year due to business reorganisation and restructuring costs. Other operating costs including adjusting items for the year ended 31 December 2022 increased by £17.4 million or 4.1% to £446.0 million (2021: £428.6 million).

Operating margin for the year ended 31 December 2022 is 8.0% (2021: 7.9%) in 2021. Excluding adjusting items, operating margin is 8.8%, up from 7.3% at 2021.

## Adjusted EBITDA

Adjusted EBITDA for the group has increased by 14.2% in the period from £178.2 million to £203.5 million for 2022. The increase is due to continued growth in private revenue and good cost management.

## Share-based payments

During the period, grants were made to executive directors and other employees under the company's Long Term Incentive Plan. For the year ended 31 December 2022, the charge to the income statement is £2.3 million (2021: £2.8 million), or £2.6 million inclusive of National Insurance (2021: £3.2 million). In addition, the group has a Sharesave scheme which was launched in 2022. Further details are contained in note 27 of the annual report and accounts.

## Adjusting items

| (£m)                                                                | Year ended 31 December |               |
|---------------------------------------------------------------------|------------------------|---------------|
|                                                                     | 2022                   | 2021          |
| Business reorganisation and corporate restructuring costs           | 4.5                    | 1.2           |
| Costs related to/(income from) asset disposals and aborted projects | 4.3                    | 4.5           |
| Remediation of regulatory compliance or malpractice costs           | 1.1                    | 11.4          |
| Hospitals set up and closure costs                                  | 0.3                    | 0.3           |
| Income from asset disposals                                         | –                      | (23.3)        |
| <b>Total adjusting items in operating costs</b>                     | <b>10.2</b>            | <b>(5.9)</b>  |
| Interest payable on adjusting items                                 | –                      | 0.8           |
| <b>Total pre-tax adjusting items</b>                                | <b>10.2</b>            | <b>(5.1)</b>  |
| Income tax (credit)/charge on adjusting items                       | (1.8)                  | (13.8)        |
| <b>Total post-tax adjusting items</b>                               | <b>8.4</b>             | <b>(18.9)</b> |

Adjusting items comprise those matters where the directors believe the financial effect should be adjusted for, due to their nature, size or incidence, in order to provide a more accurate comparison of the group's underlying performance.

During H2 2021, the group announced a strategic, group-wide initiative that impacts the operating model of the group to allow a more efficient governance and reporting structure, as well as a drive on digital functionality. This initiative will be implemented over several phases. In the period, £4.5 million (2021: £1.2 million) has been incurred. The initial phase of the initiative was completed in 2022, the estimated time frame to overall completion being the end of 2024.

Asset acquisitions, disposals, impairment and aborted project costs of £4.3 million mainly comprise costs in respect of the acquisition of The Doctors Clinic Group, and the acquisition of the minority interest in The Claremont, as well as its integration with the group. In the prior year costs incurred by the group relating to Merger and Acquisition (M&A) costs, related to the attempted takeover bid by Ramsay Health Care, and the acquisition and integration of Claremont.

In December 2022, the group acquired 100% of the share capital in The Doctors Clinic Group Limited for £12 million as part of its strategic investment in its broader healthcare offering. The costs of acquisition of £1.8 million have been incurred in the period. Costs for integration are expected to continue into FY23.

Following the acquisition of Claremont Hospital in November 2021, the group has incurred costs of £0.5 million for integration alongside some transitional services in the period. In addition, on 31 March 2022, the group acquired the remaining minority interest for £2.7 million, of which £1.9 million had been provided for in FY21. Therefore, £0.8 million is included in adjusting items. Other costs incurred mainly relate to the final business transfer of the Sussex Hospital to the NHS Trust which completed on 31 March 2022, as announced during FY21. In addition, integration costs of £0.5 million were incurred in the period.

In December 2022, the group completed on the sale of St Saviours, an asset held for sale, for £3.2 million, following a write down in value reported at H1 2022 of £0.5 million.



## Financial review continued

## Adjusting items continued

In the prior period, the group agreed the sale and leaseback of Spire Cheshire for consideration of £89 million. A gain on disposal of £23.5 million has been recognised, offset by £0.2 million of costs to sell.

Remediation of regulatory compliance or malpractice costs includes amounts paid to the insurer following the Court of Appeal hearing. £13.0 million was provided in FY21, with £13.3 million being settled in FY22. The £0.3 million recognised in the period reflects this additional amount. In the prior year, and in response to the Public Inquiry the group commenced a detailed patient review initiative; during the year the group has re-evaluated the expected cost of completing this complex project, and its associated settlement of claims. As a result, the group has increased its provision by £0.9 million for the project. In the prior year, a credit of £0.4 million was recognised following the settlement of costs to Spire Healthcare from its insurer following the original judgment finding in favour of the group in FY20.

Hospital set-up and closure costs mainly relate to the maintenance costs of non-operational sites.

## Net finance costs

Net finance costs increased by 2.9% to £91.5 million (2021: £88.9 million). The increase is due to a one-off charge of £3.1 million in respect of unamortised fees which were recognised in full following the refinancing of the senior loan facility in Q1 2022 as well as increased finance costs related to additional lease liabilities. In the prior year adjusting items of £0.8 million costs relates to the interest repayment on the Court of Appeal judgment in respect of an insurer.

## Taxation

The effective tax rate assessed for the year, all of which arises in the UK, differs from the standard weighted rate of corporation tax in the UK. The reconciliation of the actual tax charge to that at the domestic corporation tax rate is as follows:

| (£m)                                                                                                 | Year ended 31 December |        |
|------------------------------------------------------------------------------------------------------|------------------------|--------|
|                                                                                                      | 2022                   | 2021   |
| (Loss)/profit before taxation                                                                        | 3.9                    | (1.9)  |
| Tax at the standard rate                                                                             | 0.7                    | (0.4)  |
| Effects of:                                                                                          |                        |        |
| Expenses and income not deductible or taxable                                                        | 8.2                    | 4.5    |
| Tax adjustment for the super-deduction allowance                                                     | (2.6)                  | (2.2)  |
| Tax adjustment in respect of sale and leaseback                                                      | –                      | (16.0) |
| Impairment charge in respect of held for sale assets (not tax deductible)                            | 0.1                    | –      |
| One-off impact of revision to useful economic life and residual value of freehold property portfolio | (9.0)                  | –      |
| Adjustments to prior year                                                                            | (1.8)                  | 3.5    |
| Difference in tax rates                                                                              | 0.1                    | 17.7   |
| Deferred tax not previously recognised                                                               | –                      | (0.1)  |
| Total tax charge                                                                                     | (4.3)                  | 7.0    |

Corporation tax is calculated at 19.0% (2021: 19.0%) of the estimated taxable profit or loss for the year. The effective tax rate on profit before taxation for the year was not meaningful (2021: not meaningful) as a result of prior year adjustments and movements on deferred tax which are not directly linked to profit. As noted on page 79, during the period, the group has revised the useful life and residual value of its freehold property portfolio so that it more closely aligns with external benchmark information. This revision results in a one-off deferred tax credit of £9.0 million in 2022. The prior year deferred tax charge was largely driven by the effects of revaluing deferred tax assets and liabilities from 19% to 25% due in April 2023, and the deferred tax movement as a result of the sale and leaseback of Spire Cheshire.

## Profit after taxation

The profit after taxation for the year ended 31 December 2022 was £8.2 million (2021: Loss £8.9 million). This is stated after the impact of adjusting the useful life and residual value of freehold properties, including the £9.0 million credit to deferred tax as set out above.

## Adjusted financial information

This statement was prepared for illustrative purposes only and did not represent the group's actual earnings. The information was prepared as described in the notes set out below.

## Non-GAAP financial measures

We have provided in this release financial information that has not been prepared in accordance with IFRS. We use these non-GAAP financial measures internally in analysing our financial results and believe they are useful to investors, as a supplement to IFRS measures, in evaluating our ongoing operational performance. We believe that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends in comparing our financial results with other companies in the industry, many of which present similar non-GAAP financial measures to investors.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with IFRS. Investors are encouraged to review the reconciliation of these non-GAAP financial measures to their most directly comparable IFRS financial measures provided in the financial statements table in the press release.

## Adjusted EBITDA and Adjusted EBIT

| (£m)                                                   | Year ended 31 December |              |
|--------------------------------------------------------|------------------------|--------------|
|                                                        | 2022                   | 2021         |
| Operating profit                                       | 95.4                   | 87.0         |
| Remove effects of:                                     |                        |              |
| Adjusting items before interest and tax <sup>(1)</sup> | 10.2                   | (5.9)        |
| <b>Adjusted EBIT</b>                                   | <b>105.6</b>           | <b>81.1</b>  |
| Depreciation                                           | 97.9                   | 97.1         |
| <b>Adjusted EBITDA</b>                                 | <b>203.5</b>           | <b>178.2</b> |

1. In the prior year adjusting items before tax total £5.1 million including the £0.8 million interest payable on the Court of Appeal judgement in respect of an insurer which was previously awarded to Spire Healthcare. Interest payable is not included in Adjusted EBIT or Adjusted EBITDA.



## Financial review continued

## Adjusted profit after tax and adjusted earnings per share

Adjustments have been made to remove the impact of a number of non-recurring items.

| (£m)                                                                  | Year ended 31 December |             |
|-----------------------------------------------------------------------|------------------------|-------------|
|                                                                       | 2022                   | 2021        |
| Profit/(loss) before tax                                              | 3.9                    | (1.9)       |
| Adjustments for:                                                      |                        |             |
| Adjusting Items – operating costs/(income)                            | 10.2                   | (5.9)       |
| Adjusting items – interest payable                                    | –                      | 0.8         |
| Adjusted profit/(loss) before tax                                     | 14.1                   | (7.0)       |
| Taxation <sup>(1)</sup>                                               | 2.5                    | (20.8)      |
| Adjusted profit/(loss) after tax                                      | 16.6                   | (27.8)      |
| Profit/(loss) for the year attributable to owners of the parent       | 17.0                   | (28.6)      |
| (Loss)/profit for the year attributable to non-controlling interests  | (0.4)                  | 0.8         |
| Weighted average number of ordinary shares in issue (No.)             | 402,679,296            | 400,848,264 |
| Adjusted earnings/(loss) per share (pence) attributable to the parent | 4.2                    | (7.1)       |

1. Reported tax charge for the period adjusted for the tax effect of adjusting Items.

## Return on capital employed

Return on capital employed ('ROCE') is the ratio of the group's adjusted EBIT to total assets less cash, capital investments made in the last 12 months and current liabilities. The calculation of return on capital employed is shown below:

| (£m)                                | Year ended 31 December |         |
|-------------------------------------|------------------------|---------|
|                                     | 2022                   | 2021    |
| <b>Adjusted EBIT</b>                | <b>105.6</b>           | 81.1    |
| Total assets                        | 2,159.8                | 2,237.4 |
| Less: Cash and cash equivalents     | (74.2)                 | (202.6) |
| Less: Capital investments           | (90.1)                 | (77.1)  |
| Less: Current Liabilities           | (283.4)                | (302.1) |
| <b>Capital employed</b>             | <b>1,712.1</b>         | 1,655.6 |
| <b>Return on capital employed %</b> | <b>6.2%</b>            | 4.9%    |

## Adjusted free cash flow

Adjusted FCF (Free Cash Flow) is calculated as adjusted EBITDA, less rent, capital expenditure cash flows and changes in working capital after adjusting for one-off items which are not related to the normal trading activity of the business. Rent cash flows are defined as interest on, and payment of, lease liabilities. Capital expenditure cash flows are defined as the purchase of plant, property and equipment. The calculation of readjusted free cash flow is shown below:

| (£m)                                                              | Year ended 31 December |        |
|-------------------------------------------------------------------|------------------------|--------|
|                                                                   | 2022                   | 2021   |
| <b>Adjusted EBITDA</b>                                            | <b>203.5</b>           | 178.2  |
| Less: Rental payments                                             | (93.7)                 | (81.5) |
| Less: Cash flow for the purchase of property, plant and equipment | (87.7)                 | (69.3) |
| Less: Working capital movement                                    | (15.0)                 | 11.4   |
| Less: Adjustments for non-recurring items                         | 20.9                   | (26.8) |
| <b>Adjusted free cash flow</b>                                    | <b>28.0</b>            | 12.0   |

## Cash flow analysis for the period

| (£m)                                                                  | Year ended 31 December |        |
|-----------------------------------------------------------------------|------------------------|--------|
|                                                                       | 2022                   | 2021   |
| Opening cash balance                                                  | 202.6                  | 106.3  |
| Operating cash flows before adjusting Items and income tax paid       | 186.5                  | 189.0  |
| Net cash flow from adjusting Items (included in operating cash flows) | (6.4)                  | (5.2)  |
| Income tax received/(paid)                                            | (0.1)                  | –      |
| Operating cash flows after operating adjusting Items and income tax   | 180.0                  | 183.8  |
| Net cash flow from adjusting Items (included in investing cash flows) | 3.2                    | 35.2   |
| Net cash in investing activities                                      | (87.2)                 | (68.8) |
| Cash outflow for acquisition of subsidiary                            | (11.4)                 | (14.7) |
| Investing cash flows after investing adjusting Items                  | (95.4)                 | (48.3) |
| Net cash flow from adjusting Items (included in financing cash flows) | (2.7)                  | 55.5   |
| Net cash in financing activities                                      | (210.3)                | (94.7) |
| Financing cash flows after financing adjusting Items                  | (213.0)                | (39.2) |
| Closing cash balance                                                  | 74.2                   | 202.6  |



## Financial review continued

**Closing cash balance**

The group's year end cash balance stood at £74.2 million, which reflects a reduction of £128.4 million against the prior year balance of £202.6 million. This movement contains three significant one-off items: repayment of £100 million of the group's senior finance facility as part of the refinancing agreement; a net cash outflow of £11.4 million paid for the acquisition of The Doctors Clinic Group; and a payment of £13 million paid to an insurer following the outcome of a Court of Appeal hearing in late 2021. Further detailed information on the cash flow during the period is set out in the following sections.

**Operating cash flows before adjusting items**

The cash inflow from operating activities before tax and adjusting items was £186.5 million (2021: £189.0 million), which constitutes a cash conversion rate from £203.5 million adjusted EBITDA of 92% (2021: 106% conversion of £178.2 million adjusted EBITDA). The net cash outflow from movements in working capital in the period was £16.6 million (2021: £11.4 inflow). The movement is largely driven amounts by paid to the insurer following the Court of Appeal hearing of £13.0 million which was provided for in 2021.

**Investing and financing cash flows**

Net cash outflow in investing activities for the period was £95.4 million (2021: £48.3 million). The cash outflow relates to the consideration paid for the acquisition of The Doctors Clinic Group of £11.4 million net of cash acquired and the purchase of plant, property and equipment in the period totalled £87.7 million (2021: £69.3 million), relating to the completed major refurbishment at Spire Shawfair Park in Edinburgh and the ongoing major developments at Spire Yale in Wrexham, it also covers further investment in patient care and digital transformation and the replacement of nine X-ray rooms. The total capital investment in the year in respect of additions of plant, property and equipment amounted to £90.1 million (2021: £77.1 million). This was offset by an inflow of £3.2 million from the sale of St Saviours which was classified as held for sale.

Net cash used in financing activities for the period was £213.0 million (2021: £39.2 million) Cash outflows include the repayment of £100.0 million of the group's senior finance facility as part of the refinancing agreement, and including interest paid and other financing costs of £94.6 million (2021: £80.0 million), and £18.5 million (2021: £14.7 million) of lease liability payments. During the year the group acquired the remaining non-controlling interest in Claremont Hospital LLP for £2.7 million and dividends of £0.3 million have been paid to non-controlling interests of Didsbury MSK Limited (2021: nil).

**Borrowings**

At 31 December 2022, the group has bank borrowings (inclusive of IFRS 9 adjustments) of £324.3 million (2021: £427.5 million), drawn under facilities which mature in February 2026.

| (£m)                                           | Year ended 31 December |       |
|------------------------------------------------|------------------------|-------|
|                                                | 2022                   | 2021  |
| Cash                                           | 74.2                   | 202.6 |
| Bank borrowings                                | 324.3                  | 427.5 |
| Bank borrowings less cash and cash equivalents | 250.1                  | 224.9 |

As announced by the group on 25 February 2022, the group entered into an agreement on 24 February 2022 to refinance its Senior Loan Facilities. 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 million of the Senior Loan Facility. As a consequence, the revised Senior Loan Facility was set at £325.0 million and the group continued to have access to an undrawn Revolving Credit Facility of £100.0 million. This new arrangement has a maturity of 4 years, with the group having the option to extend by a further year. The financial covenants relating to this new agreement are unchanged with leverage to be below 4.0x and interest cover to be in excess of 4.0x. As at 31 December 2022 the leverage measure stood at 2.2x and interest cover of 8.5x (2021:4.5x).

As at 31 December 2022 lease liabilities were £866.5 million (2021: £837.8 million).

**Dividend**

The directors of Spire Healthcare Group plc have recommended the payment of a final dividend of 0.5 pence per share for the year ending 31 December 2022. Subject to shareholder approval at the forthcoming annual general meeting on 11 May 2023.

**Related party transactions**

There were no significant related party transactions during the period under review.



## Chairman's governance letter

# Meeting demand and delivering on quality

“With the gradual easing of the pandemic, we have seen a rebound in demand for private healthcare and our teams across Spire Healthcare have worked incredibly hard this year to position the business to meet this demand, while delivering on the high quality personalised care for which we have become renowned. The board was delighted to see yet another increase in our quality scores, with a record 98% of our hospitals now rated as ‘Good’ or ‘Outstanding’ by the CQC, or its equivalent in Scotland and Wales.”

**Sir Ian Cheshire**  
Chairman



### Dear shareholder,

Demand for self-funded and insurance-backed private healthcare remained strong in 2022, against a backdrop of increasing NHS waiting lists. Once again, our teams across Spire Healthcare have worked incredibly hard in 2022 to position the business to meet this demand, while delivering on the high-quality personalised care we have become renowned for. The board was delighted to see yet another increase in our quality scores, with a record 98% of our inspected hospitals and clinics now rated as ‘Good’ or ‘Outstanding’ by the CQC, or the equivalent in Scotland and Wales.

We also welcomed the successful launch of Spire Healthcare’s updated purpose and strategy, both of which are outlined in detail on pages 18 to 32 of this report. While we remain a key partner to the NHS in its mission to care for the nation, we are also broadening our own approach to seeing more private patients in the community. We are opening new, smaller clinics, and offering a range of new services that can be delivered remotely or in person within or outside a hospital setting.

Our acquisition of The Doctors Clinic Group, in late 2022, supports this element of our new strategy, bolstering our GP services, and adding new clinics and corporate clients to our portfolio. Overall, the broadening of our approach is an exciting development for the group, and one that I believe will see us grow beyond our existing parameters to become a true healthcare partner to many more people across Britain in the years ahead.

The board and our management team are committed to building on the solid platform we have created in recent years to drive the business forward. We were pleased to see another increase in capital investment during the year, while the group has maintained a tight grip on cost control to ensure a healthy level of liquidity in the business.

In recognition of our business performance in 2022, the board is proposing a final dividend this year for the first time since the start of the pandemic.

As the business evolves, we also announced a number of changes to the board in 2022. I would like to thank Adèle Anderson, Tony Bourne and Simon Rowlands for their considerable contribution to Spire Healthcare over a combined 20 years on the board. All three will be greatly missed when they step down at the company’s annual general meeting in May 2023. I wish them well for the future.

At the same time, I am delighted that Paula Bobbett, Debbie White and Natalie Ceeney have agreed to join the board. Paula has significant retail and digital expertise, Debbie is an experienced PLC director, and Natalie brings us her experience in digitalisation, transformation and regulation. The breadth of their expertise and experience will be a highly valuable addition to both the board and the company.

Martin Angle will step down from his role as senior independent director after the annual general meeting, with Debbie White taking on that role. The board is grateful to Martin for stepping aside from this role to allow the company to meet the Listing Rule changes brought about by the FCA’s policy statement on diversity and inclusion on boards. Martin Angle will remain as the company’s deputy chairman and take over as chair of the audit and risk committee from 1 May 2023. Natalie Ceeney will become a member of the remuneration committee on her appointment to the board on 1 May 2023 and will chair the committee from 12 May 2023.

Looking ahead, expanding our proposition and building capacity will continue to be our major focus, as the demand for high-quality private healthcare rises. However, the board recognises the importance of maintaining and building on our relationship with government and the NHS – we have shown that we can be an important partner in a time of crisis, and now we are determined to demonstrate that we can help deliver the care Britain needs to recover from the pandemic and its impact on the nation’s health.

**Sir Ian Cheshire**  
Chairman

1 March 2023



# Corporate governance report

## Compliance with the UK Corporate Governance Code in 2022

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>Until 31 December 2022, the retirement benefits for incumbent executive directors were 18% of base salary, consistent with the policy on appointment. Benefits for incumbent executive directors were 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 1 March 2023. 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 1 March 2023.

## Changes to your board during 2022

| Individual    | Event                                           | Date            |
|---------------|-------------------------------------------------|-----------------|
| Paula Bobbett | Appointed an independent non-executive director | 1 November 2022 |

## Workforce engagement

The board has appointed the remuneration committee to monitor workforce engagement and report to the board on the progress of Spire Healthcare's workforce initiatives, together with the challenges, concerns and priorities of colleagues. This provides directors with an understanding into how culture is embedded across hospitals and central functions, and any issues to be addressed.

## Principal decisions of the board during 2022

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 attributes 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 |
|-----------------------------------------|-------------------------------------------------------------------------------|----------------------------------------------------------------|------------------------------|
| Acquisition of The Doctors Clinic Group | <ul style="list-style-type: none"> <li>Patients</li> <li>GPs</li> </ul>       | Expand our proposition<br>Deliver strong financial performance | See pages 31 to 32           |
| Updated purpose and strategy            | <ul style="list-style-type: none"> <li>Patients</li> <li>Community</li> </ul> |                                                                | See pages 18 to 32           |
| Refinancing our bank debt               | <ul style="list-style-type: none"> <li>Investors/lenders</li> </ul>           | Deliver strong financial performance                           | See page 137                 |

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 2022 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 non-executive 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
- 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
- Being accountable to, and reporting to, the board on the performance of the business



## Corporate governance report continued

**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
- 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
- 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
- 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), 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 2022**

The principal decisions of the board during the year can be found on page 85.

Board meetings were held in person during the year and director attendance at scheduled meetings is shown on page 91.

The agenda at scheduled meetings in 2022 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 2023**

It is currently planned that the board will convene for eight scheduled meetings in 2023, 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 2023 targets during the year. Its activities will include:

- Reviewing and approving the 2022 annual report
- Reviewing the revised five-year strategic plan and approving the 2023 annual operating plan
- Completing deep dives into key areas of the business
- Embedding the risk management framework
- Reviewing the makeup of the board
- 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****2023 action plan**

Board evaluation identified two principal areas of focus and associated actions to address them during 2023.

| Area of focus             | Actions                                                                                                                                                                                       |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Digital and technology    | To receive regular updates on application of new technology, digitisation and AI in the healthcare sector                                                                                     |
| Integrating new directors | Ensure the three new non-executive directors are integrated on to the board with appropriate handovers from departing board members and that they have suitable induction programmes in place |

**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 89.



## Corporate governance report continued

**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 89).

**National medical professional standards committee**

The national medical professional standards committee meets monthly and is chaired by the group medical director, with membership including the group clinical director, chief operating officer (deputy chair), associate medical directors, deputy general counsel (regulatory) and director of integrated quality governance.

The purpose of the national medical professional standards committee is to:

- Have oversight of performance and monitoring of safety standards 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
- 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 2022, at meetings of the board during 2022, is shown on page 91. 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 2022 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 89. 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 92 to 94.

**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 96.

**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 programmes for Paula Bobbett and Debbie White.

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.



## Corporate governance report continued

**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 eighth annual general meeting in May 2022. Directors are elected or re-elected in accordance with the requirements of the Code.

All directors, with the exception of Adèle Anderson, Tony Bourne and Simon Rowlands who have decided to step down from the board, will stand for election or re-election at the annual general meeting in May 2023. A thorough review was undertaken in February 2023, with regard to Dame Janet Husband remaining on the board for longer than nine years, which is a circumstance the Code deems could impair the independence of a non-executive director. The assessment concluded that Dame Janet continues to make a valuable contribution to the board, and leads the clinical governance and safety committee effectively. There was considered no impairment to her independence resulting from her tenure. It was further considered to be in the best interests of the company that Dame Janet Husband continue in her role and the nomination committee recommended to the board that she remain on as a director. Dame Janet was appointed Spire Healthcare's vice chair on 1 March 2023.

The biographical details of each director standing for re-election is included in the 2023 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 2023 annual general meeting relating to the re-election of the directors.

The biographical details of all directors are set out on pages 92 to 94.

**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.

**Non-executive director engagement with hospitals**

Non-executive directors, particularly the members of the clinical governance and safety committee are regular attendees at a wide range of hospital briefings, meetings and specialist conferences. These events have included local and national meetings, and the national medical professional standards committee. Directors have also attended the national theatre managers conference and the national pharmacy managers conference, as well as conferences for directors of clinical services and critical care, and cardiology specialists.

**Accountability****The audit and risk committee**

The audit and risk committee report is set out on pages 101 to 106 and identifies its members, whose biographies are set out on pages 92 and 93.

The report describes the audit and risk committee's work in discharging its responsibilities during the year ended 31 December 2022, 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 101 to 106 and pages 98 to 100 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.



## Corporate governance report continued

## Governance framework in 2022

**Non-Executive Chairman**

Sir Ian Cheshire

**Key objectives:**

- Ensure effectiveness of the board
- Promote high standards of corporate governance
- Ensure clear structure for the operation of the board and its committees
- Encourage open communication between all directors

**Senior Independent Director**

Martin Angle

**The board of Spire Healthcare Group plc**

The board comprises thirteen directors – the non-executive chairman, two executive directors and ten non-executive directors, nine of whom are deemed to be independent for the purposes of the 2018 UK Corporate Governance Code. Philip Davies serves the board as company secretary.

**Key objectives:**

- Leads the group
- Oversees the group's system of risk management and internal controls
- Supports the executive committee to formulate and execute the group's strategy
- Monitors the performance of the group
- Sets the group's values and standards

**Audit and risk committee**

Adèle Anderson (chair), Martin Angle, Tony Bourne, Dame Janet Husband

**Key objectives:**

- Monitors the integrity of financial reporting
- Assists the board in its review of the effectiveness of the group's internal control and risk management systems

**Clinical governance and safety committee**

Dame Janet Husband (chair), Adèle Anderson, Justin Ash, Tony Bourne, Jenny Kay, Professor Cliff Shearman

**Key objectives:**

- Promotes, on behalf of the board, a culture of high-quality and safe patient care; and monitors specific non-financial risks and their associated processes, policies and controls:
  - (i) clinical and regulatory risks
  - (ii) health and safety
  - (iii) facilities and plant

**Disclosure committee**

Sir Ian Cheshire (chair), Martin Angle, Justin Ash, Jitesh Sodha

**Key objectives:**

- Ensures that the company complies with its disclosure obligations, specifically under the Market Abuse Regulation and related legislation
- Oversees the company's Share Dealing Code including colleague training

**Nomination committee**

Sir Ian Cheshire (chair), Adèle Anderson, Martin Angle, Dame Janet Husband, Dr. Ronnie van der Merwe

**Key objectives:**

- Advises the board on appointments, retirements and resignations from the board and its committees
- Reviews succession planning for the Board

**Remuneration committee**

Tony Bourne (chair), Martin Angle, Jenny Kay, Simon Rowlands

**Key objectives:**

- Determines the appropriate framework and level for remuneration of the chairman, executive directors, company secretary and other members of the executive committee
- Reviews workforce remuneration and related policies

**Executive committee**

The group also operates an executive committee (convened and chaired by the chief executive officer). The executive committee meets fortnightly.

**Key objectives:**

- Assists the chief executive officer in discharging his responsibilities
- Ensures a direct line of authority from any member of staff to the chief executive officer
- Assists in making executive decisions affecting the company

**Safety, quality and risk committee**

A committee of the executive committee (chaired by the group medical director) that focuses on safety, quality and risk matters across the group's operations. The safety, quality and risk committee meets monthly.

**Key objectives:**

- Reviews the group's clinical performance
- Reviews evidence of compliance with statutory notification requirements
- Scrutinises all unexpected deaths occurring at hospitals



## Corporate governance report continued

**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 2022 was led by the chief executive officer, chief financial officer and the director of investor relations. 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'. Our approach to tackling the risk of modern slavery continues to evolve under the oversight of our multi-department modern slavery working group.

Our two main areas of focus are at front-line level, to safeguard patients and others who come through our facilities, and in our supply chain. In our business operations, we believe practitioners and our staff are well 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. 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 2022, we maintained our modern slavery due diligence process for all new suppliers with an annual spend of more than £1m; there were no issues identified through this process. In addition, we started an assessment exercise of third-party management systems to provide robust evaluation of the level of performance and risk of key suppliers across a range of areas including labour and human rights. We plan to conclude this assessment exercise during 2023.

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. A summary of the proxy voting at the 2022 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       | 2021 Annual report and accounts                                    | 100.00                  | 0.00                   | 784,991                  |
| 2       | 2021 Directors' remuneration report                                | 99.32                   | 0.68                   | 8,649                    |
| 3 to 13 | Election or re-election of directors                               | Between 99.99 and 89.59 | Between 0.01 and 10.41 | Maximum 605,573          |
| 14      | Reappointment of auditors                                          | 100.00                  | 0.00                   | 6,594                    |
| 15      | Auditors' remuneration                                             | 100.00                  | 0.00                   | 7,461                    |
| 16      | Political expenditure                                              | 99.20                   | 0.80                   | 603,976                  |
| 17      | Authority to allot shares                                          | 98.91                   | 1.09                   | 5,761                    |
| 18      | Disapplication of statutory pre-emption rights*                    | 99.52                   | 0.48                   | 5,761                    |
| 19      | Disapplication of statutory pre-emption rights for an acquisition* | 94.87                   | 5.13                   | 5,761                    |
| 20      | Authority to purchase own shares*                                  | 99.75                   | 0.25                   | 16,429                   |
| 21      | General meetings to be held on 14 clear days' notice*              | 99.32                   | 0.68                   | 5,761                    |

\* Special resolution.

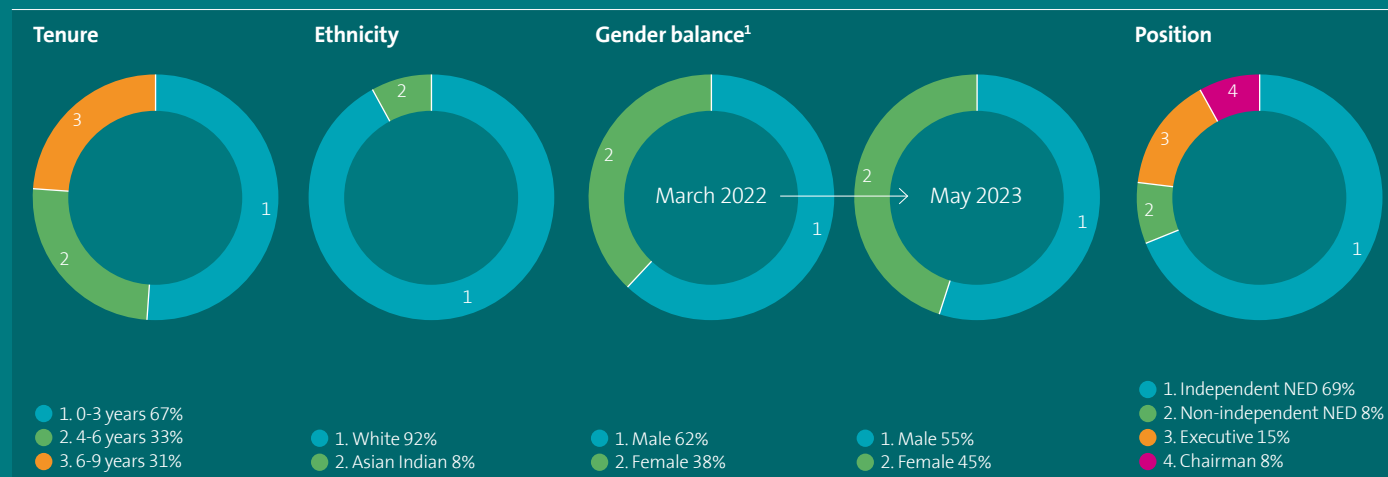
The corporate governance report has been approved by the board and signed on its behalf by:

**Philip Davies**  
Company Secretary

1 March 2023



## Board of directors



### Board skills, experience and background

- Healthcare
- Accounting and finance
- Sustainability and ESG
- UK plc experience
- Remuneration
- Digital and technology
- Multi-site operating
- M&A

### Board meeting attendance during 2022

| Chairman and executive directors                       | Board meetings | Non-executive directors    | Board meetings |
|--------------------------------------------------------|----------------|----------------------------|----------------|
| <b>Non-Executive Chairman</b>                          |                | Adèle Anderson             | 8/8            |
| Sir Ian Cheshire                                       | 8/8            | Paula Bobbett <sup>1</sup> | 1/1            |
| <b>Deputy Chairman and Senior Independent Director</b> |                | Tony Bourne                | 8/8            |
| Martin Angle                                           | 8/8            | Dame Janet Husband         | 8/8            |
| <b>Executive directors</b>                             |                | Jenny Kay                  | 8/8            |
| Justin Ash                                             | 8/8            | Simon Rowlands             | 8/8            |
| Jitesh Sodha                                           | 5/8            | Professor Cliff Shearman   | 7/8            |
|                                                        |                | Dr. Ronnie van der Merwe   | 7/8            |

1. Appointed an independent non-executive director on 1 November 2022.

### Key to board and executive committees

- A** Audit and risk committee
- C** Clinical governance and safety committee
- D** Disclosure committee
- N** Nomination committee
- R** Remuneration committee
- E** Executive committee
- S** Safety, quality and risk committee
- Committee chair



## Board of directors continued

**Sir Ian Cheshire**  
Non-Executive Chairman

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.

**Current external appointments**

- Chairman of Menhaden Resource Efficiency plc
- Chairman of Channel 4
- Non-executive director of BT Group plc
- Trustee of the Institute for Government
- Chair of We Mean Business Coalition

**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.

**Justin Ash**  
Chief Executive Officer

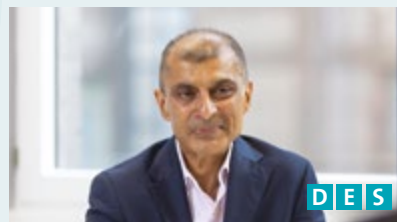
Justin Ash was appointed chief executive officer and an executive director in October 2017.

**Current external appointments**

- Member of the strategic council of Independent Healthcare Providers Network
- Chair of the trustees of Tropical Health and Education Trust (THET)

**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 and of The New World Trading Company Co. until August 2022.

**Jitesh Sodha**  
Chief Financial Officer

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

Martin Angle was appointed as deputy chair 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. (listed on the NASDAQ)
- Honorary professor, College of Social Sciences and International Studies, University of Exeter

**Skills and previous experience**

Martin has held a number of non-executive positions including with Pennon Group plc and its 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 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 company with worldwide engineering activities.

Martin 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 a leading UK waste management business. He is a chartered accountant and a graduate in physics from the University of Warwick.

\*Martin has kindly agreed to step aside as senior independent director from 11 May 2023, when Debbie White will take over the role. This will allow the company to meet the Listing Rule's requirement that at least one senior board position is held by a woman. Martin Angle will remain as deputy chairman following this change and become chair of the Audit and Risk Committee from 1 May 2023. He will also become a member of the Clinical Governance and Safety Committee on this date.

**Professor Dame Janet Husband**  
Vice Chair

Dame Janet Husband was appointed an independent non-executive director in June 2014. Dame Janet was appointed vice chair on 1 March 2023.

**Current external appointments**

- Emeritus Professor of Radiology at the Institute of Cancer Research

**Skills and previous experience**

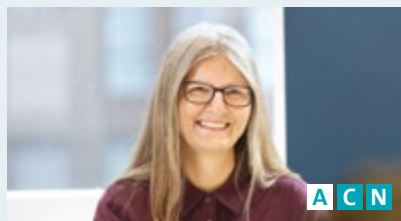
Having trained in medicine at Guy's Hospital Medical School, Dame Janet's extensive career in healthcare allows her to bring invaluable insight and knowledge of the industry.

Dame 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 NHS Foundation Trust where she worked closely with senior management to develop a programme of robust clinical governance and continuous improvement in the quality of patient services.



## Board of directors continued

**Adèle Anderson**  
Independent Non-Executive Director

Adèle Anderson was appointed an independent non-executive director in July 2016. After nearly seven years on the board, Adèle has decided not to seek re-election by shareholders at the company's next annual general meeting and will leave the board on 11 May 2023. She will step down as chair of the audit and risk committee on 30 April 2023 but will remain a member of that committee until she leaves Spire Healthcare.

**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. She was a member of the audit and risk committee of the Wellcome Trust until August 2022.

**Paula Bobbett**  
Independent Non-Executive Director

Paula Bobbett was appointed an independent non-executive director in November 2022.

**Current external appointments**

– Chief digital officer of Boots UK

**Skills and previous experience**

Paula specialises in business strategy and critical analysis, particularly in digital. She is highly experienced in online trading, commercial strategy and analytics as well as in delivering digital transformation across commercial operations. Paula joined Boots in December 2020 and has driven the end-to-end development of boots.com leading to growth in online performance and positioning boots.com as the UK's number one health and beauty website.

Prior to joining Boots UK, Paula was head of online performance at Dixons Carphone. She has held senior analytics and customer insight roles at a variety of companies, including strategy and analytics manager at Avon, commercial insight manager at Debenhams, as well as roles at British Airways and Vanguard Strategy.

**Tony Bourne**  
Independent Non-Executive Director

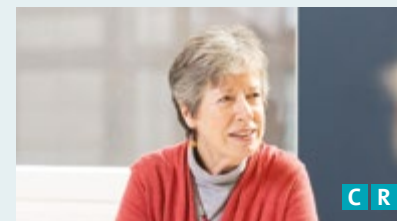
Tony Bourne was appointed an independent non-executive director in June 2014. After nine years on the board, Tony has decided not to seek re-election by shareholders at the company's next annual general meeting and will step down from the board on 11 May 2023.

**Current external appointments**

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

**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 also previously served as a non-executive director of Bioquell Plc, Southern Housing Group, Sensyne Health plc and the charity, Scope.

**Jenny Kay**  
Independent Non-Executive Director

Jenny Kay was appointed an independent non-executive director in June 2019. She has been designated Spire Healthcare's non-executive director lead for safeguarding and the board's Freedom to Speak Up Guardian.

**Current external appointments****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 at Dartford and Gravesham NHS 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 an MBA from the Bristol Business School.

**Simon Rowlands**  
Independent Non-Executive Director

Simon Rowlands was appointed a non-executive director in June 2014. After nine years on the board, Simon has decided not to seek re-election by shareholders at the company's next annual general meeting and will step down from the Board on 11 May 2023.

**Current external appointments**

– Non-executive director of Alfa Medical Group  
– Founding partner of Africa Platform Capital  
– Non-executive director of British International Investment plc  
– 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.

Simon 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. He founded a new private equity firm in 2016 focused on healthcare and disruptive technology in Africa. Prior to joining Cinven, Simon worked with an international consulting firm on multidisciplinary engineering projects in the UK and southern Africa.

Simon was a non-executive director of MD Medical Group Investments plc to March 2022.



## Board of directors continued

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

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

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.

**Debbie White**  
Independent Non-Executive Director

Debbie White was appointed an independent non-executive director on 1 February 2023. Debbie will become senior independent director on 11 May 2023 and a member of the audit and risk committee and nomination committee on 1 May 2023.

**Current external appointments**

- Non-executive director of Howden Joinery Group plc
- Director of PAVmed Inc (listed on the NASDAQ)
- Director of Lucid Diagnostics Inc (listed on the NASDAQ)
- Trustee and honorary treasurer for the charity Wellbeing of Women

**Skills and previous experience**

Debbie is an experienced CEO and independent director. Her last full time executive role was as chief executive officer of Interserve Group which was preceded by a number of senior executive roles at Sodexo SA including global chief executive officer of Sodexo Healthcare and Sodexo Government, chief financial officer of the North American and UK&I businesses and chief executive officer of Sodexo UK&I. She was interim group HR director for BT Group plc during 2022, supporting the executive on the transformation of the group.

Debbie started her career with Arthur Andersen and is a chartered accountant and chartered tax practitioner. She joined AstraZeneca where she held a variety of financial roles, before joining Sodexo. Debbie was a director of PWC consulting where she advised principally in the pharmaceutical sector.



## Executive committee



**John Forrest**  
Chief Operating Officer

John Forrest joined Spire Healthcare in October 2018, after spending most of his career as a leading operator in the retail and hospitality industries.

John started his career at Marks & Spencer, before moving to the Body Shop and then the Co-operative Group. In 2007, John joined Whitbread as the head of new openings and led the roll out of Premier Inn, before being promoted to chief operating officer at Premier Inn in 2011. In 2015, John moved to Greene King as chief operating officer for their retail division to lead the operational integration of the recently acquired Spirit Pub Company. Most recently, he was promoted to managing director for Greene King Pub Partners Business before leaving to join Spire Healthcare.



**Dr Cathy Cale**  
Group Medical Director

Dr. Cathy Cale joined Spire Healthcare in October 2020, following a successful 30-year career in the NHS, which spanned clinical, research and leadership roles.

Cathy trained in paediatric immunology and immunopathology. She has extensive experience as a medical director, with roles at three NHS trusts, including Great Ormond Street Hospital for Children NHS Foundation Trust.

In 2017, she became a clinical ambassador for Getting it Right First Time (GIRFT), a national programme designed to improve medical care by tackling variations in the way services are delivered across the NHS, and by sharing best practice between trusts. At this time, she was also deputy medical director for NHS Improvement London region, combining this with ongoing clinical work. Cathy most recently worked as medical director at The Hillingdon Hospitals NHS Foundation Trust.



**Peter Corfield**  
Chief Commercial Officer

Peter Corfield joined Spire Healthcare in October 2015 as group commercial Director and has responsibility for delivering revenue growth through our payor groups and identifying new business opportunities. He was appointed chief commercial officer in January 2018 with additional responsibility for business development across the hospital portfolio.

Prior to joining Spire Healthcare, he held a number of senior executive and board roles within the financial services industry in the UK, most recently as managing director of Ageas Retail Direct. Prior to this, Peter worked for both Zurich Financial Services Group and Royal Bank of Scotland in various roles that covered Europe, the Middle East and Japan.



**Rachel King**  
Group People Director

Rachel King joined Spire Healthcare in January 2023 as group group people director, with responsibility for leading our people strategy across the group.

Prior to joining Spire Healthcare, Rachel was the group people director at Camelot, the regulated operator of The National Lottery where she sat on the executive committee, leading the transformation of the people strategy and culture. Prior to her six years at Camelot, she held a number of senior executive roles in a wide range of organisations spanning media, broadcasting, technology and retail sectors. In addition, Rachel sits on the board of Network Homes, a London-based housing association.

Rachel was appointed a member of the executive committee and the safety, quality and risk committee on 1 January 2023.

Until 31 December 2022, Shelley Thomas held the role of group HR director.



**Professor Lisa Grant**  
Group Clinical Director/Chief Nurse

Professor Lisa Grant joined Spire Healthcare in March 2023, following a successful 25 year career in the NHS holding a number of leadership and management roles. Lisa is an experienced nurse and has held three executive chief nurse posts over the last 12 years and also held the role of chief operating officer in large acute NHS trusts. Lisa established the Royal Liverpool Nursing Programme and developed the Excellence in Practice Programme at Leeds Teaching Hospitals NHS Trust that focuses on the development and recognition of the workforce teams. Lisa held a variety of management and leadership roles in the north of England and was awarded a visiting chair in health professions leadership from the University of Leeds in 2022.

Lisa was appointed a member of the executive committee and the safety, quality and risk committee on 1 March 2023.

Until 28 February 2022, Alison Dickinson held the role of group clinical director.



**Mantraraj Budhdev**  
Group General Counsel

Mantraraj Budhdev joined Spire Healthcare in September 2022 as group general counsel, with 15 years' global experience from a range of industries in both private practice and in-house roles. A large proportion of his experience was gained at two global law firms – Linklaters and Hogan Lovells – where he worked on compliance, regulatory and risk matters, while advising leading blue-chip and listed corporate clients, and completed secondments at investment banks including Goldman Sachs. Most recently, Mantraraj was responsible for leading a wide range of transactional, governance and regulatory matters as the group head of compliance and head of legal for Europe and the Americas region with a global port and logistics provider.

Mantraraj is responsible for leading a legal team of corporate, commercial, healthcare and litigation lawyers, Spire Healthcare's data protection team and has also been appointed as the group corporate concerns director. Mantraraj is a member of the executive committee and the safety, quality and risk committee.

Mantraraj was appointed a member of the executive committee and the safety, quality and risk committee on 1 January 2023.

**Justin Ash and Jitesh Sodha**  
also sit on the executive committee.



## Nomination committee report

“I am pleased with the progress we have made on diversity this year, at board level and across the business. This not only helps us to reflect the diverse nature of the environment in which the company operates, it supports optimal decision-making in the execution of our strategy.”

Sir Ian Cheshire  
Chair, Nominations Committee



### 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

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### Committee membership and attendance at meetings

The nomination committee members at the end of 2022 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 2022 |
|----------------------------------------------|------------------------|-------------------------------------------------|------------------------------------------|
| <b>Sir Ian Cheshire</b><br>(Committee Chair) | May 2021               | Non-executive chairman                          | 3 (3)                                    |
| <b>Adèle Anderson</b>                        | May 2020               | Independent non-executive director              | 3 (3)                                    |
| <b>Martin Angle</b>                          | March 2019             | Deputy chairman and senior independent director | 3 (3)                                    |
| <b>Dame Janet Husband</b>                    | July 2014              | Vice chair                                      | 3 (3)                                    |
| <b>Dr. Ronnie van der Merwe</b>              | May 2020               | Non-executive director                          | 2 (3)                                    |

Nomination committee members' biographies are shown on pages 92 to 94.

Adèle Anderson will step down from the board at the company's annual general meeting in May 2023. Debbie White and Natalie Ceeney will be appointed to the Nomination Committee on 1 May 2023.

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

### 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

While making new appointments to the board on merit, the board will actively seek to secure candidates with a diverse background. Appointments will take account of the specific skills and experience, resilience, independence and knowledge needed to ensure a rounded board and the diverse benefits each candidate can bring to its overall composition. Care is taken to ensure that proposed appointees have sufficient time to devote to the role and have no conflicts of interest.

The nomination committee uses 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 makes a formal recommendation to the board on the appointment.



## Nomination committee report continued

## Dear shareholder,

I am pleased to present the nomination committee's report for the year ended 31 December 2022. The committee finally returned to full face-to-face meetings this year – something that was welcomed by all committee members in a period when we have made significant progress on Spire Healthcare's diversity agenda, with the launch of both our Board Diversity Policy, and our wider Equity, Diversity and Inclusion strategy that puts four commitments at the heart of our approach we:

1. recognise the value of diversity
2. understand how it will help us deliver our purpose
3. respect and appreciate each other for who we are
4. include diverse colleagues in our problem solving to make better, faster decisions

This has been an important part of our thinking as the nomination 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 UK Corporate Governance Code 2018 (the 'Code') in our decision-making. While all appointments are made on merit and based on objective criteria, we have a clear strategy to promote diversity across the business.

## Succession planning and appointments to the board

During 2022, three of our independent non-executive directors, Adèle Anderson, Tony Bourne and Simon Rowlands, indicated their intention to step down from the Board and not seek re-election at the company's annual general meeting in May 2023. To ensure an orderly succession, we set out to appoint two new independent non-executive directors, one of whom could succeed Tony Bourne as the chair of the remuneration committee.

In our planning we were mindful of the corporate governance requirements for the chair of the remuneration committee to have at least one year's remuneration committee experience. Sensitive to the importance of diversity and a culture of inclusion, we were also keen to balance the composition of the board between the genders, while acquiring new skill sets that would further strengthen the board.

To assist with this process, the committee engaged and retained Odgers Berndtson, an executive search firm, to advise on the appointments. Following extensive, detailed briefing conversations with the chairman and the board more widely, Odgers Berndtson summarised the skills and experience required of the two individuals sought as follows:

1. Broad technology leadership insights from a multisite B2C, commercial environment, with a deep understanding of how technology has revolutionised consumer behaviour and how this might be applied to patients, consultants, and healthcare provision; and
2. Demonstrable experience of successfully scaling businesses alongside a good understanding of, and connections with, the City; a track record of engaging effectively with investors; and the ability to balance clinical quality and patient safety with our value creation strategy.

After a thorough and wide ranging search, Odgers Berndtson secured the interest of 21 individuals across the two positions we were seeking to fill. Following the rigorous selection process that followed, and given the exceptional quality of the shortlist presented, the board took the decision to bring three of these individuals onto the board – Paula Bobbett, Natalie Ceeney and Debbie White.

Paula brings extensive digital and ecommerce insights due to her retail sector credentials and current position as chief digital officer at Boots UK. Natalie offers broad commercial expertise from a leadership background in financial services and government agencies. Debbie is a former chief executive officer of Interserve Group and a proven non-executive director.

Once the three successful candidates were offered the board roles, Odgers Berndtson also ensured they each had the appropriate points of contact to facilitate a successful onboarding process.

Natalie Ceeney will join the remuneration committee on her appointment to the board on 1 May 2023, and will succeed Tony Bourne as the chair of that committee when he steps down as a director. Natalie and Debbie White will become members of the nomination committee on 1 May 2023. Martin Angle will step down from his role as senior independent director after the AGM, with Debbie White taking on that role. The board is grateful to Martin for stepping aside from this role to allow the company to meet the Listing Rule changes brought about by the FCA's policy statement on diversity and inclusion on boards. Martin will remain as the company's deputy chairman, and will take over from Adèle Anderson as chair of the audit and risk committee and become a member of the clinical governance and safety committee in May 2023.

## Diversity and inclusion

As I mentioned above, diversity and inclusion has been a major focus of activity across Spire Healthcare during 2022, and will continue to be in the years ahead. The board promotes diversity and inclusivity within the organisation, including supporting women to become leaders within the business and improving the diversity of the company's workforce. During the year, the board approved a board diversity policy, through which we aim to ensure optimal decision-making that assists in the

development and execution of a strategy that promotes the success of the company for the benefit of its shareholders, as well as other stakeholders. We believe that a diverse board includes and makes good use of differences in skills, experience, background, ethnicity, gender and other characteristics.

As part of the policy, our aim is to achieve a minimum 33% female representation on the board by our annual general meeting in May 2023 and 40% by 2025. The board has also committed to carefully consider and aim to meet any recommendations set out by the FTSE Women Leaders review (formerly the Hampton-Alexander Review). I am pleased to say that, with the new appointments to the board discussed above, that the gender split on our board will be 55% male, 45% female from May 2023.

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 senior leadership levels. Details of the company's staff diversity and gender pay gap, in line with reporting requirements, can be found on page 54. The chart on page 53 also illustrates the diversity of the board in terms of gender. Diversity and inclusion is core to everything that we do, and you can read more about our new equity, diversity and inclusion strategy on pages 26 and 52.

## Performance evaluation

In early 2023, 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.

## Re-election of directors

The committee met in early 2023 to review our new appointments to the board, and the continuation in office and potential reappointment of all other members of the board. Following this review, the committee recommended to the board that, apart from the three retiring members, all directors standing be reappointed or have their appointments confirmed, and hence these directors will seek election or re-election at the annual general meeting in May.

## Sir Ian Cheshire

Chair, Nomination Committee

1 March 2023



## Clinical governance and safety committee report

“As Spire Healthcare adapts to meet increasing demand across a variety of healthcare sectors, quality and safety remain paramount. We continue to improve and oversee clinical governance across the business, and the committee supports our people to improve services and patient care.”

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



### 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 group company secretary, or their appointed nominee, acts as secretary to the CGSC.

### Committee meetings

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### Committee membership and attendance at meetings

The CGSC members at the end of 2022 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):

| Member                                         | Committee member since | Position in Company                | Committee meetings attended/ held in 2022 |
|------------------------------------------------|------------------------|------------------------------------|-------------------------------------------|
| <b>Dame Janet Husband</b><br>(committee chair) | July 2014              | Vice Chair                         | 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 | 3 (4)                                     |

CGSC members' biographies are shown on pages 92 to 94.

Adèle Anderson and Tony Bourne will step down from the board at the company's annual general meeting on 11 May 2023. Martin Angle will be appointed to the CGSC on 1 May 2023.

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

### 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
- Holding the executive committee accountable for following up actions



## Clinical governance and safety committee report continued

## Dear shareholder,

Once again this year, effective communication has been my priority and that of the clinical governance and safety committee (the 'committee' or the 'CGSC'), as we have sought to further strengthen the company's ward-to-board approach. Due to COVID-19 restrictions at our hospitals for much of the year, in person visits have been replaced by Zoom virtual visits and, while not so inclusive, these have been a great success. They have allowed us to engage with and support our hospital senior leadership teams, and to hear first-hand about the issues they are facing day-to-day.

Our integrated governance reporting has also matured during the year – the committee now has access to excellent data to help us oversee our key performance indicators (KPIs), and determine how our hospitals and services are progressing. Through extensive data correlation, we can clearly see the themes that are coming through, examine the trends, and we know right away when issues arise. All this means we can give the board strong assurance and a high level of confidence.

## Committee activities in 2022

In 2021, we found the agenda at our four CGSC meetings was tight – there was a lot of pressure, and lots to get through. That's why in 2022, in addition to our four standard meetings, we introduced informal seminars, which will be held twice yearly. These will allow us to delve into particular areas in more detail and also, on occasion, to invite an expert guest speaker to discuss a particular topic of national interest.

Our programme of standard meetings have enabled the committee to meet its broad remit again this year, covering 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 our meeting in March, the Spire Healthcare insights team gave a presentation on their patient experience research, which looks far deeper than individual hospital performance, taking a holistic approach to examining the drivers for real satisfaction and dissatisfaction with our services. The committee was delighted to see such high satisfaction scores in both the private and NHS patient service areas, reflecting the great care and dedication of colleagues across the organisation.

We continued our practice of monitoring performance and progress across the business by undertaking themed reviews of specific areas of clinical practice or service. The first of these focused on our Children and Young People (CYP) services, which include tests and treatments from ear, nose and throat conditions and allergy management to general surgery and radiology.

The presentation demonstrated the benefits of adopting a ward-to-board approach, and how this is facilitating a culture of continuous improvement across all areas of our CYP services. Our focus is to increase accreditation for our CYP services, maximise CYP opportunities within the family private healthcare insurance market and ensure Spire Healthcare continues to be the CYP service provider of choice.

At our June meeting, the committee reviewed the first integrated learning report which brings together learnings from various aspects of patient care including incidents, complaints, never events and patient deaths, as well as stories of excellent patient care at our hospitals. Where patient care fell below Spire Healthcare's high standards, it is clear that poor communication was often an important contributory factor. However, by reflecting openly on these issues, the committee felt confident that we can make any changes needed and share best practice across our hospitals. Mortality is very rare at Spire Healthcare hospitals, but any patient death, whether this occurs within a hospital or following discharge within 31 days of surgery, is subject to robust review. Initially this is undertaken by our Medical Examiner, Dr Suzy Lishman. Spire Healthcare established this role to ensure that we have external scrutiny of every patient death, and also to give patients' families a voice. In addition to this excellent service our group medical director introduced a Spire Healthcare group mortality review process to provide additional assurance and to further support group-wide learning. Regular group mortality meetings are held during the year when each patient death is analysed in detail with evidence from the medical examiner review, the hospital's review of the care and evidence from the coroner's investigations, if these are available. This new approach has now been developed into a mortality and morbidity framework and implemented throughout our hospitals. It is now well embedded and I will be attending one of the mortality review meetings during the coming year to see for myself the detailed analysis undertaken, and to gain first-hand assurance that Spire Healthcare's new approach is effective in identifying any learnings and that the care of our patients is exemplary.

The committee held its first informal seminar in September, with an external speaker, Dame Cally Palmer, who is national cancer director, NHS England and NHS Improvement. Dame Cally is responsible for the development and implementation of the national strategy to improve survival and quality of life for all those affected by cancer. She led a discussion on the UK's statistics, and the challenges in diagnostics. We then talked about how at Spire Healthcare we are developing our cancer services, including launching the Macmillan electronic Holistic Needs Assessment (eHNA) platform across the group, and expanding our Bupa bowel cancer centres of excellence.

At the CGSC meeting in November, we received updates on projects and new developments, all of which supported our drive towards continuously improving our practices to deliver high-quality patient-centred care, safely. The committee also reflected on the fact that Spire Healthcare had recently added the word 'people' to our company purpose; specifically to show that what we do affects not just our patients' lives, but those of their families, friends and wider communities too.

Clinical risk is a standing item on the CGSC's agenda, and I liaise regularly with the chair of the audit and risk committee on this. Our clinical risk profile is active and dynamic, and is constantly under review. We discuss and assess clinical risks nationally, and this filters back to our hospitals, as they each operate their own individual hospital risk registers. Several hospitals undertook internal audits during the year, and this has shown how the culture we have built at Spire Healthcare enables people to speak up about issues, and this helps them work together as a team.

At our meetings, the committee reviews issues that have been raised through our Freedom to Speak Up (FTSU) Guardians. The FTSU initiative has become an important part of our business-as-usual practices at Spire Healthcare, enhancing the oversight of concerns raised, and ensuring that most of them are resolved swiftly and successfully. A review of the initiative was carried out in 2022 by Erica Bowen, our FTSU lead who is an active participant in the National Guardian's Office forums and activities. The review showed that the majority of colleagues feel confident to speak up if necessary, and they appreciate the support of the dedicated FTSU Guardians we have across the organisation.



## Clinical governance and safety committee report continued

**High-quality standards**

Quality continues to be at the centre of our culture and everything we do. It is a key pillar of our updated business strategy, and our Quality Improvement (QI) strategy that was launched last year has gone from strength to strength in 2022. Each hospital has its own QI programme, and we now have a standard QI methodology that has reinforced our quality improvement culture.

Our electronic preoperative assessments solution (ePOA) has also played an important part in our quality improvement. This was the subject of one of the committee's themed reviews during the year, focusing on how our solution has transformed processes that relied on a manual, paper based system to triage and assess, to become a fully digitalised ePOA process. Not only has this standardised patient pathways and made more efficient use of our clinical resources, but it has also helped us adhere to national guidance and ensure patients are pre-optimised ahead of surgery.

Congratulations are due to the in-house team behind ePOA, as the successes of the rollout – saving colleagues time, reducing cancellations, and allowing patients to do so much more from home – were recognised with an award for 'Nursing Practice' at the annual LaingBuisson awards.

The CQC, and regulators in Scotland and Wales, continued their inspections at our hospitals this year, and I am delighted to say we now have 98% of inspected hospitals and clinics rated 'Good' or 'Outstanding' by the CQC or equivalent in Scotland and Wales across the group. A huge thank you is due to so many colleagues for this achievement, and I am grateful for the hard work they have put in.

In particular, my heartfelt thanks go to Alison Dickinson for her outstanding contribution to Spire Healthcare over a number of years. I have witnessed first-hand Alison's absolute commitment to patient safety, and dedication to improving the clinical services we provide, having worked closely with her since 2017 when she was appointed chief nurse, and later group clinical director. She will be retiring from the group in 2023 having played such an influential part in getting us so close to 100% 'Good' or 'Outstanding', and I know I speak for all at Spire Healthcare when I wish her well for the future.

**Integrated governance**

We continue to move towards integrated governance that fully aligns with the NHS Quality Assurance Framework. Our integrated governance report is split across the areas of safe care, effective care, positive experience, well led, and sustainable use of resources, and has been designed to provide a more strategic oversight of governance data. Ensuring that we have the right data to oversee KPIs and monitor trends has been a key priority for our group medical director Cathy Cale, and the committee has benefited greatly from her progress in this area.

**Hospital engagement**

Jenny Kay, Cliff Shearman and I have continued our hospital engagement programme in 2022 – holding Zoom calls with the hospital directors and directors of clinical services at 36 hospitals.

These Zoom calls continued to be very useful and CGSC members have been able to see for themselves how our people are adapting, as everything has gradually returned to more normal ways of working. Support given by the executive team and local hospital management teams remains a major factor in maintaining colleagues' morale and loyalty. However, the national shortages in healthcare professionals are still a concern across the group, as it is for all healthcare providers. International recruitment has helped us fill gaps, while our nursing apprenticeship scheme, one of the largest in our sector, will give us access to a strong group of fresh talent in the coming years.

**Other activities**

Members of the committee are regular attendees at a wide range of briefings, meetings and specialist conferences – in some cases using virtual platforms, but increasingly in person. These events have included local MAC committee meetings and national meetings, such as the safety, quality and risk committee and the national medical professional standards committee. Members have also attended the national theatre managers conference and the national pharmacy managers conference, as well as conferences for directors of clinical services and critical care and cardiology specialists. Along with Jenny Kay and Cliff Shearman, I again attended the national MAC chairs conferences this year.

**Looking ahead**

The committee has functioned well during the year, but we are looking forward to getting out there in the business in 2023, meeting people face-to-face. There is no substitute for touring our hospital facilities, meeting junior front-line colleagues and more senior members of hospital management teams in person, as well as our consultant colleagues.

This engagement will be especially important as we seek to expand our proposition beyond our hospitals into our communities, through smaller outpatient clinics and new GP services. I expect the committee, working alongside Cathy Cale, to be very busy in the coming year as we develop new governance and standards around the expanded business, supporting the integration of new occupational health services, long-term condition management and other services into the group.

I am also looking forward to working closely with Lisa Grant, who will take on Alison's role as group clinical director in March 2023. This will be a big focus for me, as we work together to achieve 100% of inspected hospitals and clinics rated 'Good' or 'Outstanding' by the CQC or equivalent in Scotland and Wales. We are mindful of the new CQC assessment framework for 2023 that emphasises safety cultures that can learn and improve over time, with systems in place that plan and deliver safe, person-centred care. The existing CQC key lines of enquiry are all being retired to be replaced by a set of topic areas and 'quality statements'.

We will work with the CQC to fully understand and comply with these changes, but our approach will be the same. We need to focus on quality as much as we have ever done – keeping everyone on high alert, putting patient safety and experience first, and maintaining our very high clinical standards to make a positive difference to people's lives through outstanding personalised care.

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

1 March 2023



## Audit and risk committee report

“In 2022, the committee focused on the rapidly changing external risk environment, and the resilience of the organisation and finance leadership team.”

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



### 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

7

### Committee membership and attendance at meetings

The Audit and Risk Committee members at the end of 2022 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 2022 |
|--------------------------------------------|------------------------|------------------------------------|--------------------------------------------|
| <b>Adèle Anderson</b><br>(Committee chair) | July 2016              | Independent non-executive director | 7 (7)                                      |
| <b>Martin Angle</b>                        | September 2019         | Senior independent director        | 7 (7)                                      |
| <b>Tony Bourne</b>                         | July 2014              | Independent non-executive director | 7 (7)                                      |
| <b>Dame Janet Husband</b>                  | July 2014              | Vice chair                         | 7 (7)                                      |

Audit and risk committee members' biographies are shown on pages 92 and 94.

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

### 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
- Overseeing the group's procedures for detecting fraud and whistleblowing

As we announced on 14 October 2022, Martin Angle will take over from Adèle Anderson as chair of the company's audit and risk committee from 1 May 2023. Adèle will remain a member of the audit and risk committee until she steps down from the board at the 2023 AGM. Likewise Tony Bourne is retiring from the board at the next AGM and will also step down from the audit and risk committee at the same time. Debbie White and Natalie Ceeney CBE will join the audit and risk committee from 1 May 2023.

**Audit and risk committee report** continued

## 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 2022.

### 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

During 2022, KPMG continued to provide co-sourced internal audit resource to support the internal audit function. The internal audit function carried out audits of five of the more material hospitals in the group. The scopes focused on hospital level financial controls, hospital governance and soft controls. Internal audit carried out central or functional audits to support assurance over principal risk mitigation or areas of high inherent risk eg aspects of information technology, delivery of transformation programme benefits, and corporate governance.

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, 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 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 2022, the director of audit, risk and compliance has the following control functions reporting into him, all approved by the committee: risk management; and the corporate guardian (responsible for the raising concern processes).

The committee also requires KPMG, as the co-source provider of internal audit services, to maintain independence. In 2022, KPMG provided additional services to the group, the most material of which was support with an acquisition financial due diligence. KPMG is required to obtain pre-approval from the chair of the committee prior to undertaking any additional work. In all cases, the committee approved the KPMG engagements and KPMG has reported all additional fees earned to the committee. As fees for acquisition due diligence can be material compared to the internal audit fees, and based on contingent fee arrangements, the committee has required the executive management team to engage with other financial advisors going forward to provide due diligence support.

The 2023 internal audit plan was approved at the November 2022 committee meeting subject to one audit confirmation. The plan is prepared on a risk-focused basis with input from the senior leadership team and non-executive directors. The plan will focus for 2023 on corporate reviews at head office, and involve hospitals where corporate processes interface with hospitals.

### Risk management function

The risk management and internal control report details the changes to the risk environment the group has faced in 2022 (see pages 66 to 76).

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 2022.

In the group's 2022 CQC inspections, the CQC reported back positively on the risk management processes at hospitals. In 2023, the CQC is changing its inspection regime. Risk management has always been part of its 'Key Lines of Enquiry' (KLOEs). Whilst KLOEs will be replaced by a series of Quality Statements, risk management will still be a fundamental part of our regulatory regime because one Quality Statement will focus on how we involve our people to manage risks.

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

Along with the executive management team, the committee has focused more time on the risks, and potential mitigations, that have emerged from the rapidly changing geopolitical and economic environment. The committee agreed with the executive's recommendation to elevate a number of emerging risks to the main principal risk register as reported in summary with the interim financial statements. The new principal risks and emerging risks are discussed in more detail in the risk management and internal control report on pages 66 to 76.

### New financial and internal control reporting requirements

In 2020, the committee received a briefing from the external auditors on the broad range of matters the UK government is consulting 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 received a report from management on the progress of this project in May 2022 and is satisfied that the group is on track to comply with the likely new legislative requirements.

The committee reviewed an internal assessment of its 2021 climate change disclosures as recommended by the Task Force on Climate-Related Financial Disclosures (TCFD) and that became mandatory for premium listed companies in 2021 against good practice as highlighted by the FRC in their July 2022 report. The committee accepted the recommended improvements be reflected in the 2022 TCFD disclosures (see pages 60 to 65).

### 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 77.

**Audit and risk committee report** continued**Other activities in 2022**

In February 2022, the group's chief financial officer, Jitesh Sodha, suffered an injury whilst cycling leaving him in a serious condition. Harbant Samra, group financial controller (subsequently promoted to deputy chief financial officer), took on Jitesh's duties as chief financial officer. Martin Angle and I provided additional support to Harbant to ensure he had sufficient opportunity to draw on our expertise as former chief financial officers. I also worked with the director of audit, risk and compliance to review emergency changes to delegated authorities. The committee is pleased to note that the emergency transition of roles was conducted smoothly.

Prior to the release of the company's 2022 interim results, the committee completed a thorough review of:

- Viability and going concern
- Assessment of goodwill for impairment
- Assessment of property carrying values for impairment
- Assessment of provisions for future liabilities

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 reports on information governance, preparations for external reporting on the Internal control framework over financial reporting (known as UK SOX) and counter fraud initiatives. In October 2022, in addition to the six planned meetings, a further exceptional meeting was held in order to allow the committee to consider certain specific risk mitigation steps relating to areas of software development.

**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 2022. 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 third 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 2022 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
- 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.



## Audit and risk committee report continued

The table below summarises the matters where the most material judgements have been made in relation to reporting in 2022:

| Matters                         | Judgement and estimation required                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | How the committee gained comfort on the matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Improper revenue</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>– Miscoding of procedures by hospitals impacting revenue recorded</li> <li>– Misreporting of other income in the year</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>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <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). The committee noted that the discount factor was within EY's comparative range.</p> <p>The committee has reviewed management's latest assessments in August and November 2022, and again in February 2023. 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 November 2022. 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>– Appropriateness of the determination of a Cash Generating Unit</li> <li>– Forecasts in ongoing capital maintenance</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. This included, where appropriate, establishing the level of confidence management has in its ability to deliver the plan underlying the forecast. The committee noted that the work carried out by the external auditors, Ernst &amp; Young LLP, supported its own findings in this area.</p> |



**Audit and risk committee report** continued

Matters

Judgement and estimation required

How the committee gained comfort on the matter

**Provision for Paterson Public Inquiry costs**

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. Since 2020, the group recognised a charge of £21.6 million to ensure the recommended actions are fully adhered to. It is possible that, as further information becomes available, an adjustment to this provision may be required.

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 2022 year end is appropriate at this time.

**Adjustments to EBITDA ('adjusting items')**

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.

The committee:

- Reviewed in detail each item which was proposed by management to be classified as an adjusting Item
- Assessed whether the proposed approach was consistent with prior periods



## Audit and risk committee report continued

**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**

On 5 September 2022, the Financial Reporting Council's (FRC) corporate reporting review team wrote to the company's non-executive chairman following their review of our annual report and accounts to 31 December 2021. They raised queries over our disclosures on impairment testing and taxation as well as making some observations on other areas of the annual report and accounts for us to take into consideration in preparing this annual report and accounts to 31 December 2022. We engaged positively with the FRC on the queries they raised and on 23 November 2022, the FRC confirmed in writing that they had closed their enquiries.<sup>1</sup>

As a result of the FRC engagement we have agreed to clarify some disclosures related to impairment of goodwill and property values namely:

- Whether a reasonably possible change in the key assumptions would result in the recoverable amount of goodwill being less than the balance sheet carrying amount
- To distinguish those disclosures relating to estimation uncertainty required under IAS 1, where there is a significant risk of a material adjustment in the next financial year, from additional disclosures provided voluntarily
- Where the basis on which a significant improvement in hospital performance was assumed in the value-in-use calculations

The FRC requested further information in respect of our disclosure of a tax adjustment resulting from a sale and leaseback transaction in late 2021. The tax adjustment related to a release of a deferred tax liability. We agreed in future to disclose the fact that the majority of our freehold properties had been acquired by way of business combinations which would explain why they had attracted deferred tax.

We have adopted other points that the FRC raised in their observations. The committee found the review helpful and welcomed the questions and observations made by the FRC.

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 2022 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 2022 is fair, balanced and understandable, and has affirmed that view to the board.

**Our priorities for 2023**

The committee's focus in 2023 will be:

- Cyber security and general IT controls
- Monitoring the organisation's preparations for expected new corporate reporting requirements (including certification of internal controls related to financial reporting and the development of an audit and assurance policy over non-financial information)
- Adequacy of mitigations to areas of evolving and other principal risks
- Assessing risk (i) on the transformation programme and (ii) from macroeconomic factors including in particular work force risk

**Non-audit services and independence**

Ernst & Young LLP provided non-audit services to the group during the year ended 31 December 2022. These services related only to the interim review. Total non-audit service fees amounted to £0.1 million (2021: £0.1 million). All non-audit fees are approved by the committee.

**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
- At each meeting this committee receives a report from Dame Janet Husband on the main activities of the CGSC
- 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 2023 and confirmed that it continued to perform effectively.

As I step down from the board at the next annual general meeting, and as chair of this committee on 1 May 2023, I wish to express my gratitude to my fellow committee members, the wider board and the executive team for their support and engagement over the last seven years.

**Adèle Anderson**

*Chair, Audit and Risk Committee*

1 March 2023

1. The FRC's review does not benefit from detailed knowledge of our business or an understanding of underlying transactions entered into.



## Remuneration committee report

“In spite of the continued challenges, Spire Healthcare has delivered positive performance and has continued to recognise the contribution of all colleagues.”

**Tony Bourne**  
Chair, Remuneration Committee



### 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

# 4

### Committee membership and attendance at meetings

The remuneration committee members at the end of 2022 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/<br>held in 2022 |
|-----------------------------------------|------------------------|-------------------------------------------------|----------------------------------------------|
| <b>Tony Bourne</b><br>(Committee chair) | July 2014              | Independent non-executive director              | 4 (4)                                        |
| <b>Martin Angle</b>                     | March 2019             | Deputy chairman and senior independent director | 4 (4)                                        |
| <b>Jenny Kay</b>                        | June 2020              | Independent non-executive director              | 4 (4)                                        |
| <b>Simon Rowlands</b>                   | October 2020           | Independent non-executive director              | 4 (4)                                        |

Remuneration committee members' biographies are shown on pages 92 and 94.

Tony Bourne and Simon Rowlands will step down from the board at the company's annual general meeting in May 2023.

Natalie Ceeney will become a member of the remuneration committee on her appointment as an independent non-executive director on 1 May 2023 and will chair the committee from 12 May 2023.

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

### 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
- 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.



## Remuneration committee report continued

## Dear shareholder,

This remuneration report includes details of decisions taken by the remuneration committee in respect of 2022, as well as a summary of how we intend to operate the remuneration policy for the coming year. The remuneration structure has been in place since 2014 and remains aligned with mainstream FTSE market and best practice. We are not proposing any major changes to our approach in the coming year.

### Performance in 2022

The uncertain macroeconomic environment has meant that 2022 has been another challenging year but one in which the company delivered positive performance. There has been continued growth in revenue as a result of the management's investment in marketing and sales system for self-funded treatment at a time of sustained rise in levels of demand, and their negotiating attractive new contracts with PMI providers. PMI volume has also returned to pre-pandemic levels.

Revenue growth combined with exceeding the targets of the first phase of the savings and efficiency programme are the key drivers of the strong financial results delivered for the year. This meant that our revenues increased from £1,106.2 million to £1,198.5 million, and our adjusted EBITDA grew 14.2% from £178.2 million to £203.5 million, despite the challenging trading environment.

We are also broadening our own approach to seeing more private patients in the community. We are opening new, smaller clinics, and offering a range of new services that can be delivered remotely or in person within or outside a hospital setting. Our acquisition of The Doctors Clinic Group in late 2022 supports this element of our new strategy, bolstering our GP services, and adding new clinics and corporate clients to our portfolio. This is an exciting development for the group, and one that has scope to broaden our reach to patients.

Maintaining strong quality and safety credentials remain core to our activities and our focus on continuous improvement has resulted in an increase to 98% of our inspected hospitals and clinics rated 'Good' or 'Outstanding' by the CQC (or equivalent in Scotland and Wales). In addition the board has approved a capital investment programme focusing on upgrading imaging, MRI and anaesthetics and we have the long term capability to capitalise on demand and deliver outstanding service to the highest standards.

In recognition of our positive business performance in 2022, the board is proposing to reintroduce dividends for the first time since the start of the pandemic.

### Wider workforce pay

The committee has closely monitored the impact of current economic pressures on our colleagues and regularly seeks input from a wide range of sources including reviewing the annual colleague engagement survey. The committee fully supported management proposals to undertake a series of salary interventions during 2022 to align with the 2021/22 real living wage and to award an exceptional annual salary rise of 5% to the majority of our permanent colleagues. Through these interventions, those colleagues who were on the national minimum wage before April, will have received an increase of up to 16.6% during 2022. The committee determined a 3% salary increase for the executive directors.

There are a number of additional benefits and initiatives available to support colleagues in these challenging times including a pilot of affordable meals for staff to take home for their families, swap shop ideas and forming a 'Helping Hand' community. Our colleagues (including our bank colleagues) also have access to a range of retail discounts through our Spire for You platform.

We have also been working on a new job framework as part of our reward framework project, to give us a simple, consistent and transparent structure with roles categorised into job families by discipline, job and role levels.

### 2022 incentive outcomes

The positive financial and operating performance in the year resulted in bonuses being earned in respect of 2022. The bonus was primarily linked to adjusted EBITDA, free cash flow and individual strategic measures. In 2022, 30% of the maximum bonus for Jitesh Sodha and two members of the executive committee were linked to delivery of critically important savings and efficiency goals. The business outperformed the stretch cost savings target in 2022. While Justin Ash has led the important savings and efficiency plan, his bonus targets for 2022 remained aligned to our traditional bonus plan of adjusted EBITDA (60%), free cash flow (20%) and individual strategic objectives (20%).

The committee evaluated the performance of the chief executive officer and chief financial officer against a number of individual strategic objectives. Following this assessment, the committee was mindful of the agility and exceptional performance demonstrated by the chief executive officer in executing a number of complex strategic initiatives during the year, including the delivery of our strategy in relation to primary care services. These factors were not fully captured in the original objectives set at the start of the year but have scope to create significant value for our shareholders over the longer term. The committee was mindful that the chief executive officer led the achievement of the savings and efficiency goals and had the metrics been aligned to the structure applied to the chief financial officer, his bonus outcome would have been 66%. The committee therefore determined that it would be appropriate to make a modest adjustment to the overall bonus outcome for the chief executive officer from 46.6% to 53.0%.

The overall bonus outcomes for the chief executive officer is 53.0% and chief financial officer is 52.3%. The committee concluded that these outcomes are fully warranted and proportionate relative to the scale of performance delivered.

A portion of the bonuses earned by the executive directors will be deferred into shares for three years to ensure continued alignment with our shareholders (50% for chief executive officer and one-third for chief financial officer). Further detail on the performance criteria for this award are set out on page 111.

The 2020 LTIP awards were based on TSR, financial and operating excellence performance measured to 31 December 2022. During the performance period, the company delivered growth in shareholder value of more than 80% compared to the negative returns delivered by the broader FTSE 250 index over the equivalent period. The company considerably outperformed the upper-quartile of the comparator group and therefore the relative TSR element for the 2020 award will vest in full. The targets for the EPS element were set before the full impact of the pandemic was understood. Like many companies, the financial targets set at this time proved to be unrealistic and therefore this element lapsed. For the operational excellence measures we were delighted to see the regulatory rating objective being met in full with currently 98% of our inspected hospitals rated as 'Good' or 'Outstanding' by the CQC (or the equivalent in Scotland and Wales), and a strong colleague engagement score of 80% despite the business undergoing substantial change. The overall vesting outcome for this award is 73.33% of maximum. Vested awards will be subject to a further two-year holding period.

Remuneration committee report continued

The 2020 awards were granted at a time when there was considerable volatility in the market place. The committee responded to this volatility by granting awards below the policy maximum and using a higher grant price to determine the number of shares under award. Under this alternative approach, the awards granted were equivalent to a grant of c.130% of salary rather than the 200% of salary limit under the policy. In light of this proactive adjustment, and Spire's considerable outperformance of the market over the last three years, no further adjustment has been made to the vesting level. Overall the committee is satisfied that the strong outcomes from this award are supported by both underlying performance and the experience of our shareholders. Further details are set out in the main body of the report.

**Remuneration for 2023**

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. Salary increases normally take effect from September. 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 have reduced from the start of 2023 to 8% from 18% of salary to align with the contribution rate available to the majority of the workforce.

For 2023, the maximum bonus opportunity for executive directors remains unchanged at 150% of salary. For both the executive directors, the performance measures will remain heavily weighted towards the achievement of adjusted EBITDA targets (60%) and the remainder assessed based on free cash flow (20%) and individual strategic objectives (20%).

Given the long-term nature of ESG metrics, these have not been included as individual objectives for the executive directors bonus in 2023 but the committee will continue to track performance against our strategic priorities as part of its normal review of overall performance before determining outcomes following the year end. The LTIP will continue to have measures linked to operational excellence. Ahead of the renewal of the remuneration policy at the annual general meeting in 2024 the committee will review how ESG targets can be included in incentive arrangements.

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 performance measures and their respective weightings remain unchanged from 2022. The ROCE targets have been increased to reflect our strategic ambition. The committee has reviewed the operational excellence targets and amended the target employee engagement achievement from 79% to 80% to align with the 2022 engagement score. The committee remains comfortable that the objectives are challenging, taking into account wider industry norms and the continued enhancements in the expectations of our regulators.

Having served three terms of three years, I will be stepping down from the board at the AGM. During my tenure, the remuneration committee has sought to take a responsible and measured approach to pay. We have regularly communicated with our major shareholders regarding key decisions, and we have valued this dialogue. I would like to take this opportunity to thank our shareholders for their support of our remuneration arrangements since the IPO in 2014. We look forward to your continued support at our annual general meeting in May.

If you have any questions about this year's directors' remuneration report, please contact me via [companysecretary@spirehealthcare.com](mailto:companysecretary@spirehealthcare.com).

**Tony Bourne**  
*Chair, Remuneration Committee*

1 March 2023

**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 2023

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 2023.

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 2023                                                                                                                                                                                           |
|----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <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.<br><br>Both executive directors will continue to be eligible for private medical cover, life assurance, health assessment, income protection cover and a car allowance from January 2023. |
| <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.                                                                                                                                                                            | From 1 January 2023, retirement benefits for incumbent executive directors reduced to 8% to align with the wider workforce level.                                                                                 |

### Remuneration element

### Summary of policy

### Implementation for 2023

#### Performance-related pay

#### Annual bonus

The annual bonus incentivises and rewards the achievement of annual financial, operational and individual strategic 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.– Awards are subject to malus and clawback
- Policy maximum: 150% of salary

- 2023 maximum: 150% of salary
- 2023 bonus: adjusted EBITDA (60%), free cash flow (20%) and individual strategic measures (20%)

Our practice has been to defer a portion of bonus for three years and for 2023 this will continue to be 50% of bonus for Justin Ash and one-third of bonus for Jitesh Sodha. 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 2023 directors' remuneration report.



## Remuneration policy report continued

## Summary of remuneration policy and approach for 2023 continued

| Remuneration element      | Summary of policy                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Implementation for 2023                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                             |           |                |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------|----------------|
| Performance-related pay   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                             |           |                |
| 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 (eg major acquisition or disposal; change to accounting standards)</li></ul> | 2023 LTIP grants: 200% of salary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                             |           |                |
|                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Performance will be measured from 1 January 2023 to 31 December 2025. Measures and targets will be as follows:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                             |           |                |
|                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 25% vests                   | 50% vests | 100% vests     |
|                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Relative TSR (35%)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Median                      | –         | Upper quartile |
|                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | ROCE (35%)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 7.3%                        | 8.6%      | 10.0%          |
| Regulatory ratings (15%)  | 84% Achieve 'Good' or above                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 88% Achieve 'Good' or above                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 94% Achieve 'Good' or above |           |                |
| Employee engagement (15%) | 76%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 80%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 82%                         |           |                |
|                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <ol style="list-style-type: none"><li>1. Straight-line vesting between points shown.</li><li>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 as at 31 December 2025.</li><li>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.</li></ol> |                             |           |                |

| Remuneration element           | Summary of policy                                                                                                                                                                                                                                                                                                                                | Implementation for 2023                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Further details</b>         |                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Shareholding guidelines</b> | Executive directors are expected to build up and maintain a shareholding equivalent to twice their respective base salary. 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. | – No change to approach for 2023.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Non-executive directors</b> | Fees are appropriate to ensure that non-executive directors are paid to reflect the individual responsibility taken as well as skills and experience. Benefits may be provided to non-executive directors including travel and other reasonable expenses incurred in the course of performing their duties.                                      | <p>Fees for 2023 as follows:</p> <ul style="list-style-type: none"> <li>Non-executive chairman: £230,000</li> <li>Deputy chairman: £150,000</li> <li>Senior independent director: £75,000</li> <li>Vice chair: £100,000</li> <li>Basic fee for independent non-executive directors: £56,650</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> </ul> <p>Martin Angle, Deputy Chairman, will not receive a fee to chair the audit and risk committee when he takes over the role from Adèle Anderson on 1 May 2023.</p> |



# Annual report on remuneration

## 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 2022. This comprises the total remuneration in respect of the full year from 1 January 2022 to 31 December 2022.

| (£000)                              | Justin Ash     |         | Jitesh Sodha   |         |
|-------------------------------------|----------------|---------|----------------|---------|
|                                     | 2022           | 2021    | 2022           | 2021    |
| Salary                              | 630.5          | 624.2   | 424.2          | 420.0   |
| Benefits                            | 10.3           | 7.1     | 20.3           | 16.9    |
| Retirement benefits                 | 113.5          | 112.4   | 76.4           | 75.6    |
| <b>Total fixed pay</b>              | <b>754.3</b>   | 743.7   | <b>520.9</b>   | 512.5   |
| Annual bonus <sup>2</sup>           | 496.2          | 453.2   | 329.5          | 342.7   |
| Long-term incentives <sup>3,4</sup> | 1,658.5        | 932.4   | 1,065.2        | 598.9   |
| <b>Total variable pay</b>           | <b>2,154.7</b> | 1,385.6 | <b>1,394.7</b> | 941.6   |
| <b>Total</b>                        | <b>2,909.0</b> | 2,129.3 | <b>1,915.6</b> | 1,454.1 |

- Both Justin Ash and Jitesh Sodha received a 3% increase in their salaries from 1 September 2022.
- 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 2020 LTIP awards. These awards are due to vest during 2023. For the purposes of this table, the value of awards is based on the average share price during the final quarter of 2022 (220p). The 2020 LTIP awards were made based on a grant price at share price of £0.897 on 6 April 2020. Based on the average share price of last quarter of 2022 of £2.20, there has been a 145% share price growth during the three year performance period. Therefore, 59% of the value shown is attributable to share price appreciation.
- The 2019 LTIP awards have been restated to reflect the actual share price on vesting, which was 246p.

## Additional notes to the table

### Salary

Taking into account the impact of the wider macroeconomic trends on colleagues, salary increases of 5% were awarded to the majority of permanent colleagues. The salary increase for the senior leadership team was set at a lower rate than for the wider workforce. Both Justin Ash and Jitesh Sodha received a 3% increase in their salaries from 1 September 2022.

The salaries for the executive directors following 1 September 2022 increase were:

- Justin Ash's salary is £642,952
- Jitesh Sodha's salary is £432,600

### 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 received 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. From the 1 January 2023 this has reduced to 8% of base salary to align with the wider workforce.

The previous retirement benefit of 18% was consistent with benefit levels offered to other senior executives in the business.

## Annual bonus

For the 2022 financial year, the maximum bonus opportunity for Justin Ash and Jitesh Sodha was 150% of base salary. Justin's bonus award was based 60% on EBITDA, 20% on Free Cash Flow and 20% assessed against individual strategic objectives. Taking into account the importance of the transformation objectives in 2022, Jitesh's bonus award was based 30% on transformation objectives, 40% on EBITDA, 10% on Free Cash Flow and 20% on individual strategic objectives.

All bonuses in the group, including those payable to executive directors, were subject to a minimum EBITDA trigger of £165m and a minimum quality trigger. Both of these hurdles were achieved for 2022, 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 2022 were as follows:

|                                      | 0% of element | 50% of element | 100% of element | Outcome | Outcome (% of element) |
|--------------------------------------|---------------|----------------|-----------------|---------|------------------------|
| <b>EBITDA</b>                        |               |                |                 |         |                        |
| (CEO – 60%; CFO – 40%)               | £178.2m       | £214.2m        | £220.8m         | £203.5m | 35.1%                  |
| <b>Free Cash Flow</b>                |               |                |                 |         |                        |
| (CEO – 20%; CFO – 10%)               | £15m          | £35m           | £55m            | £28m    | 32.5%                  |
| <b>Transformation – cost savings</b> |               |                |                 |         |                        |
| (CFO only – 30%)                     | £10m          | £12.75m        | £15.5m          | >£15.5m | 83.33%*                |

\* Although, actual cost savings for 2022 exceeded the maximum, the outcome for this element was adjusted to 83.3% of maximum for the chief financial officer.

The assessment of the financial measures therefore resulted in an outcome of 27.6% for the chief executive officer and 42.3% for the chief financial officer of the overall bonus.



## Annual report on remuneration continued

For 2022, the strategic element comprised 20% of the overall bonus and was centred around the achievement of the areas of focus noted in the table below. The outcome for the chief executive officer fairly reflects the outstanding contribution made during the year, including progress towards a number of key strategic initiatives.

| Area of focus                                                                                                                         | Progress and achievements during the year                                                                                                                                                                      | Outcome |
|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| <b>Chief executive officer</b>                                                                                                        |                                                                                                                                                                                                                |         |
| 1. Deliver year one Transformation Programme savings.                                                                                 | Spire Healthcare's efficiency programmes have delivered savings in excess of £15.5m in 2022 in spite of inflationary pressures.                                                                                | 5/5     |
| 2. Develop a five-year strategy to be presented at the Capital Markets Day, and delivery of year one strategy.                        | The five-year strategy was well received at the Capital Markets Day with positive feedback from investors. The Doctors Clinic Group acquisition was completed in 2022.                                         | 5/5     |
| 3. Progress quality improvement strategy delivering against key in-year priorities.                                                   | Fully implemented improved integrated quality governance reporting and learning from Ward to Board Level.                                                                                                      | 5/5     |
| 4. Implement 2022 digitalisation programme                                                                                            | Strong progress delivered in year with rollout across Spire Healthcare of the electronic pre-operative assessment tool, Order Communications, and Spire Diabetes Care.                                         | 4/5     |
| <b>Total bonus achieved against individual strategic targets</b>                                                                      |                                                                                                                                                                                                                | 19%     |
| <b>Chief financial officer</b>                                                                                                        |                                                                                                                                                                                                                |         |
| 1. Execute on divestment of Spire Sussex Hospital, and integrate and deliver the year one plan for The Claremont Hospital acquisition | Successful completion of Spire Sussex Hospital divestment and delivery of year one Claremont acquisition on plan.                                                                                              | 4/4     |
| 2. Develop and agree ESG strategy including vision, targets and deliver 2022 initiatives                                              | Spire Healthcare developed and delivered an ESG strategy at Capital Markets Day. The outcome recognises that during the year this initiative was primarily led by other members of the senior leadership team. | 0/5     |
| 3. Deliver 2022 digitalisation programme                                                                                              | Strong progress delivered in year with rollout across Spire Healthcare of the electronic pre-operative assessment tool, Order Communications, and Spire Diabetes Care.                                         | 4/6     |
| 4. Develop and pilot a share ownership model for consultants                                                                          | The initiative was diligently explored and researched however, due to regulatory constraints, could not be implemented.                                                                                        | 2/5     |
| <b>Total bonus achieved against individual strategic targets</b>                                                                      |                                                                                                                                                                                                                | 10%     |

Based on the assessment above, the outcome is 46.6% of the maximum bonus for the chief executive officer and 52.3% of maximum for the chief financial officer.

As noted in the remuneration committee chair's statement, the committee was mindful that the chief executive officer led the achievement of the savings and efficiency goals, and had his bonus been more strongly aligned to the delivery of these crucial objectives, his bonus outcome would have been 66%.

In light of this and the chief executive officer's delivery of key new strategy on primary care, the committee determined that it would be appropriate to make a modest adjustment to the overall bonus outcome for the chief executive officer from 46.6% to 53.0%.

Taking into account overall performance during the year and recognition of the efforts, the remuneration committee is satisfied that the outcomes are appropriate.

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 2020 ended on 31 December 2022. 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 retrospective basis in the 2020 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) (40%) | n/a               | Median <sup>1</sup>                      |                             | Upper quartile              | Above Upper quartile        | 40.0%              |
| Adjusted EPS – outcome for 2022 (20%)              | 5.0p <sup>1</sup> | 6.25p                                    | 7.5p                        | 11.0p                       | Below threshold             | 0%                 |
| Regulatory rating (20%)                            | n/a               | 80% achieve 'Good' or above <sup>1</sup> | 85% achieve 'Good' or above | 90% achieve 'Good' or above | 98% achieve 'Good' or above | 20.0%              |
| Employee engagement (20%)                          | n/a               | 76% <sup>1</sup>                         | 79%                         | 82%                         | 80%                         | 13.33%             |
|                                                    |                   |                                          |                             |                             |                             | 73.33%             |

1. There is no vesting for performance below these levels.
2. There is straight-line vesting between the points shown.

The targets for 2020 awards were set at the outset of the pandemic when the impact on the business was not fully understood and there was limited visibility on financial performance over the three years. While the EPS threshold was not achieved, in practice the business has performed strongly over the period, as reflected in the strong relative TSR performance and the achievement against the operational excellence measures.

The 2020 awards were granted at a time when there was considerable volatility in the market, with the share price dropping as low as 52.55p in mid-March 2020. In response to this volatility, the remuneration committee firstly maintained grant levels at 150% of salary for a second consecutive year (below the 200% of salary limit under the Remuneration Policy), and secondly granted awards based on a higher 30-day average share price of 89.7p. When valued at the normal five-day average price prior to grant (77.6p), the face value of the award was equivalent to c.130% of salary.



## Annual report on remuneration continued

Over the performance period, the company delivered total shareholder return of 82%, compared to a performance of -12% for the median for the comparator group. The average share price during the final quarter of the performance period was 220p. This share price is also considerably higher than the average share price of 121p during 2019, before the onset of the pandemic. The committee was therefore satisfied that the business had delivered very significant value for our shareholders over the period.

In light of the proactive adjustment to award levels at grant, and the fact that Spire Healthcare has considerably outperformed the market over the performance period, no further adjustment has been made to the vesting level. Overall the committee is satisfied that the strong outcomes from this award are supported by both underlying performance and the experience of our shareholders.

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 14 March 2022. 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 2024. The maximum award granted to executive directors was equivalent to 200% of base salary. 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 2022 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>                        | 7.3%                        | 9.6%                        |
| Regulatory Ratings (15%) <sup>4</sup>         | 84% achieve 'Good' or above <sup>1</sup> | 88% achieve 'Good' or above | 94% 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 2024.

3. The remuneration committee may adjust targets in certain circumstances (eg 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 2022, 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) | 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          |
|              |                                                           | 14 March 2022 | 543,750          | £2.296      | £1,248,450                       | 31 December 2024          |
| Jitesh Sodha | Conditional Share Award (in the form of nil-cost options) | 6 April 2020  | 660,289          | £0.897      | £592,500                         | 31 December 2022          |
|              |                                                           | 18 April 2021 | 447,843          | £1.641      | £735,000                         | 31 December 2023          |
|              |                                                           | 14 March 2022 | 365,853          | £2.296      | £840,000                         | 31 December 2024          |

- The face value of awards made in 2022 was equivalent to 200% of base salary. The share price used to determine the number of shares under the 2022 award was based on the average of the mid-market quotation at close of business over the five trading days ending on 12 March 2022 (229.6p). The face value of awards made in 2020 and 2021 were equivalent to 150% and 175% of base salary respectively.
- The 2022 awards are subject to relative TSR, ROCE performance and Operational Excellence conditions. The 2020 and 2021 awards are also subject to TSR, EPS and Operational Excellence conditions. Further detail on specific targets is set out in the 2020 and 2021 Directors' Remuneration Reports.

The following table provides details of all outstanding awards, as at 31 December 2022, 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 shares 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                  |
|              |                                                           | 25 March 2019 | 694,444                             | 321,181                 | 373,263                                     | 25 March 2024                  |
| Jitesh Sodha | Conditional Share Award (in the form of nil-cost options) | 28 March 2018 | 414,219                             | 335,932                 | 78,287                                      | 28 March 2023                  |
|              |                                                           | 25 March 2019 | 446,025                             | 206,287                 | 239,738                                     | 25 March 2024                  |



## Annual report on remuneration continued

The following table provides details of awards granted to the executive directors during 2022 under the Deferred Share Bonus Plan, which relate to bonuses payable in respect of 2021 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) | 14 March 2022 | 95,007           | £2.385      | £226,592            |
| Jitesh Sodha | Conditional Share Award (in the form of nil-cost options) | 14 March 2022 | 47,420           | £2.385      | £113,571            |

These awards will be released in 2025, 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   | 26 April 2022 | 1,818            | £1.98        | 1 June 2025 and 30 November 2025 |
| Jitesh Sodha | 26 April 2022 | 1,818            | £1.98        | 1 June 2025 and 30 November 2025 |

## 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 2022.

| (£000)                                     | 2022 Fees    | 2022 Benefits <sup>1</sup> | 2022 Total   | 2021 Fees    | 2021 Benefits <sup>1</sup> | 2021 Totals  |
|--------------------------------------------|--------------|----------------------------|--------------|--------------|----------------------------|--------------|
| Sir Ian Cheshire <sup>2</sup>              | 230.0        | 0.9                        | 230.9        | 155.9        | —                          | 155.9        |
| Adèle Anderson                             | 65.6         | 4.5                        | 70.1         | 65.0         | —                          | 65.0         |
| Martin Angle                               | 150.0        | 10.5                       | 160.5        | 150.0        | 2.1                        | 152.1        |
| Paula Bobbett <sup>3</sup>                 | 9.4          | —                          | 9.4          | —            | —                          | —            |
| Tony Bourne                                | 65.6         | —                          | 65.6         | 65.0         | —                          | 65.0         |
| Professor Dame Janet Husband               | 71.2         | 6.9                        | 78.1         | 70.0         | 2.9                        | 72.9         |
| Jenny Kay                                  | 55.6         | —                          | 55.6         | 55.0         | —                          | 55.0         |
| Simon Rowlands                             | 54.7         | —                          | 54.7         | 50.0         | —                          | 50.0         |
| Professor Cliff Shearman                   | 55.6         | 1.3                        | 56.9         | 55.0         | —                          | 55.0         |
| 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        |
| <b>Total</b>                               | <b>807.7</b> | <b>24.1</b>                | <b>831.8</b> | <b>849.5</b> | <b>5.8</b>                 | <b>855.3</b> |

- 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.
- Paula Bobbett was appointed an independent non-executive director on 1 November 2022.
- 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.



## Annual report on remuneration continued

## Non-executive directors

There was a 3% increase to the independent non-executive directors' basic fees from 1 September 2022. This was the first increase since 2017. 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<br>Proportion of shareholding guideline achieved <sup>1</sup> |
|--------------------------------|---------------------------|---------------------------|--------------------------------------------------------------------------|
|                                | As at<br>31 December 2022 | As at<br>31 December 2021 |                                                                          |
| <b>Non-executive chairman</b>  |                           |                           |                                                                          |
| Sir Ian Cheshire               | <b>8,846</b>              | —                         |                                                                          |
| <b>Executive directors</b>     |                           |                           |                                                                          |
| Justin Ash                     | <b>418,962</b>            | 394,654                   | 153.7%                                                                   |
| Jitesh Sodha                   | <b>53,802</b>             | 50,500                    | 80.5%                                                                    |
| <b>Non-executive directors</b> |                           |                           |                                                                          |
| Adèle Anderson                 | <b>9,582</b>              | 9,582                     |                                                                          |
| Martin Angle                   | —                         | —                         |                                                                          |
| Paula Bobbett <sup>2</sup>     | —                         | —                         |                                                                          |
| Tony Bourne                    | <b>11,904</b>             | 11,904                    |                                                                          |
| Professor Dame Janet Husband   | <b>10,231</b>             | 10,231                    |                                                                          |
| Jenny Kay                      | <b>4,911</b>              | —                         |                                                                          |
| Simon Rowlands                 | <b>786,516</b>            | 786,516                   |                                                                          |
| Professor Cliff Shearman       | —                         | —                         |                                                                          |
| Dr. Ronnie van der Merwe       | —                         | —                         |                                                                          |

1. Calculated based upon the closing share price on 31 December 2022 of 228.0 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. Paula Bobbett was appointed an independent non-executive director on 1 November 2022. She did not hold any shares in the company on appointment.

There have been no changes to directors' shareholdings between 31 December 2022 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 2022. 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               | —                                                               | —                                                           | —                                                               | —                                                             |
| <b>Executive directors</b>     |                                                                 |                                                             |                                                                 |                                                               |
| Justin Ash                     | 1,818                                                           | 2,237,402                                                   | 363,091                                                         | 482,137                                                       |
| Jitesh Sodha                   | 1,818                                                           | 1,473,985                                                   | 162,197                                                         | 318,025                                                       |
| <b>Non-executive directors</b> |                                                                 |                                                             |                                                                 |                                                               |
| Adèle Anderson                 | —                                                               | —                                                           | —                                                               | —                                                             |
| Martin Angle                   | —                                                               | —                                                           | —                                                               | —                                                             |
| Paula Bobbett <sup>5</sup>     | —                                                               | —                                                           | —                                                               | —                                                             |
| 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 unvested.
4. Consists of grants under the LTIP that have vested and currently subject to a two-year holding period.
5. Paula Bobbett was appointed an independent non-executive director on 1 November 2022.



## Annual report on remuneration continued

## Letters of appointment

| Non-executive director                | Date of appointment | Notice period | Date of expiry             |
|---------------------------------------|---------------------|---------------|----------------------------|
| Adèle Anderson <sup>1</sup>           | 28 July 2016        | 2 months      | No later than 30 June 2025 |
| Martin Angle                          | 14 March 2019       | 3 months      | No later than 30 June 2024 |
| Paula Bobbett <sup>2</sup>            | 1 November 2022     | 2 months      | No later than 30 June 2025 |
| Tony Bourne <sup>1</sup>              | 24 June 2014        | 2 months      | No later than 30 June 2023 |
| Sir Ian Cheshire                      | 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 2025 |
| Simon Rowlands <sup>1,3</sup>         | 24 June 2014        | 2 months      | No later than 30 June 2023 |
| Professor Cliff Shearman              | 1 October 2020      | 2 months      | No later than 30 June 2023 |
| Dr. Ronnie van der Merwe <sup>4</sup> | 24 May 2018         | n/a           | No later than 30 June 2024 |
| Debbie White <sup>5</sup>             | 1 February 2023     | 2 months      | No later than 30 June 2025 |

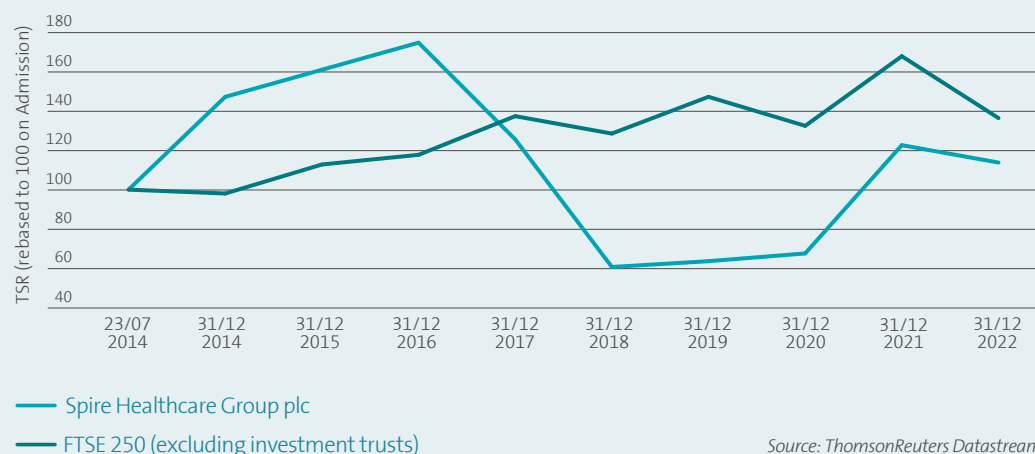
1. Adèle Anderson, Tony Bourne and Simon Rowlands will not seek re-election by shareholders at the company's annual general meeting on 11 May 2023 and will step down from the board on that date.
2. Paula Bobbett was appointed an independent non-executive director on 1 November 2022.
3. Simon Rowlands appointment was renewed for a further one-year period during 2022.
4. 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.
5. Debbie White was appointed an independent non-executive director on 1 February 2023. She will become the company's senior independent director from 12 May 2023.

## 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 2023. 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    | 2022    |
|---------------------------------------------------------------------|---------|---------|-------|-------|-------|---------|---------|---------|---------|
| 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 | 2,129.3 | 2,909.0 |
| Annual bonus payout (% of maximum)                                  | 34%     | 0%      | 0%    | 0%    | 0%    | 30%     | 35%     | 48.4%   | 53.0%   |
| LTIP vesting (% of maximum) <sup>3</sup>                            | n/a     | n/a     | n/a   | n/a   | n/a   | n/a     | 18.9%   | 53.75%  | 73.33%  |

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 the 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 report on remuneration continued

## 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). Given the small number of people employed by the Spire Healthcare Group plc entity, data for all employees of the group has been included.

|                                | 2022                          |                             |                                    | 2021                          |                             |                                    | 2020                          |                             |                                    |
|--------------------------------|-------------------------------|-----------------------------|------------------------------------|-------------------------------|-----------------------------|------------------------------------|-------------------------------|-----------------------------|------------------------------------|
|                                | Salary/fee<br>FY22 vs<br>FY21 | Benefits<br>FY22 vs<br>FY21 | Annual<br>Bonus<br>FY22 vs<br>FY21 | Salary/fee<br>FY21 vs<br>FY20 | Benefits<br>FY21 vs<br>FY20 | Annual<br>Bonus<br>FY21 vs<br>FY20 | Salary/fee<br>FY20 vs<br>FY19 | Benefits<br>FY20 vs<br>FY19 | Annual<br>Bonus<br>FY20 vs<br>FY19 |
| <b>Chairman</b>                |                               |                             |                                    |                               |                             |                                    |                               |                             |                                    |
| Sir Ian Cheshire <sup>1</sup>  | 0%                            | 100%                        | —                                  | —                             | —                           | —                                  | —                             | —                           | —                                  |
| Garry Watts <sup>2</sup>       | —                             | —                           | —                                  | —                             | —                           | —                                  | (4.5)%                        | (61.7)%                     | —                                  |
| <b>Executive directors</b>     |                               |                             |                                    |                               |                             |                                    |                               |                             |                                    |
| Justin Ash                     | 1.0%                          | 45.1%                       | 9.5%                               | 1.0%                          | 2.9%                        | 40.4%                              | (4.5)%                        | (0.1)%                      | 16.7%                              |
| Jitesh Sodha                   | 1.0%                          | 20.1%                       | (3.6)%                             | 5.8%                          | 0%                          | 65.2%                              | (4.5)%                        | 0%                          | 16.7%                              |
| <b>Non-executive directors</b> |                               |                             |                                    |                               |                             |                                    |                               |                             |                                    |
| Adèle Anderson                 | 0.9%                          | —                           | —                                  | 0%                            | —%                          | —                                  | 0%                            | (100.0)%                    | —                                  |
| Martin Angle                   | 0%                            | 400.0%                      | —                                  | 0%                            | (64.4)%                     | —                                  | 0%                            | (59.0)%                     | —                                  |
| Paula Bobbett <sup>3</sup>     | 0%                            | —                           | —                                  | —                             | —                           | —                                  | —                             | —                           | —                                  |
| Tony Bourne                    | 0.9%                          | —                           | —                                  | 0%                            | —%                          | —                                  | 0%                            | (86.5)%                     | —                                  |
| Dame Janet Husband             | 1.7%                          | 137.9%                      | —                                  | 0%                            | (60.3)%                     | —                                  | 0%                            | (67.6)%                     | —                                  |
| Jenny Kay                      | 1.1%                          | —                           | —                                  | 0%                            | —%                          | —                                  | 0%                            | (100)%                      | —                                  |
| Simon Rowlands                 | 9.4%                          | —                           | —                                  | 0%                            | —                           | —                                  | 0%                            | —                           | —                                  |
| Professor Cliff Shearman       | 1.1%                          | 100.0%                      | —                                  | —                             | —                           | —                                  | —                             | —                           | —                                  |
| Dr. Ronnie van der Merwe       | 0%                            | —                           | —                                  | 0%                            | —                           | —                                  | 0%                            | —                           | —                                  |
| <b>Average employee</b>        | <b>4.4%</b>                   | <b>11.8%</b>                | <b>(1.4)%</b>                      | 2.3%                          | 11.2%                       | 4.4%                               | 5.3%                          | 2.7%                        | 75.7%                              |

1. Sir Ian Cheshire was appointed chairman-designate on 4 March 2021. To provide a meaningful comparison of percentage increase his fee received as chairman for 2022 has been considered on a full-time equivalent basis.

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

3. Paula Bobbett was appointed an independent non-executive director on 1 November 2022. To provide a meaningful comparison of percentage increase her fee for 2022 has been considered on a full-time equivalent basis.

## Relative importance of spend on pay

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.

| £(m)                          | 2022   | 2021  | % change |
|-------------------------------|--------|-------|----------|
| Total remuneration            | 418.4m | 397.6 | 5.2      |
| Distributions to shareholders | 0      | 0     | —        |

## CEO pay ratio for 2022

| Year | Method | CEO                | P25 (LQ)   | P50 (Median) | P75 (UQ) |
|------|--------|--------------------|------------|--------------|----------|
| 2019 | A      | Base salary        | £615,000   | £18,085      | £25,573  |
|      |        | Total remuneration | £1,010,112 | £20,065      | £28,487  |
|      |        | Pay Ratio          | n/a        | 50:1         | 35:1     |
| 2020 | A      | Base salary        | £587,325*  | £18,013      | £24,256  |
|      |        | Total remuneration | £1,251,684 | £20,519      | £27,893  |
|      |        | Pay Ratio          | n/a        | 61:1         | 45:1     |
| 2021 | A      | Base salary        | £624,225   | £19,285      | £23,529  |
|      |        | Total remuneration | £2,096,781 | £22,712      | £31,798  |
|      |        | Pay Ratio          | n/a        | 92:1         | 66:1     |
| 2022 | A      | Base salary        | £630,467   | £21,198      | £29,488  |
|      |        | Total remuneration | £2,908,962 | £23,800      | £32,810  |
|      |        | Pay Ratio          | n/a        | 122:1        | 89:1     |

\* 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.

Spire Healthcare has compared the total remuneration of the chief executive officer to UK employees for the 12 months ending 31 December 2022 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 2022.

The Company's principles for pay setting and progression in our wider workforce are the same as for our executives which form a total reward proposition which is competitive to attract and retain the highest quality of talent in a difficult market, whilst providing opportunities for development and career progression.

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.



## Annual report on remuneration continued

The pay for the chief executive officer is by design intended to have a larger proportion linked to performance-based variable pay, and therefore the pay ratio would be expected to vary year-on-year and be higher in years when the business performs well. The primary driver for the increase in the pay ratio for 2022 is the 2020 LTIP vesting for the chief executive officer. For 2022, 59% of the value reported for the chief executive officer's LTIP is directly attributable to share price growth. Removing the impact of the share price growth on the 2020 LTIP would reduce the median CEO to employee ratio to 59:1. In contrast excluding the impact of share price on the 2021 figure would reduce the median pay ratio from 66 to c 53.

For colleagues, year-on-year changes in remuneration are principally driven by the exceptional annual salary review of 5% (vs 3% for executive directors) and the additional interventions taken throughout the year to align colleagues to the 2021/2022 voluntary Real Living Wage.

**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 2022.
- Options A is selected as it is considered to provide the most transparent approach to calculation
- The Doctors Clinic Group is excluded from the 2022 calculation as they were not part of Spire for all of the year
- 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 2022
- In accordance with the Regulations, employees and bank workers have been included, whilst Non-Executive directors, contractors and medical consultants we contract with in our hospitals and clinics have not been included
- A total of 12,974 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 2022 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 2022 is included in the total remuneration figure including the portion deferred into share

**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 £65,750 (2021: £45,250). During 2022, 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, group human resources director and company secretary 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 2022 annual general meeting**

The following table sets out the voting in respect of the resolutions to approve the company's directors' remuneration policy and 2021 directors' remuneration report put to shareholders at the company's annual general meeting held on 11 May 2022:

| Resolution at 2022 AGM                          | Votes for   | % of vote | Votes against | % of vote | Votes withheld |
|-------------------------------------------------|-------------|-----------|---------------|-----------|----------------|
| Approve the 2021 Directors' Remuneration Report | 345,732,512 | 99.32%    | 2,369,832     | 0.68      | 8,649          |
| 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          |

This report on directors' remuneration will be put to an advisory vote at the annual general meeting on 11 May 2023. 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 and 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 1 March 2023.

Details of all resolutions passed at the annual general meeting held on 11 May 2022 can be found on page 90.

**Tony Bourne**

*Chair, Remuneration Committee*

1 March 2023



# 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 2022.

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 83 and the directors' remuneration report on pages 112 to 119, 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 engagement with stakeholders on page 40 and sustainability on page 46
- Employees, which can be found in our strategy on page 25 and engaging with stakeholders on page 37
- The corporate governance report on pages 85 to 90
- Our strategy on pages 18 to 32

A description of the group's exposure and management of risks is provided in the strategic report on pages 66 to 76.

Information regarding the company's gender pay gap reporting and charitable donations can be found in sustainability on pages 54 to 55.

## 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 2023. Full details of shareholder attendance at the meeting will be provided in the 2023 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 2022 annual report and financial statements, approve a final dividend, approve the directors' remuneration report, elect or re-elect 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

The directors recommend the payment of a final dividend in respect of the year ended 31 December 2022 of 0.5 pence per ordinary share. Subject to shareholders approving the recommendation at the annual general meeting, the final dividend will be paid on 23 June 2023 to shareholders on the register as at 26 May 2023.

## Board of directors

The following changes were made to the board of directors between 1 January 2022 and signing of this report:

- Paula Bobbett was appointed an independent non-executive director on 1 November 2022
- Debbie White was appointed an independent non-executive director on 1 February 2023

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 92 and 94.

Further information on the contractual arrangements of the executive directors is given on pages 110 and 111. 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 88 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 strategy on pages 25 to 27 and engagement with stakeholders on page 37.

## Statement regarding fostering relationships with suppliers, customers and others

Explanation of how the directors have fostered the company's business relationships with suppliers, customers, employees and others, and taken each group into account when making principal decisions can be found under engagement with stakeholders on pages 36 to 41.



## Directors' report continued

**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 404,109,295 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 26,704 ordinary shares of 1 pence each (2021: 239,283). Further details can be found in note 21 on page 153.

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 Guidance 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 153. 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 153.

**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 2023 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 116.

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 1 March 2023, 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                 | 18.1        |
| 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
- 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 112 to 119. 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.

**Directors' report** continued**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 2022 at the references set out above.

| Information required                  | Location in annual report 2022                  |
|---------------------------------------|-------------------------------------------------|
| Long-term incentive schemes           | Directors' Remuneration Report pages 112 to 119 |
| Equity securities allotted for cash   | Note 21 on page 153                             |
| Parent and subsidiary undertakings    | Note 16 on page 150                             |
| Subsisting significant agreements     | Page 121                                        |
| Controlling shareholder relationships | Page 121                                        |

**Financial risk**

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

**Events after the reporting period**

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

**Going concern**

The group has undertaken extensive activity to identify plausible risks which may arise and mitigating actions. Further information on these is provided in the section on viability above. Based on the current assessment of the likelihood of these risks arising by 31 March 2024 together with their assessment of the planned mitigating actions being successful, the directors have concluded that it is appropriate to prepare the accounts on a going concern basis. See note 2 – Basis of Preparation in the financial statements for more detail.

**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
- 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*

1 March 2023



## 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
- 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
- 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*

1 March 2023

**Jitesh Sodha**  
*Chief Financial Officer*

1 March 2023



# Independent auditor's report

## Opinion

In our opinion:

- Spire Healthcare Group plc's group financial statements and parent company financial statements (the 'financial statements') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended
- The group financial statements have been properly prepared in accordance with UK adopted international accounting standards
- The parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006

We have audited the financial statements of Spire Healthcare Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise:

| Group                                                                                                     | Parent company                                                                                             |
|-----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| Consolidated balance sheet as at 31 December 2022                                                         | Balance sheet as at 31 December 2022                                                                       |
| Consolidated income statement for the year then ended                                                     | Statement of changes in equity for the year then ended                                                     |
| Consolidated statement of comprehensive income for the year then ended                                    | Statement of cash flows for the year then ended                                                            |
| Consolidated statement of changes in equity for the year then ended                                       | Related notes C1 to C13 to the financial statements including a summary of significant accounting policies |
| Consolidated statement of cash flows for the year then ended                                              |                                                                                                            |
| Related notes 1 to 33 to the financial statements, including a summary of significant accounting policies |                                                                                                            |

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- The audit engagement partner and senior team members directed and supervised the audit procedures on going concern, in particular assessing the going concern models, assumptions therein and the result of stress testing scenarios
- In conjunction with our walkthrough of the group's financial close process, we confirmed our understanding of management's going concern assessment process and also engaged with management early to ensure all key factors were considered in its assessment
- In obtaining an understanding of management's rationale for the use of the going concern basis of accounting we have challenged the completeness of the assessment by ensuring that management had considered all principal risks as well as emerging issues within the assessments

### Managements' assessment and assumptions

- We obtained management's board approved forecast cash flows and covenant calculations covering the period of assessment from the financial statement approval date to 31 March 2024. We checked the models for arithmetical accuracy, whether they were approved by the board and considered the group's historical forecasting accuracy
- We considered the appropriateness of the going concern assessment period
- We evaluated the relevance and reliability of the underlying data used to make the assessment through considering corroborating evidence from external sources. We read analyst reports to identify potentially contradictory evidence on future profitability to challenge the going concern assessment. We ensured that climate change considerations were factored into future cash flows

### Debt covenants

- We obtained all the group's borrowing facility agreements and performed a detailed examination of these agreements with the assistance of EY debt advisory specialists. We assessed their continued availability to the group throughout the going concern period and ensured the completeness of covenants identified by management
- We checked the accuracy of management's covenant forecast model, verifying inputs to the board approved forecasts and facility agreement terms
- We evaluated the compliance of the group with debt covenants in the forecast period by reperforming calculations of the covenant tests. We further assessed the impact of the downside risk scenarios on covenant compliance and applied sensitivity analysis

## Independent auditor's report continued

### *Stress testing and evaluation of management's plans for future actions*

- We performed a reverse stress test to understand what it would take to breach available liquidity and exhaust covenant headroom
- We considered management's plausible downside risk scenarios of the group's cash flow forecast models and their impact on forecast liquidity and banking covenants, specifically whether the downside risks were reasonably possible. We considered the adverse effects that could arise from these risks individually and also selected risks in combination
- We considered the likelihood of management's ability to execute feasible mitigating actions available to respond to the downside risk scenarios based on our understanding of the group and the sector, including considering whether those mitigating actions were controllable by management

### *Disclosures*

- We considered whether management's disclosures within the annual report and accounts, sufficiently and appropriately capture the impacts of the group's principal risks on the going concern assessment and through consideration of relevant disclosure standards

### Our key observations were:

- The directors' assessment forecasts that the group will remain compliant with its debt covenants and maintain sufficient liquidity throughout the Going Concern assessment period
- Stress testing performed indicated a 17% downturn in revenue is required for the group to breach its debt covenants. Management considers such a scenario is not plausible, however, in such an event management considers that the impact could be mitigated by measures within their control, which in the first instance would include management of working capital and constrained levels of capital investment. The group's principal source of funding extends beyond the going concern period to 2026

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period up to 31 March 2024.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

## Overview of our audit approach

|                   |                                                                                                                                                    |
|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| Audit scope       | We performed an audit of the complete financial information of 2 components and audit procedures on specific balances for a further 27 components. |
|                   | The components where we performed full or specific audit procedures accounted for 95% of Revenue and 99% of Total assets.                          |
| Key audit matters | Risk of impairment of the carrying value of intangible and tangible assets                                                                         |
|                   | Revenue recognition: Manipulation of NHS revenue by changes to the pricing master file                                                             |
| Materiality       | Overall group materiality of £2.5m which represents 2.5% of Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA').      |

## An overview of the scope of the parent company and group audits

### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 44 (2021: 42) reporting components of the group, we selected 27 (2021: 23) components, which represent the principal business units within the group. The group continues to operate solely within the UK.

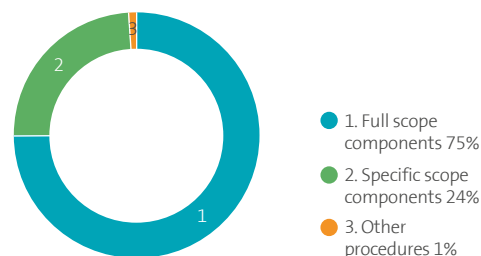
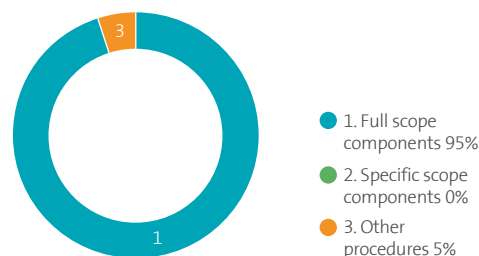
Of the 27 (2021: 23) components selected, we performed an audit of the complete financial information of 2 (2021: 2) components ('full scope components') which were selected based on their size or risk characteristics. For the remaining 25 (2021: 21) components ('specific scope components'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted of the group's revenue and 99% (2021: 99%) of the group's total assets. For the current year, the full scope components contributed 95% (2021: 97%) of the group's revenue and 75% (2021: 78%) of the group's total assets. The specific scope components contributed 0% (2021: 0%) of the group's revenue and 24% (2021: 21%) of the group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the group. It is not possible to present the split between full and specific scope components on an adjusted EBITDA basis in a meaningful way. This is due to intra-group profits earned in certain specific scope components which result in the aggregate adjusted EBITDA amounting to more than 100%.

**Independent auditor's report** continued

Of the remaining 17 components none are individually greater than 1% of the group's adjusted EBITDA. For these components, we performed other procedures, including, analytical review, testing of consolidation journals and testing of intercompany eliminations to respond to any potential risks of material misstatement to the group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

**Total assets****Revenue****Changes from the prior year**

Spire Healthcare Group plc acquired two new components in the current financial year which have been assigned as specific scope, being, The Doctors Clinic Group Limited. These components have been assigned as specific scope for cash and property, plant, and equipment balances.

**Involvement with component teams**

All audit work performed for the purposes of the audit was undertaken by the group audit team.

**Climate change**

Stakeholders are increasingly interested in how climate change will impact Spire Healthcare Group plc. The group has determined that the most significant future impacts from climate change on its operations will be from severe and extreme weather patterns, potential changes to laws and regulations, fluctuation in energy prices, and increased costs as a result of measures to reduce carbon emissions. These are explained on pages 60-65 in the Task Force on Climate-Related Financial Disclosures and on pages 66-76 in the principal risks and uncertainties. All of these disclosures form part of the 'Other information', rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on 'Other information'.

In planning and performing our audit we assessed the potential impacts of climate change on the group's business and any consequential material impact on its financial statements.

As explained in the group's accounting policies and basis of preparation notes that the board has not identified any climate related risks or opportunities that would have a material impact on the assets or liabilities of the group. In notes 2, 13 and 14 to the financial statements, significant judgements and estimates relating to climate change have been described on the impairment assessment of tangible and intangible assets in addition to financial assets and liabilities.

Our audit effort in considering climate change was focused on ensuring that the effects of material climate risks disclosed have been appropriately reflected in asset values and associated disclosures where values are determined through modelling future cash flows, being tangible and intangible assets, and in the timing and nature of liabilities recognised.

We also challenged the directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.



## Independent auditor's report continued

## Risk

**Risk of impairment to intangible and tangible assets**

*Refer to the audit and risk committee report (page 102); accounting policies (pages 138-142); and notes 13 and 14 of the Consolidated Financial Statements (pages 148 and 149)*

At 31 December 2022 the carrying value of tangible and intangible assets was £1,932.7 million (2021: £1,888.3 million) of which £346.3 million (2021: £334.8 million) relates to goodwill and £1,586.3 million (2021: £1,552.5 million) relates to property, plant and equipment of which £618.3 million (2021: £603.2 million) relates to the right of use assets.

The changing business and economic environment presents various challenges in forecasting future group and hospital performance. This results in a high degree of estimation uncertainty which leads us to conclude there to be a higher likelihood of material misstatement within the forecasts used in management's impairment assessments.

COVID-19 has continued to impact performance and forecasting accuracy throughout the financial year with margins impacted by increased costs of staff absence and cancellations. The UK economic environment also continues to be challenged by factors including high inflation levels, an increased cost of living and supply chain disruptions.

No impairment has been recognised in relation to tangible (2021: £0 million) or intangible assets (2021: £0 million) in the current year.

## Our response to the risk

We performed the following procedures:

- We gained an understanding of the process management has in place over the impairment process through a walkthrough
- We validated that the methodology of the impairment exercise is consistent with the requirements of IAS 36 Impairment of assets, including appropriate identification of cash generating units for value in use calculations, by assessing the methodology against the requirements of IAS 36
- We also confirmed the mathematical accuracy of the models
- We obtained management's forecasts underlying the impairment review incorporating the continued impact from COVID-19, the Ukraine/Russia conflict, the macro-economic environment, and climate related matters. We agreed them to forecasts approved by the board
- We compared the forecast to other external sources such as industry analyst reports to assess the reasonableness of the assumptions applied as well to identify any contrary evidence to assist the audit team in determining the impact of this contrary evidence
- We challenged management's historical accuracy of forecasting through comparing the budgets to actual results from 2019 to 2022 to determine whether forecast cash flows were reliable based on past experiences
- We performed sensitivity analysis by testing key assumptions in the model to recalculate a range of potential outcomes in relation to the size of the headroom between the carrying value and the net present value. The sensitivities performed were based on the key assumptions underpinning managements' assessment
- We have checked that the reasonable possible change assumptions applied by management are reasonable, complete and have been correctly calculated and disclosed

In addition, we worked with our EY internal valuation specialists to:

- Assess the discount rate, benchmarking to external evidence and against industry averages and trends
- Independently calculated the discount rate and compared this to the discount rates applied in the models by management. We sensitised management's calculation to use the discount rate independently calculated
- We assessed the inputs applied by management for reasonableness by benchmarking them against peer companies and recent transactions

*Disclosures*

We evaluated the disclosures in the financial statements against the requirements of IAS 36 Impairment of Assets, in particular respect of the requirement to disclose sensitivities where a reasonably possible change in key assumptions could cause an impairment.

We performed full and specific scope audit procedures over this risk area in 18 components, which covered 95% of the tangible and intangible assets balance.

## Key observations communicated to the audit and risk committee

We concluded that the discount rate used by management was at the lower end of the appropriate range determined by EY internal valuation specialists. In addition, we concluded that key assumptions in relation to EBITDA growth for property, EBITDA margin growth for goodwill, capital maintenance expenditure, discount rates and long-term growth rates applied to the terminal values were reasonable.

We highlighted that a reasonably possible change in key assumptions including a change in EBITDA growth and the discount rate could lead to impairment charges to tangible assets. We also highlighted that a reasonably possible change in key assumptions including a change in EBITDA margin growth and the discount rate could lead to impairment charges to intangible assets. We concluded that appropriate disclosures have been made in the financial statements as required.



## Independent auditor's report continued

### Risk

#### Revenue recognition: Manipulation of NHS revenue through changes to the pricing master file

*Refer to the audit and risk committee report (page 102); accounting policies (pages 138-143); and note 5 of the consolidated financial statements (page 144)*

NHS revenue 2022: £295.4 million (2021: £314.5 million)

The high volume of patient transactions, for which pricing is derived from the NHS national tariff, leads to a higher likelihood of material misstatement through intentional changes to individual procedural pricing on the pricing master file.

We consider the pressure to achieve forecast results or targets increases the risk of financial reporting manipulation by management.

### Our response to the risk

- We have performed the following procedures to gain assurance over NHS pricing:
- We used data analytics to assess the accuracy of all the FY22 NHS billing data to publicly available NHS national tariff base prices, adjusted by Market Force factors
  - For any material portion of the revenue population for which we were unable to agree the price billed to NHS national tariff base prices, eg where the price was agreed locally for a specific procedure, we have agreed a sample of this billing data to appropriate audit support. Specifically, we have agreed a sample of this billing data to the underlying signed agreement or, in instances where no current contract or correspondence was available, we traced the settlement of the invoice directly to cash
  - We used data analytics, covering all NHS revenue transactions in the year, to test the correlation between revenue, accrued revenue, accounts receivable and cash
  - We investigated whether there were any pricing disputes with the NHS during the year through discussions with legal counsel, review of minutes and verifying any matters noted to correspondence, where available
  - We obtained a summary of aged NHS receivables and verified that the ageing is appropriate by testing a sample across the different ageing categories. We have performed a search for any large or unusually long outstanding receivables that are outside expected credit terms that may indicate that pricing disagreements exist

While we have not relied on any of the work performed by internal audit, we reviewed the results from their individual site audits completed during FY22, to understand if there were any revenue findings specific to NHS pricing which require further enquiry and/or corroboration.

We performed full scope audit procedures over this risk area in 1 component, which covered 95% of NHS revenue.

### Key observations communicated to the audit and risk committee

We did not identify any material errors in the pricing master file, nor evidence of management manipulation of revenue through changes to the pricing master file.

We did not identify any indicators of pricing disputes with the NHS.

Based on our audit procedures performed, we concluded that revenue for the year is appropriately recognised and free from material misstatement.

**Independent auditor's report** continued**Our application of materiality**

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

**Materiality**

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the group to be £5.1 million (2021: £4.5 million), which is 2.5% (2021: 2.5%) of adjusted EBITDA. We believe that adjusted EBITDA provides us with the most important metric for the users of the financial statements, being the most important KPI for internal metrics and external analyst expectations.

We determined materiality for the parent company to be £11.6 million (2021: £11.1 million), which is 1% (2021: 1%) of equity.

|                       |                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Starting basis</b> | – EBITDA: £193.3 million                                                                                                                                                                                                                                                                                                                                                                          |
| ↓                     |                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Adjustments</b>    | <ul style="list-style-type: none"><li>– Adjusting Items:</li><li>– Business reorganisation and corporate restructuring costs – £4.5 million</li><li>– Costs related to/(income from) asset disposals and aborted projects – £4.3 million</li><li>– Remediation of regulatory compliance or malpractice costs – £1.1 million</li><li>– Hospitals set up and closure costs – £0.3 million</li></ul> |
| ↓                     |                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Materiality</b>    | <ul style="list-style-type: none"><li>– Total adjusted EBITDA: £203.5 million</li><li>– Materiality of £5.1 million (2.5% adjusted EBITDA)</li></ul>                                                                                                                                                                                                                                              |

During the course of our audit, we reassessed initial materiality and reduced this in line with actual adjusted EBITDA to reflect the actual reported performance of the group for the year.

**Performance materiality**

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 50% (2021: 50%) of our planning materiality, namely £2.5 million (2021: 2.2 million). We have set performance materiality at this percentage due to our assessment of the overall control environment and the history of audit adjustments identified.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.5 million to £2.5 million (2021: £0.4 million to £2.2 million).

**Reporting threshold**

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the audit and risk committee that we would report to them all uncorrected audit differences in excess of £0.3 million (2021: £0.2 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

**Other information**

The other information comprises the information included in the annual report set out on pages 1-123 and pages 168-172 other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements
- The strategic report and the directors' report have been prepared in accordance with applicable legal requirements

**Independent auditor's report** continued**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us
- The parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns
- Certain disclosures of directors' remuneration specified by law are not made
- We have not received all the information and explanations we require for our audit

**Corporate governance statement**

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 77
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 77
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 77
- Directors' statement on fair, balanced and understandable set out on page 123
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 66
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 66-68
- The section describing the work of the audit and risk committee set out on pages 101-106

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 123, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are the Companies Act 2006, 2018 UK Corporate Governance Code, the relevant tax compliance regulations in the UK and those administered by the Care Quality Commission in England and the equivalent organisations in Scotland and Wales. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the London Stock Exchange, the UK Bribery Act 2010 and regulation relating to employment law and data protection
- We understood how Spire Healthcare Group plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes, papers provided to the audit and risk committees and correspondence received from regulatory bodies
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programmes and controls that the group has established to address the risk identified, or

**Independent auditor's report** continued

that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. We have involved internal specialists as required in designing procedures and assessing compliance with relevant laws and regulations

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved; review of board minutes to identify non-compliance with such laws and regulations; reviewing external specialist reports, review of reporting to the audit and risk committee on compliance with regulations, enquiries with legal counsel, group management and internal audit, testing of manual journals

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Other matters we are required to address**

- Following a competitive tender process, we were reappointed by the company at its annual general meeting on 14 May 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods
- The period of total uninterrupted engagement including the period prior to the company's admission to the London Stock Exchange in 2014 is 15 years, covering the years ending 31 December 2008 to 31 December 2022
- The audit opinion is consistent with the additional report to the audit and risk committee

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Stephney Dallmann**  
(Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
2 March 2023



# Consolidated income statement

For the year ended 31 December 2022

|                                                                             | Note | 2022                               |                                 |                | 2021                               |                                 |         |
|-----------------------------------------------------------------------------|------|------------------------------------|---------------------------------|----------------|------------------------------------|---------------------------------|---------|
|                                                                             |      | Total before<br>Adjusting<br>items | Adjusting<br>items<br>(note 10) | Total          | Total before<br>Adjusting<br>items | Adjusting<br>items<br>(note 10) | Total   |
| (£m)                                                                        |      |                                    |                                 |                |                                    |                                 |         |
| <b>Revenue</b>                                                              | 5    | <b>1,198.5</b>                     | <b>–</b>                        | <b>1,198.5</b> | 1,106.2                            | –                               | 1,106.2 |
| Cost of sales                                                               |      | (660.1)                            | –                               | (660.1)        | (615.0)                            | –                               | (615.0) |
| <b>Gross profit</b>                                                         |      | <b>538.4</b>                       | <b>–</b>                        | <b>538.4</b>   | 491.2                              | –                               | 491.2   |
| Other operating costs                                                       |      | (435.8)                            | (10.2)                          | (446.0)        | (411.2)                            | (17.4)                          | (428.6) |
| Other income                                                                | 6    | 3.0                                | –                               | 3.0            | 1.1                                | 23.3                            | 24.4    |
| <b>Operating profit/(loss) (EBIT)</b>                                       | 7    | <b>105.6</b>                       | <b>(10.2)</b>                   | <b>95.4</b>    | 81.1                               | 5.9                             | 87.0    |
| Finance income                                                              | 8    | –                                  | –                               | –              | –                                  | –                               | –       |
| Finance cost                                                                | 8    | (91.5)                             | –                               | (91.5)         | (88.1)                             | (0.8)                           | (88.9)  |
| <b>Profit/(loss) before taxation</b>                                        |      | <b>14.1</b>                        | <b>(10.2)</b>                   | <b>3.9</b>     | (7.0)                              | 5.1                             | (1.9)   |
| Taxation                                                                    | 11   | 2.5                                | 1.8                             | 4.3            | (20.8)                             | 13.8                            | (7.0)   |
| <b>Profit/(loss) for the year</b>                                           |      | <b>16.6</b>                        | <b>(8.4)</b>                    | <b>8.2</b>     | (27.8)                             | 18.9                            | (8.9)   |
| <b>Profit/(loss) for the year attributable to owners of the parent</b>      |      | <b>17.0</b>                        | <b>(8.4)</b>                    | <b>8.6</b>     | (28.6)                             | 18.9                            | (9.7)   |
| <b>(Loss)/profit for the year attributable to non-controlling interests</b> |      | <b>(0.4)</b>                       | <b>–</b>                        | <b>(0.4)</b>   | 0.8                                | –                               | 0.8     |
| <b>Earnings/(loss) per share (in pence per share)</b>                       |      |                                    |                                 |                |                                    |                                 |         |
| – basic                                                                     | 12   | 4.2                                | (2.1)                           | 2.1            | (7.1)                              | 4.7                             | (2.4)   |
| – diluted                                                                   | 12   | 4.1                                | (2.0)                           | 2.1            | (7.1)                              | 4.7                             | (2.4)   |

The notes on pages 137-162 form an integral part of these financial statements.



# Consolidated statement of comprehensive income

For the year ended 31 December 2022

(£m)

|                                                                               | Note | 2022         | 2021  |
|-------------------------------------------------------------------------------|------|--------------|-------|
| <b>Profit/(loss) for the year</b>                                             |      | <b>8.2</b>   | (8.9) |
| <b>Items that may be reclassified to profit or loss in subsequent periods</b> |      |              |       |
| Net gain on cash flow hedges (net of taxation)                                | 21   | <b>7.1</b>   | 2.7   |
| Other comprehensive profit for the year                                       |      | <b>7.1</b>   | 2.7   |
| <b>Total comprehensive profit/(loss) for the year, net of tax</b>             |      | <b>15.3</b>  | (6.2) |
| Attributable to:                                                              |      |              |       |
| Equity holders of the parent                                                  |      | <b>15.7</b>  | (7.0) |
| Non-controlling interests                                                     |      | <b>(0.4)</b> | 0.8   |
|                                                                               |      | <b>15.3</b>  | (6.2) |

The notes on pages 137-162 form an integral part of these financial statements.



# Consolidated statement of changes in equity

For the year ended 31 December 2022

| (£m)                                                    | Note | Share capital<br>(note 21) | Share premium<br>(note 21) | Capital reserves<br>(note 21) | EBT share reserves<br>(note 21) | Hedging reserve<br>(note 21) | Retained earnings | Total        | Non-controlling interests<br>(note 16) | Total Equity |
|---------------------------------------------------------|------|----------------------------|----------------------------|-------------------------------|---------------------------------|------------------------------|-------------------|--------------|----------------------------------------|--------------|
| <b>As at 1 January 2021</b>                             |      | 4.0                        | 826.9                      | 376.1                         | (0.8)                           | (3.2)                        | (496.4)           | 706.6        | —                                      | 706.6        |
| (Loss)/profit for the year                              |      | —                          | —                          | —                             | —                               | —                            | (9.7)             | (9.7)        | 0.8                                    | (8.9)        |
| Other comprehensive profit for the year                 |      | —                          | —                          | —                             | —                               | 2.7                          | —                 | 2.7          | —                                      | 2.7          |
| <b>Total comprehensive profit/(loss)</b>                |      | —                          | —                          | —                             | —                               | 2.7                          | (9.7)             | (7.0)        | 0.8                                    | (6.2)        |
| Non-controlling interests adjustment                    |      |                            |                            |                               |                                 |                              | 6.1               | 6.1          | (6.1)                                  | —            |
| Share-based payments                                    | 27   | —                          | —                          | —                             | —                               | —                            | 2.8               | 2.8          | —                                      | 2.8          |
| Deferred tax adjustment on share-based payments reserve |      | —                          | —                          | —                             | —                               | —                            | 3.0               | 3.0          | —                                      | 3.0          |
| Acquisition of a subsidiary                             |      | —                          | —                          | —                             | —                               | —                            | (1.9)             | (1.9)        | 0.5                                    | (1.4)        |
| <b>As at 1 January 2022</b>                             |      | <b>4.0</b>                 | <b>826.9</b>               | <b>376.1</b>                  | <b>(0.8)</b>                    | <b>(0.5)</b>                 | <b>(496.1)</b>    | <b>709.6</b> | <b>(4.8)</b>                           | <b>704.8</b> |
| Profit/(loss) for the year                              |      | —                          | —                          | —                             | —                               | —                            | 8.6               | 8.6          | (0.4)                                  | 8.2          |
| Other comprehensive profit for the year                 |      | —                          | —                          | —                             | —                               | 7.1                          | —                 | 7.1          | —                                      | 7.1          |
| <b>Total comprehensive profit/(loss)</b>                |      | —                          | —                          | —                             | —                               | 7.1                          | 8.6               | 15.7         | (0.4)                                  | 15.3         |
| Dividends to non-controlling interests                  |      | —                          | —                          | —                             | —                               | —                            | —                 | —            | (0.2)                                  | (0.2)        |
| Dividends paid in respect of vested share awards        |      | —                          | —                          | —                             | —                               | —                            | (0.1)             | (0.1)        | —                                      | (0.1)        |
| Share-based payments                                    | 27   | —                          | —                          | —                             | —                               | —                            | 2.3               | 2.3          | —                                      | 2.3          |
| Deferred tax adjustment on share-based payments reserve |      | —                          | —                          | —                             | —                               | —                            | (0.1)             | (0.1)        | —                                      | (0.1)        |
| Issue of new shares                                     |      | —                          | 3.1                        | —                             | —                               | —                            | —                 | 3.1          | —                                      | 3.1          |
| Utilisation of EBT shares for share awards              |      | —                          | —                          | —                             | 0.8                             | —                            | (0.8)             | —            | —                                      | —            |
| Purchase of non-controlling interest                    |      | —                          | —                          | —                             | —                               | —                            | 0.5               | 0.5          | (0.5)                                  | —            |
| <b>As at 31 December 2022</b>                           |      | <b>4.0</b>                 | <b>830.0</b>               | <b>376.1</b>                  | <b>—</b>                        | <b>6.6</b>                   | <b>(485.7)</b>    | <b>731.0</b> | <b>(5.9)</b>                           | <b>725.1</b> |

The notes on pages 137-162 form an integral part of these financial statements.



# Consolidated balance sheet

As at 31 December 2022

| (£m)                                               | Note | 2022           | 2021    |
|----------------------------------------------------|------|----------------|---------|
| <b>ASSETS</b>                                      |      |                |         |
| <b>Non-current assets</b>                          |      |                |         |
| Property, plant and equipment                      | 13   | 1,584.4        | 1,553.5 |
| Intangible assets                                  | 14   | 345.8          | 334.8   |
| Derivatives                                        | 22   | 5.0            | —       |
| Financial assets                                   | 15   | 4.6            | 2.3     |
|                                                    |      | <b>1,939.8</b> | 1,890.6 |
| <b>Current assets</b>                              |      |                |         |
| Inventories                                        | 17   | 40.6           | 40.2    |
| Trade and other receivables                        | 18   | 100.5          | 99.2    |
| Derivatives                                        | 22   | 3.6            | —       |
| Cash and cash equivalents                          | 19   | 74.2           | 202.6   |
|                                                    |      | <b>218.9</b>   | 342.0   |
| Non-current assets held for sale                   | 20   | 1.1            | 4.8     |
|                                                    |      | <b>220.0</b>   | 346.8   |
| <b>Total assets</b>                                |      | <b>2,159.8</b> | 2,237.4 |
| <b>EQUITY AND LIABILITIES</b>                      |      |                |         |
| <b>Equity</b>                                      |      |                |         |
| Share capital                                      | 21   | 4.0            | 4.0     |
| Share premium                                      |      | 830.0          | 826.9   |
| Capital reserves                                   | 21   | 376.1          | 376.1   |
| EBT share reserves                                 |      | —              | (0.8)   |
| Hedging reserve                                    | 21   | 6.6            | (0.5)   |
| Retained loss                                      |      | (485.7)        | (496.1) |
| <b>Equity attributable to owners of the parent</b> |      | <b>731.0</b>   | 709.6   |
| Non-controlling interests                          |      | (5.9)          | (4.8)   |
| <b>Total equity</b>                                |      | <b>725.1</b>   | 704.8   |
| <b>Non-current liabilities</b>                     |      |                |         |
| Bank borrowings                                    | 22   | 321.4          | 421.8   |
| Lease liabilities                                  | 22   | 773.7          | 751.0   |
| Deferred tax liabilities                           | 23   | 56.2           | 57.7    |
|                                                    |      | <b>1,151.3</b> | 1,230.5 |
| <b>Current liabilities</b>                         |      |                |         |
| Bank borrowings                                    | 22   | 2.9            | 5.7     |
| Lease liabilities                                  | 22   | 92.8           | 86.8    |
| Derivatives                                        | 22   | —              | 0.7     |
| Financial liabilities                              |      | —              | 1.9     |
| Provisions                                         | 24   | 21.7           | 44.8    |
| Trade and other payables                           | 25   | 164.5          | 159.1   |
| Income tax payable                                 |      | 1.5            | 3.1     |
|                                                    |      | <b>283.4</b>   | 302.1   |
| <b>Total liabilities</b>                           |      | <b>1,434.7</b> | 1,532.6 |
| <b>Total equity and liabilities</b>                |      | <b>2,159.8</b> | 2,237.4 |

These consolidated financial statements and the accompanying notes were approved for issue by the board on 1 March 2023 and signed on its behalf by:

**Justin Ash**  
Chief Executive Officer

**Jitesh Sodha**  
Chief Financial Officer

The notes on pages 137-162 form an integral part of these financial statements.



# Consolidated statement of cash flows

For the year ended 31 December 2022

| (£m)                                                                                              | Note | 2022           | 2021          |
|---------------------------------------------------------------------------------------------------|------|----------------|---------------|
| <b>Cash flows from operating activities</b>                                                       |      |                |               |
| Profit/(loss) before taxation                                                                     |      | 3.9            | (1.9)         |
| Adjustments to reconcile profit before tax to net cash flows:                                     |      |                |               |
| Impairment of assets held for sale (adjusting items) (see note 10)                                | 20   | 0.5            | –             |
| Fair value adjustment on financial liability (adjusting items) (see note 10)                      |      | 0.8            | –             |
| Loss on disposal of property, plant and equipment                                                 |      | 0.3            | –             |
| Adjusting items – other                                                                           |      | 2.5            | 11.1          |
| Depreciation of property, plant and equipment and right of use assets                             | 13   | 97.9           | 97.1          |
| Profit on disposal under sale and leaseback (adjusting items) (see note 10)                       |      | –              | (23.5)        |
| Profit on early termination of a lease (adjusting items) (see note 10)                            | 7    | –              | (0.2)         |
| Finance costs                                                                                     | 8    | 91.5           | 88.1          |
| Other income                                                                                      | 6    | (3.0)          | (1.1)         |
| Share-based payments expense                                                                      | 27   | 2.3            | 2.8           |
| Movements in working capital:                                                                     |      |                |               |
| (Increase) /Decrease in trade receivables and prepayments                                         |      | (6.9)          | 1.7           |
| Decrease/(Increase) in inventories                                                                |      | (0.4)          | (1.9)         |
| Increase in trade and other payables                                                              |      | 8.2            | 14.3          |
| Decrease in provisions                                                                            |      | (15.9)         | (2.7)         |
| <b>Cash generated from operations</b>                                                             |      | <b>181.7</b>   | <b>183.8</b>  |
| Tax paid                                                                                          |      | (0.1)          | –             |
| <b>Net cash flows from operating activities</b>                                                   |      | <b>181.6</b>   | <b>183.8</b>  |
| <b>Cash flows from investing activities</b>                                                       |      |                |               |
| Receipt from financial asset                                                                      |      | 0.5            | 0.4           |
| Acquisition of a subsidiary, net of cash acquired                                                 |      | (11.3)         | (14.7)        |
| Purchase of property, plant and equipment                                                         |      | (87.7)         | (69.3)        |
| Proceeds of disposal of property, plant and equipment                                             |      | –              | 0.1           |
| Proceeds of disposal of assets held for sale (adjusting items) <sup>1</sup>                       |      | 3.2            | –             |
| Proceeds from sale and leaseback, net of costs (adjusting items) <sup>1</sup>                     |      | –              | 33.4          |
| Proceeds of asset under sale of operating unit, net of costs (adjusting items) <sup>1</sup>       |      | –              | 1.8           |
| <b>Net cash used in investing activities</b>                                                      |      | <b>(95.3)</b>  | <b>(48.3)</b> |
| <b>Cash flows from financing activities</b>                                                       |      |                |               |
| Interest paid and other financing costs                                                           |      | (21.1)         | (13.2)        |
| Interest on lease liabilities                                                                     |      | (73.5)         | (66.8)        |
| Payment of lease liabilities                                                                      |      | (20.2)         | (14.7)        |
| Proceeds from asset sold under sale and leaseback (retained value) (adjusting items) <sup>1</sup> |      | –              | 55.5          |
| Proceeds from senior loan facility                                                                |      | 325.0          | –             |
| Repayment of senior loan facility                                                                 |      | (425.0)        | –             |
| Proceeds from the issue of new shares                                                             |      | 3.1            | –             |
| Purchase of non-controlling interests (adjusting item) <sup>1</sup>                               |      | (2.7)          | –             |
| Dividend paid to non-controlling interests                                                        |      | (0.3)          | –             |
| <b>Net cash used in financing activities</b>                                                      |      | <b>(214.7)</b> | <b>(39.2)</b> |
| Net increase in cash and cash equivalents                                                         |      | <b>(128.4)</b> | <b>96.3</b>   |
| Cash and cash equivalents at 1 January                                                            |      | <b>202.6</b>   | <b>106.3</b>  |
| <b>Cash and cash equivalents at 31 December</b>                                                   | 19   | <b>74.2</b>    | <b>202.6</b>  |
| <b>Adjusting Items (note 10)</b>                                                                  |      |                |               |
| Adjusting items paid included in the cash flow                                                    |      | (6.4)          | 85.5          |
| Total pre-tax adjusting items                                                                     | 10   | (10.2)         | 5.1           |

1. Adjusting item was not charged to profit and loss in the current financial year and is therefore not included in the adjusting items paid included in the cash flow.

The notes on pages 137-162 form an integral part of these financial statements.



# Notes to financial statements

For the year ended 31 December 2022

## 1. General information

Spire Healthcare group plc (the 'company') and its subsidiaries (collectively, the 'group') owns and operates private hospitals and clinics in the UK and provides a range of private healthcare services.

The financial statements for the year ended 31 December 2022 were authorised for issue by the board of directors of the company on 1 March 2023.

The company is a public limited company, which is listed on the London Stock Exchange, incorporated, registered and domiciled in England and Wales (registered number: 09084066). The address of its registered office is 3 Dorset Rise, London, EC4Y 8EN.

## 2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### Basis of preparation

The consolidated financial statements of the group have been prepared 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.

The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments and financial assets measured at fair value. The group financial statements are presented in UK sterling and all values are rounded to the nearest million pounds (£m), except when otherwise indicated.

The preparation of financial statements in accordance with UK-adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Further details on the group's critical judgements and estimates are included in note 3.

The group has considered the future potential environmental impact on its current and future financial position and considered the impact to below.

### Going concern

The group assessed going concern risk for the period through to 31 March 2024. As at 31 December 2022 the group had cash of £74.2 million, a Senior Loan Facility of £325 million and an undrawn Revolving Credit Facility of £100 million. On 24 February 2022, the group successfully refinanced its debt facilities with a syndicate of existing and new Lenders. As part of the refinancing exercise and in recognition of the fact that the group had substantial cash reserves at 31 December 2021, the group repaid £100 million of the Senior Loan Facility. The new arrangement has a maturity of four years. The financial covenants relating to this new agreement are materially unchanged.

The group has undertaken extensive activity to identify plausible risks which may arise and mitigating actions, which in the first instance would include management of working capital and constrained levels of capital investment. Based on the current assessment of the likelihood of these risks arising by 31 March 2024, together with their assessment of the planned mitigating actions being successful, the directors have concluded it is appropriate to prepare the accounts on a going concern basis. In arriving at their conclusion, the directors have also noted that, were three of the most likely specific risks to arise in combination, it could result in a liquidity constraint or breach of covenant, however, the risk of this is considered remote.

The group has also assessed, as part of its reverse stress testing, what degree of downturn in trading it could sustain before it no longer forecasts a positive cash balance. This stress testing was based on flexing revenue downwards with a consistent percentage decline in variable costs, whilst maintaining the forecast of fixed

costs. The testing did not allow for the benefit of any action that could be taken by management to preserve cash. This testing suggested that there would have to be at least a 35% fall in annual revenue before the group no longer forecast a positive cash balance. We do not believe that such a reduction of income revenue is a plausible consequence of the group's identified principal risks.

It should be noted that we are in a period of unprecedented geo-political and macro-economic uncertainty. Whilst the directors continue to closely monitor these risks and their plausible impact, their severity is hard to predict and is dependent upon many external factors. Accordingly the actual financial impact of these risks may materially vary against the current view of their plausible impact.

Further detail on both aacroeconomic related risk and COVID-19 is provided in the risk management and internal control section on pages 66 to 76.

Other specific scenarios covered by our testing were as follows:

- The group is subject to temporary suspension of trade, with a temporary adverse impact on revenue, for example, as a result of a successful cyber-attack on key business systems
- The downside modelling of a number of risks which result in a decline in earnings, including the loss of a contractual relationship with a key insurer
- Significant change in government policy resulting in consultants going on payroll
- Short term disruption to trade at a sub-set of hospitals owing to an extreme weather event

This review included the following key assumptions:

- No change in capital structure given the group has refinanced its existing senior finance facility and revolving credit facility since the 2022 year end
- The government will not make significant change to its existing policy towards utilising private provision of healthcare services to supplement the NHS

### Revenue recognition

The group derives its revenue primarily from providing private healthcare services to both the public sector and private patients in the UK. Revenue from charges to patients is recognised when the treatment is provided.

### Revenue from contracts with customers

The criteria for revenue recognition are as follows; identify the contract with the customer, identify the performance obligation, determine the transaction price, allocate the transaction price to the performance obligations, and satisfying the performance obligation. It applies to all contracts with customers, except those in the scope of other standards.

Revenue is recorded as services are transferred to the patient, with the consideration based on the total amount the group expects to receive, taking account of discounts where they are quantifiable and probable. Approximately 70% of the group's revenue is derived from inpatient and daycase admissions. Revenue is recognised day by day, as services are provided to patients. These services are typically provided over a short time frame, that is, one to three days. Outpatient cases and other revenue represent approximately 30% of the group's revenue. Outpatient cases generally do not involve surgical procedures and revenue is recognised on an individual component basis when performance obligations are satisfied. Similarly, other revenue, which includes consultant revenue and other third-party revenue streams, is recognised when performance obligations are satisfied and the control of goods or services is transferred.



## 2. Accounting policies continued

### Revenue from contracts with customers continued

The group reports disaggregated revenue by material revenue stream (ie type of payor: PMI, NHS and self-pay) and other revenue which includes consultant revenue, third party revenue streams (eg pathology services) and 'commissioning for quality and innovation payments' (CQUIN). Material revenue streams are consistent in nature, being the consideration received in return for the provision of healthcare services to patients. The timing and uncertainty of cash flows is similar for PMI and NHS business while self-pay revenue is received in advance or collected by credit card shortly after treatment. In addition, where possible and meaningful, Spire Healthcare reports revenue split between inpatient/daycase, outpatient and other. As noted above, in all cases, revenue is recognised as performance obligations are completed in the form of services being provided to patients. Unbilled revenue is accrued at period ends. Invoices for the combination of services provided to patients are generally produced within three days of discharge.

### Revenue recognition – the NHS contracts

Approximately 0.3% of the group's revenue is derived from the NHS COVID-19 contracts (2021: 5%). Revenue from the NHS COVID-19 contracts is recognised as the services are transferred to the customer over the life of the contract. In the prior year the contracts' transaction price is based on variable consideration, recognition of revenue is constrained to the extent that it is probable that a significant reversal will not occur when the uncertainty is resolved.

### Interest income

Interest is recognised on an effective interest rate basis.

### Cost of sales

Cost of sales principally comprises salaries of clinical staff, consultant and clinical fees, medical services and inventories, including drugs, consumables and prostheses.

### Other operating costs

Other operating costs mainly comprise non-clinical staff costs, rent associated with short or low value leases, the depreciation of property, plant and equipment and right of use assets and the maintenance and running costs of properties and equipment. It also includes administrative expenses, including the provision of central support services, IT and other administrative costs.

### Other income

Other income comprises fair value movements on the financial asset, a profit share arrangement with Genesis Care.

### Operating profit

Operating profit is the profit arising from the normal, recurring operations of the business and after charging adjusting items, as defined below. Operating profit is adjusted to exclude adjusting items to calculate the Key Performance Indicator (KPI) 'Operating profit before adjusting items (adjusted EBIT)'.

### Adjusting items

Adjusting items are those items which the directors believe, by virtue of their nature, size or incidence, either individually or in aggregate, should be disclosed separately to allow a full understanding and comparison of the underlying performance of the group. Examples of items which may be considered this way in nature include significant write-downs of goodwill and other assets, restructuring costs relating to strategic review, impairments, hospital closures and set-up costs, business acquisition costs, medical malpractice provisions, aborted project costs and compliance set-up costs.

### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows. There are no bank overdrafts in either year presented.

### Taxation including deferred taxation

Total income tax on the result for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity and other comprehensive income.

Current tax is the expected tax payable on the taxable result for the year, using tax rates enacted, or substantively enacted, at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Where there is an uncertain tax position, a provision is recognised when it is not probable that the tax authority will accept the uncertain tax position, based on either the most likely amount where the range of results is binary, or as a weighted average of possible outcomes where a range of outcomes is possible. Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for:

- Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for:
- Goodwill not deductible for tax purposes
- The initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss
- Investments in subsidiary companies where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future

It should be noted that the initial recognition exception does not apply to the majority of the group's freehold property portfolio as these were acquired through the Bupa and Classics acquisitions in 2007 and 2008, which were accounted for as a business combination.

The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted, or substantively enacted, at the balance sheet date. The group offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

In assessing the recoverability of deferred tax assets, the group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business, such as increased costs as a result of measures to reduce carbon emission.

A deferred tax asset, subject to the offsetting above, is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be used.



## 2. Accounting policies continued

### Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Major projects are treated as assets in the course of construction until completed when they are transferred to the appropriate asset class. No depreciation is charged on freehold land or assets in the course of construction. Other assets are depreciated so as to write off the carrying amounts of the assets, less their estimated residual values, over their expected useful lives, as follows:

|                                    |                                                                              |
|------------------------------------|------------------------------------------------------------------------------|
| Freehold property and improvements | – 5 to 60 years                                                              |
| Leasehold improvements             | – lower of unexpired lease term or expected life, with a maximum of 35 years |
| Equipment                          | – 3 to 10 years                                                              |

The expected useful lives and residual values of property, plant and equipment are reviewed semi-annually and revised as appropriate. The review of the asset lives and residual values of properties takes into consideration the plans of the business and levels of expenditure incurred on an ongoing basis to maintain the properties in a fit and proper state for their ongoing use as hospitals. In addition, the potential impact of future climate change is considered. In the case of major facilities opening in new locations, depreciation may be applied to only those assets available for use at the official opening date to reflect that the site is not always fully operational at this opening date. During the year management revised the useful life and residual value of freehold land and buildings refer to changes in accounting estimates for further details.

### Consolidation

The results of all subsidiary undertakings are included in the consolidated financial statements. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the group gains control until the date the group ceases to control the subsidiary.

Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if, and only if, the group has:

- Power over the investee (ie existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The Employee Benefit Trust (EBT) is treated as an extension of the group and the company.

### Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating costs.

The group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

### Goodwill

Goodwill represents the excess of the cost of acquisition (being the fair value of consideration transferred) over the fair value of the assets, liabilities and contingent liabilities of acquired businesses at the date of acquisition. Goodwill is stated at cost less accumulated impairment losses.

Goodwill is allocated to one cash-generating unit and is not amortised but is tested annually for impairment, or more frequently if there is an indication that the value of the goodwill may be impaired (see impairment policy).

### Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### i) Financial assets other than derivatives

##### Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, amortised cost or fair value through other comprehensive income ('OCI').

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the group has applied the practical expedient, the group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.



## 2. Accounting policies continued

### Financial Instrument continued

The group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The company's financial assets include cash and short-term deposits, trade and other receivables, unbilled receivables and receivables from profit share arrangements. Unbilled receivables may include contract assets where the performance obligation has been met, but the invoice not raised due to agreement with the customer being required in respect of the variable consideration. Unbilled receivables can also include amounts where the performance obligation has been met, but the invoice not yet raised due to the timing of the reporting period.

#### Subsequent measurement

Trade receivables and unbilled receivables are accounted for at amortised cost. The group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. At each reporting period, the group makes an assessment of the asset's recoverable amount based on forward looking information. Losses arising from impairment are recognised in the consolidated income statement in other operating costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. On initial recognition, loans and receivables are measured at fair value plus directly attributable transaction costs. Subsequently, such assets are measured at amortised cost, using the effective interest rate ('EIR') method, less any allowance for impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest receivable in the consolidated income statement.

Receivables relating to profit share arrangements are recognised as fair value through profit and loss. At each reporting period, the assets are revalued, with any movement in fair value being recognised in the consolidated income statement. Any cash received from profit share arrangements is presented within cash flows from investing activities within the Cash Flow statement.

#### Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired, or the group has transferred its rights to receive cash flows from the asset including transferring substantially all the risks and rewards of the asset.

#### Impairment

The group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets (including unbilled receivables), the group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment. To measure the expected credit losses, trade receivables have been grouped based on shared characteristics and the days past due. The group has concluded that the expected loss rates

for trade receivables, are a reasonable approximation of the loss rates for each ageing bucket based on historical debt trends of our portfolio of customers for the last two reporting periods, with the exception of patient debt. Patient debt is more susceptible to the economic environment. As a result, the group have reviewed the expected loss rates for this payor group, as well as considering forward looking information (specifically the cost of living and COVID-19) and increased the loss rates accordingly.

#### ii) Financial liabilities other than derivatives

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, or at amortised cost. The group determines the classification of financial liabilities at initial recognition.

#### Initial recognition and measurement

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The group's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

#### Subsequent measurement

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in interest receivable and interest payable in the consolidated income statement. Amortised cost is calculated by taking in to account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated income statement.

#### Financial liabilities on business combination

On acquisition of a business combination, a financial liability may be recognised at fair value through profit and loss where there is an obligation on the group to settle a liability. In subsequent periods, the liability will be remeasured based on its fair value, with movements being recognised in the income statement. Cash flows will be discounts as appropriate.

To determine the obligation, the group will review whether the liability arises as a result of an action or decision of the group, or if an action by a third party would result in the obligation crystallising.

#### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

#### iii) Derivative financial instruments

The group may enter into derivative financial instrument arrangements to manage its exposure to interest rate risk. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered in to and subsequently remeasured at fair value at each balance sheet date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The group applies cash flow hedge accounting to such derivatives if the criteria for doing so are met. At the inception of a hedge relationship, the group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.



## 2. Accounting policies continued

### Financial Instrument continued

The effective portion of the changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Amounts deferred in equity are recycled in the income statement in the periods when the hedged item is recognised, in the same line of the income statement as the recognised hedged item. If cash flow hedge accounting is discontinued, the amount that has been accumulated in the consolidated statement of other comprehensive income is maintained if the hedged future cash flows are still expected to occur. Otherwise, the amount is immediately reclassified to profit or loss as a reclassification adjustment.

#### iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost means purchase price, less trade discounts, calculated on an average basis. Net realisable value means estimated selling price less incremental costs including trade discounts and all costs to be incurred in marketing, selling and distribution.

The group holds consignment stock on sale or return. The group is only required to pay for the equipment it chooses to use and therefore this stock is not recognised as an asset.

## 2. Accounting policies continued

### Borrowing costs

Borrowing costs that are directly attributable to the acquisition and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### Provisions

A provision is recognised in the consolidated balance sheet when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected, risk-adjusted, future cash flows at a pre-tax risk-free rate. Management consider their best estimate of the likely outcomes of the obligation when determining the recognition. Where a material range of outcomes could arise, details are disclosed accordingly. Provisions are measured gross of any expected insurance recovery. Any such insurance recoveries are recognised in other receivables when the receipt of them is judged virtually certain.

### Leases

At inception, the group assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether the group obtains substantially all the economic benefits from the use of that asset, and whether the group has the right to direct the use of the asset when considering whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. After initial recognition, the lease liability is measured at amortised cost using the effective interest method. A reassessment of the lease liability occurs when there is a change in lease payments. The incremental borrowing rate is only revised where the change in payments is a result of a change in floating interest rates, lease term change or a change in assessment relating to the exercise of purchase option charges.

The group has elected not to separate lease and non-lease components for leases of vehicles or buildings.

The group recognises a Right Of Use (ROU) asset and a lease liability at the commencement of the lease. The ROU is initially measured based on the present value of lease payments, less any incentives received. Initial direct costs and costs to dismantle or restore an asset are included. The ROU is depreciated over the shorter of the lease term or the useful life of the underlying asset. The incremental borrowing rate is used to discount the assets over the relevant term. The ROU is subject to testing for impairment if there is an indicator for impairment.

Lease payments generally include fixed payments and variable payments that depend on an index (such as inflation index) or rate. When the lease contains an extension or purchase option that the group considered reasonably certain to be exercised, the cost of the option is included in the lease payments. The incremental borrowing rate is used to discount the lease payments over the term of the lease.

ROU assets are categorised to reflect the nature of the underlying asset and to be consistent with the plant, property and equipment (PPE) note. The assets are depreciated over the term of the lease, accounting for break clauses or options to extend in line with the lease liability decision.

ROU assets are disclosed as PPE on the balance sheet (non-current) with a separate disclosure within the associated note, and the lease liability is included in the headings lease liability (current and non-current) on the Consolidated balance sheet.

The group has elected not to recognise ROU assets and liabilities for leases where the total lease term is less than 12 months, or for leases of low value equipment. The payments for such leases are recognised in the Consolidated income statement on a straight line basis over the lease term.

### Sale and leaseback of properties

In circumstances where the group sells a property to a third party and then enters into an agreement with the buyer to lease the asset back under a lease arrangement (a 'sale and leaseback transaction') which meets the criteria of a sale under IFRS 15, the group derecognises the underlying asset from PPE, and instead recognises a ROU asset measured at the retained portion of the previous carrying amount, recognising a gain or loss on the rights transferred to the lessor. Values recognised will be adjusted where the sale is not completed at fair value, or where lease payments do not reflect market value.

Where the sale of a property is not deemed a sale under IFRS 15, the group will continue to recognise the underlying asset within PPE, and will also recognise a financial liability for any amount received from the buyer/lessor.



## 2. Accounting policies continued

### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are deducted from share premium. Where the employee benefit trust purchases the company's equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the company's equity holders in both the company and the consolidated balance sheet until the shares are cancelled or reissued.

### Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividend is approved by the company's shareholders. Interim dividends are recognised when paid.

### Pensions

The group operates the Spire Healthcare Pension Plan, a defined contribution scheme. The assets of the scheme are held separately from those of the group in independently administered funds.

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as incurred.

### Other employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonuses if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### Share based payments

The group operates a number of equity-settled share-based payment schemes under which the group receives services from employees as consideration for equity instruments of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The group has estimated the relevant fair value of the share options and awards, which are subject to total shareholder return ('TSR') market-related performance criteria, using a Monte Carlo simulation model (see note 27). This applies to LTIP Awards and Deferred Share Bonus Schemes.

The group also operates a Save-As-You-Earn ('SAYE') scheme, which is open to all employees. Employees are required to save a fixed amount, up to a cap, every month for three years. At the end of the three year period employees are entitled to use their savings to purchase shares in the company at a stated exercise price. Employees are free to stop contributing to the scheme and obtain a refund of contributions at any time, but forfeit their entitlement to exercise the options if they do so. Payment of contributions into a SAYE scheme is not a vesting condition; it does not meet the definition of a performance condition because it has no link to service. Failure to meet a non-vesting condition (eg by ceasing to contribute to an SAYE scheme) is accounted for as a cancellation of the options so that the expense is accelerated and recognised in the income statement, with a corresponding adjustment to equity as required. The IFRS 2 charge has been calculated using an adjusted Black Scholes model with judgements including leavers of the scheme (employees who may cease to save) and dividend yields.

At the end of each year, the group revises its estimates of the number of options that are expected to vest based on the non-market conditions and recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

### Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

### Impairment

The group applies its impairment policy to non-financial assets, being intangible assets (goodwill), plant, property and equipment and right of use assets. The group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal or its value in use. The recoverable amounts is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired, and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and risks specific to the asset. As part of this, the group assesses where climate risks could have a significant impact, such as the introduction of emission-reduction legislation that may increase costs. These risks in relation to climate-related matters are included as key assumptions where they materially impact the measure of recoverable amount. The group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared for each CGU. The forecasts generally cover a five year period. A long term growth rate is calculated and applies to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated income statement in other operating costs. Impairment is likely to be considered an Adjusting item.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.



## 2. Accounting policies continued

### Changes in accounting policy and estimates

#### New standards, interpretations and amendments applied

The following amendments to existing standards were effective for the group from 1 January 2022. Other than some additional disclosures, these amendments have not had a material impact.

|                                                                                                          | Effective date* |
|----------------------------------------------------------------------------------------------------------|-----------------|
| Amendments to IFRS 3 Business Combinations – reference to the conceptual framework                       | 1 January 2022  |
| Amendments to IAS 16 – Property, Plant and Equipment: proceeds before intended use                       | 1 January 2022  |
| Amendments to IAS 37 – Onerous Contracts – costs of fulfilling a contract                                | 1 January 2022  |
| IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities | 1 January 2022  |

\* The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations that are consistent with the endorsement process for use in the UK.

#### New standards, interpretations and amendments in issue, but not yet effective

As at date of approval of the group financial statements, the following new and amended standards, interpretations and amendments in issue are applicable to the group but not yet effective and thus, have not been applied by the group:

|                                                                                                         | Effective date* |
|---------------------------------------------------------------------------------------------------------|-----------------|
| Amendments to IAS 1 – Classification of liabilities as current or non-current                           | 1 January 2023  |
| Amendments to IAS 8 – Definition of accounting estimates                                                | 1 January 2023  |
| Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction | 1 January 2023  |
| IFRS 17 – Insurance contracts                                                                           | 1 January 2023  |
| Amendments to IFRS 16 – Lease Liability in a sale and leaseback                                         | 1 January 2024  |

\* The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the group prepares its financial statements in accordance with IFRS as issued by the IASB as endorsed by the UK, the application of new standards and interpretations will result in an effective date subject to that agreed by the UK Endorsement process.

IFRS 17 is under review by management and the impact if any is still to be quantified. All other amendments are not expected to have a material impact on the group.

#### Changes in accounting estimates

In line with our accounting policy, management has reviewed the expected useful lives and residual values of property, plant and equipment. This exercise included a detailed benchmarking exercise. As a result, the useful life and residual value for freehold land and buildings has been revised, and with effect from 1 July 2022 the group changed its estimate for freehold buildings from 5-50 years to 5-60 years.

The benchmarking exercise confirmed that it would be appropriate to also revise the residual value on freehold hospital buildings to 20% from a nil residual value and this change took place with effect from 1 July 2022. Management has therefore concluded that it would be appropriate to apply a 20% residual value to the original cost of the freehold properties, and this change took effect on 1 July 2022.

Management has concluded that the impact of climate-related risks would not have a material impact on the extended useful life and residual value of its freehold land and buildings, as these risks have been mitigated.

The depreciation charged to the profit and loss in the current year was £97.9 million (2021:£97.1 million). The change in accounting estimate has resulted in a reduction in depreciation of £2.9 million in the current year. In addition this has given rise to a one-off deferred tax credit of £9.0 million. The effect of the change in future period is to decrease annual depreciation by c. £6.0 million.

### 3. Critical accounting judgements and estimates

In the application of the group's accounting policies, the directors are required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

#### Judgements

##### Adjusting items

Judgements are required as to whether items that are material in size, unusual or infrequent in nature should be disclosed as adjusting items. Deciding which items meet the respective definitions requires the group to exercise its judgement. Details of these items categorised as adjusting items are outlined in note 10.

#### Leases

The application of IFRS 16 requires the group to make certain judgements which affect the value of the ROU asset and lease liability, and these include: determining contracts in the scope of IFRS 16 and the contract term.

The lease term is determined by the group and includes the non-cancellable period of lease contracts, periods covered by an option to extend the lease if the group is reasonably certain to exercise that option and period covered by an option to terminate the lease if the group is reasonably certain not to exercise that option. The group reviews the business plan, investment in leasehold improvements and market conditions when considering the certainty of options to extend or terminate. For lease contracts with an indefinite term, the group determines the length of the contract to be equal to the average or typical market contract term of the particular type of lease. The same life is then applied to determine the depreciation rate of ROU assets.

In the prior period, the group undertook a sale and leaseback. The group determined that the sale criteria had been met. There was no option to purchase, and any option to extend would be completed at fair value at the point of exercise of such option.

#### Significant accounting estimates

The preparation of the group's consolidated financial statements includes the use of estimates and assumptions. The significant accounting estimates with a significant risk of a material change to the carrying value of assets and liabilities within the next year in terms of IAS 1, 'Presentation of Financial Statements', are:

##### Goodwill

Goodwill is tested for impairment at least annually or more frequently if there is an indication that goodwill may be impaired. This is achieved by comparing the carrying value in the accounts with the recoverable amount (being the value-in-use), as set out in the impairment policy. 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.

The assumptions are considered to be most critical in reviewing goodwill for impairment are contained in note 14.



### 3. Critical accounting judgements and estimates continued

#### Significant accounting estimates continued

##### Property impairment

Property, including property ROU assets, is considered for indicators of impairment at each reporting date, or earlier if a trigger indicates, as set out in the impairment policy. The recoverable amount, being the value-in-use, require the group to estimate cash flows expected to arise in the future, taking into account market conditions. The variables in the cash flows are interdependent and reflect management's expectations based on past experience and current market trends, it takes into account both current business and committed initiatives. The present value of these cash flows is determined using an appropriate discount rate.

The assumptions are considered to be most critical in reviewing properties for impairment are contained in note 13.

##### Other areas of accounting estimates

The consolidated financial statements include other areas of judgement and accounting estimates. While these areas do not meet the definition under IAS 1 of significant accounting estimates and critical accounting judgements, the recognition and measurement of certain material assets and liabilities are based on assumptions and/or are subject to longer term uncertainties. The other areas of accounting estimates and judgement are:

##### Leases

The present value of the lease payment is determined using the discount factor (incremental borrowing rate) which is based on a risk free UK gilt rate plus an applicable credit spread or margin to reflect the credit standing of the group observed in the period when the lease contract commences or is modified. The incremental borrowing rate applied reflects a rate for a similar term and security to that of the lease and is determined at inception.

Details of incremental borrowing rates can be found in note 22.

##### Expected credit losses

The group has not changed the methodology in respect of the expected credit loss (ECL) calculations. The group's customer profile includes large organisations that have stable credit ratings, and the payment profiles have remained stable for historical debts. The exception to this is patient debt where economic circumstances can have a significant impact and, given the current economic uncertainty, remains the highest risk for the group. The ECL as at December 2022 is £5.0 million (December 2021: £4.1 million). See note 18.

### Climate-related risk and opportunities on the financial statements

To date, the board has not identified any climate-related risks or opportunities that would have a material impact on the assets or liabilities of the group, and therefore has not adjusted financial balances for climate-related risks or opportunities.

### 4. Auditor's remuneration

During the year, the group (including its subsidiary undertakings) obtained the following services from the group's external auditor as detailed below:

| (£m)                                                                                     | 2022       | 2021       |
|------------------------------------------------------------------------------------------|------------|------------|
| Audit of these financial statements                                                      | 1.0        | 0.6        |
| Audit of the financial statements of subsidiaries of the company pursuant to legislation | 0.3        | 0.2        |
| Audit-related assurance services                                                         | 0.1        | 0.1        |
| <b>Total</b>                                                                             | <b>1.4</b> | <b>0.9</b> |

### 5. Segmental reporting

In determining the group's operating segment, management has primarily considered the financial information in internal reports that are reviewed and used by the executive management team and board of directors (who together are the chief operating decision maker of Spire Healthcare) in assessing performance and in determining the allocation of resources. The financial information in those internal reports in respect of revenue and expenses has led management to conclude that the group has a single operating segment, being the provision of healthcare services. All revenue is attributable to, and all non-current assets are located in, the United Kingdom.

The nature of the NHS COVID-19 specific contracts in Q1 2021, and specific agreement with one hospital in FY22, means that not all of the detail of revenue by location (inpatient, daycase or outpatient) is available. In Q1 2021, where a patient was admitted, this revenue has been recorded within the revenue by location. Amounts relating to the minimum income guarantee over and above admitted patients, or any other elements are reflected in the NHS COVID-19 line.

Revenue by location (inpatient, daycase or outpatient) and wider customer (payor) group is shown below:

| (£m)                 | 2022           | 2021           |
|----------------------|----------------|----------------|
| Inpatient            | 487.5          | 414.2          |
| Daycase              | 348.0          | 307.0          |
| Outpatient           | 333.1          | 300.9          |
| Other <sup>1</sup>   | 26.4           | 26.0           |
| NHS – COVID-19       | 3.5            | 58.1           |
| <b>Total revenue</b> | <b>1,198.5</b> | <b>1,106.2</b> |
| Insured              | 538.7          | 473.7          |
| Self-pay             | 338.0          | 292.0          |
| NHS                  | 295.4          | 314.5          |
| Other <sup>1</sup>   | 26.4           | 26.0           |
| <b>Total revenue</b> | <b>1,198.5</b> | <b>1,106.2</b> |

1. Other revenue includes fees paid to the group by consultants (eg for the use of group facilities and services) and third-party revenue (eg pathology services to third-parties).

Group revenues increased 8.3% to £1,198.5 million (2021: £1,106.2 million). The increase in revenue driven by the ongoing strong demand for private treatment with the continued growth in self-pay seen during the prior period, but also the recovery by Insured patients. NHS revenue of £295.4 million includes £3.5 million (2021: £314.5 million and £58.1 million respectively) revenue from specific COVID-19 contracts. In the prior year (Q1 2021) the group operated under an NHS volume based contract with a minimum income guarantee, included in the £58.1 million was £47.4 million reflecting the 'top up' to minimum income guaranteed under the contract.

## 6. Other income

| (£m)                                                                                           | 2022       | 2021        |
|------------------------------------------------------------------------------------------------|------------|-------------|
| Fair value movement on financial asset                                                         | 2.3        | 0.7         |
| Realised profit in respect of financial asset                                                  | 0.7        | 0.4         |
| Profit on disposal relating to sale and leaseback, net of costs (adjusting item) (see note 10) | —          | 23.3        |
| <b>Total other income</b>                                                                      | <b>3.0</b> | <b>24.4</b> |

The fair value movement and realised profit in respect of the financial asset reflect the on-going profit share arrangement with Genesis Care which arose as part of the sale of the Bristol Cancer Centre sold in 2019.

## 7. Operating profit

### Arrived at after charging/(crediting):

| (£m)                                                                                                        | 2022  | 2021   |
|-------------------------------------------------------------------------------------------------------------|-------|--------|
| Depreciation of property, plant and equipment (see note 13)                                                 | 64.2  | 67.4   |
| Depreciation of right of use assets (see note 13)                                                           | 33.7  | 29.7   |
| Acquisition-related transaction costs (adjusting Item) (see note 10)                                        | 1.8   | 1.5    |
| Lease payments made in respect of low value and short leases                                                | 13.6  | 12.3   |
| Provision following a court judgment related to Ian Paterson (adjusting Item) (see note 10)                 | 0.3   | 12.2   |
| Impairment on assets held for sale (see note 20)                                                            | 0.5   | —      |
| Movement on the provision for expected credit losses of trade receivables (see note 18)                     | 0.9   | (1.2)  |
| Loss on disposal of property, plant and equipment                                                           | 0.3   | —      |
| Fair value adjustment on financial liability                                                                | 0.8   | —      |
| Staff restructuring costs (see notes 9)                                                                     | 4.5   | 1.2    |
| Staff costs (net of staff restructuring costs and including share based payment charge) (see note 9 and 27) | 413.9 | 396.4  |
| Profit on disposal relating to sale and leaseback (adjusting Item) (see note 10)                            | —     | (23.5) |
| Profit on disposal relating to a lease modification at Spire Sussex (adjusting Item) (see note 10)          | —     | (0.4)  |
| Profit on the early termination of a lease (adjusting Item) (see note 10)                                   | —     | (0.2)  |

Impairment losses and reversals of impairment are included in other operating costs.

Inventory recognised as an expense in the current year is disclosed in note 17.

## 8. Finance income and costs

| (£m)                                                                              | 2022        | 2021        |
|-----------------------------------------------------------------------------------|-------------|-------------|
| <b>Finance cost</b>                                                               |             |             |
| Interest on bank facilities                                                       | 12.4        | 18.8        |
| Interest on the RSA judgement repayable (included in adjusting items)             | —           | 0.8         |
| Refinancing fees                                                                  | 1.0         | —           |
| Amortisation of fee arising on facilities extensions/borrowing costs <sup>1</sup> | 1.5         | 1.0         |
| Accelerated amortisation and loss on extinguishment of loan <sup>1</sup>          | 3.1         | —           |
| IFRS 9 release arising on facilities extension <sup>1</sup>                       | —           | 0.1         |
| Interest on obligations under leases                                              | 73.5        | 68.2        |
| <b>Total finance costs</b>                                                        | <b>91.5</b> | <b>88.9</b> |
| <b>Total net finance costs</b>                                                    | <b>91.5</b> | <b>88.9</b> |

1. £5.0 million of borrowing costs were capitalised on the refinancing of the senior facility, these are being amortised. In the prior year £3.3 million that was recorded at the date of the 2018 extension and £0.3 million recorded at the date of the 2020 extension. The remaining balance of these fees were changed to the profit and loss in the year on the extinguishment of the old loan.

## 9. Staff costs

| (No.)                                                                                      | 2022          | Restated <sup>1</sup><br>2021 |
|--------------------------------------------------------------------------------------------|---------------|-------------------------------|
| The average number of persons employed by the group (including directors) during the year: |               |                               |
| Clinical                                                                                   | 7,388         | 7,280                         |
| Non-clinical                                                                               | 5,227         | 5,426                         |
| Central                                                                                    | 614           | 596                           |
| <b>Total</b>                                                                               | <b>13,229</b> | <b>13,302</b>                 |
| (No.)                                                                                      | 2022          | 2021                          |
| The average number of full-time equivalent persons employed by the group during the year:  |               |                               |
| Clinical                                                                                   | 5,539         | 5,476                         |
| Non-clinical                                                                               | 4,017         | 4,134                         |
| Central                                                                                    | 538           | 521                           |
| <b>Total</b>                                                                               | <b>10,094</b> | <b>10,131</b>                 |

1. The prior year average number of persons employed by the group was restated to include bank staff. The average number of persons employed by the group disclosed in the prior year was 11,220.

The aggregate payroll costs of these persons were as follows:

| (£m)                                       | 2022         | 2021         |
|--------------------------------------------|--------------|--------------|
| Wages and salaries                         | 350.3        | 336.8        |
| Social security costs                      | 34.7         | 31.1         |
| Pension costs, defined contribution scheme | 33.4         | 29.7         |
|                                            | <b>418.4</b> | <b>397.6</b> |



## 9. Staff costs continued

There were £4.7 million wages and salaries and social security costs for year ended 31 December 2022 in Adjusting items (2021: £1.3 million) of which £4.5 million relate to business restructuring costs and which are included in staff costs (2021: £1.2 million), and are set out in note 7.

Pension costs are in respect of the defined contribution scheme; unpaid contributions at 31 December 2022 were £2.7 million (2021: £2.8 million).

## 10. Adjusting items

| (£m)                                                                | 2022        | 2021          |
|---------------------------------------------------------------------|-------------|---------------|
| Business reorganisation and corporate restructuring costs           | 4.5         | 1.2           |
| Asset acquisitions, disposals, impairment and aborted project costs | 4.3         | 4.5           |
| Remediation of regulatory compliance or malpractice costs           | 1.1         | 11.4          |
| Hospital set up and closure costs                                   | 0.3         | 0.3           |
| Income from asset disposals                                         | —           | (23.3)        |
| <b>Total adjusting items in operating costs</b>                     | <b>10.2</b> | <b>(5.9)</b>  |
| Interest payable on adjusting items                                 | —           | 0.8           |
| <b>Total pre-tax adjusting items</b>                                | <b>10.2</b> | <b>(5.1)</b>  |
| Income tax (credit)/charge on adjusting items                       | (1.8)       | (13.8)        |
| <b>Total post-tax adjusting items</b>                               | <b>8.4</b>  | <b>(18.9)</b> |

Adjusting items comprise those matters where the directors believe the financial effect should be adjusted for, due to their nature, size or incidence, in order to provide a more accurate comparison of the group's underlying performance.

During H2 21, the group announced a strategic, group wide initiative that impacts the operating model of the group to allow a more efficient governance and reporting structure, as well as a drive on digital functionality. This initiative will be implemented over several phases. In the period, £4.5 million (2021: £1.2 million) has been incurred. The initial phase of the initiative was completed in 2022, the estimated time frame to overall completion being the end of 2024.

Asset acquisitions, disposals, impairment and aborted project costs of £4.3 million mainly comprise costs in respect of the acquisition of The Doctors Clinic Group, and the acquisition of the minority interest in Claremont, as well as its integration with the group. In the prior year costs incurred by the group relating to Merger and Acquisition (M&A) costs, related to the attempted takeover bid by Ramsay Health Care, and the acquisition and integration of Claremont.

In December 2022, the group acquired 100% of the share capital in The Doctors Clinic Group Limited for £12 million as part of its strategic investment in its broader healthcare offering. The costs of acquisition of £1.8 million have been incurred in the period. Costs for integration are expected to continue into FY23.

Following the acquisition of Claremont Hospital in November 2021, the group has incurred costs of £0.5 million for integration alongside some transitional services in the period. In addition, on 31 March 2022, the group acquired the remaining minority interest for £2.7 million, of which £1.9 million had been provided for in FY21. Therefore, £0.8 million is included in adjusting items. Other costs incurred mainly relate to the final business transfer of the Sussex Hospital to the NHS Trust which completed on 31 March 2022, as announced during FY21. In addition, integration costs of £0.5 million were incurred in the period.

In December 2022, the group completed on the sale of St Saviours, an asset held for sale, for £3.2 million, following a write down in value reported at H1 2022 of £0.5 million recognised in other operating costs.

In the prior period, the group agreed the sale and leaseback of its Cheshire Hospital for consideration of £89 million. A gain on disposal of £23.5 million has been recognised, offset by £0.2 million of costs to sell.

Remediation of regulatory compliance or malpractice costs includes amounts paid to the insurer following the Court of Appeal hearing. £13.0 million was provided in FY21, with £13.3 million being settled in FY22. The £0.3 million recognised in the period reflects this additional amount. In the prior year, and in response to the Public Inquiry the group commenced a detailed patient review initiative, during the year the group has re-evaluated the expected cost of completing this complex project, and its associated settlement of claims. As a result, the group has increased its overall provision in respect of Paterson by £0.9 million. In the prior year, a credit of £0.4 million was recognised following the settlement of costs to Spire Healthcare from its insurer following the original judgment finding in favour of the group in FY20.

Hospital set-up and closure costs mainly relate to the maintenance costs of non-operational sites.

## 11. Taxation

| (£m)                                              | 2022  | 2021   |
|---------------------------------------------------|-------|--------|
| Current tax                                       |       |        |
| UK corporation tax expense                        | 0.1   | 0.8    |
| Adjustments in respect of prior years             | (0.7) | —      |
| Total current tax (credit)/charge                 | (0.6) | 0.8    |
| Deferred tax                                      |       |        |
| Origination and reversal of temporary differences | (2.6) | (15.0) |
| Effect of change in tax rate                      | —     | 17.7   |
| Adjustments in respect of prior years             | (1.1) | 3.5    |
| Total deferred tax (credit)/charge                | (3.7) | 6.2    |
| Total tax (credit)/charge                         | (4.3) | 7.0    |

In addition to the above, a charge of £2.1 million has been recognised in Other Comprehensive income (2021: £0.6 million charge) and £0.1 million charge (2021: £3.0 million credit) through equity.

Corporation tax is calculated at 19.0% (2021: 19.0%) of the estimated taxable profit or loss for the year. The effective tax rate on profit before taxation for the year was not meaningful (2021: not meaningful) as a result of adjustments in respect of prior years and movements on deferred tax which are not directly linked to profit. During the period, the group has reassessed the useful life and residual value of its freehold property portfolio. This has results in a one-off deferred tax credit of £9.0 million. The prior year deferred tax charge was largely driven by the effects of revaluing deferred tax assets and liabilities from 19% to 25% due in April 2023, and the deferred tax movement as a result of the sale and leaseback of Spire Cheshire. Deferred tax is detailed in note 23.

**11. Taxation** continued

The effective tax assessed for the year, all of which arises in the UK, differs from the standard weighted rate of corporation tax in the UK. The reconciliation of the actual tax charge to that at the domestic corporation tax rate is as follows:

| (£m)                                                                                                 | 2022  | 2021   |
|------------------------------------------------------------------------------------------------------|-------|--------|
| Profit/(loss) before taxation                                                                        | 3.9   | (1.9)  |
| Tax at the standard rate                                                                             | 0.7   | (0.4)  |
| Effects of:                                                                                          |       |        |
| Expenses and income not deductible or taxable                                                        | 8.2   | 4.5    |
| Tax adjustment for the super-deduction allowance                                                     | (2.6) | (2.2)  |
| Tax adjustment in respect of sale and leaseback                                                      | —     | (16.0) |
| Impairment charge in respect of held for sale assets (not tax deductible)                            | 0.1   | —      |
| One-off impact of revision to useful economic life and residual value of freehold property portfolio | (9.0) | —      |
| Adjustments to prior year                                                                            | (1.8) | 3.5    |
| Difference in tax rates                                                                              | 0.1   | 17.7   |
| Deferred tax not previously recognised                                                               | —     | (0.1)  |
| Total tax (credit)/charge                                                                            | (4.3) | 7.0    |

Expenses and income not deductible or taxable relate mostly to depreciation on non-qualifying fixed assets, disallowable entertaining and legal and professional fees. The one-off impact of revision to useful life and residual value of the freehold property portfolio is described in note 23.

The charge above in the prior year was driven mainly by the revaluation of deferred tax assets and liabilities to 25% from 19% as a result of the substantive enactment of the government's decision to increase the corporation tax rate from 1 April 2023, as well as the deferred tax movement as a result of the sale and leaseback of Spire Cheshire. The current year charge driven by expenses not deductible for tax purposes, offset by the one-off deferred tax credit of £9.0 million as a result in the revision to the useful life and residual value of the freehold property portfolio, an adjustment in respect of prior year and the claim of the super deduction for capital allowance purposes.

The group does not hold any uncertain tax positions under IFRIC 23 at the year-end (2021: none).

**12. Earnings per share (EPS)**

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

|                                                                                       | 2022        | 2021         |
|---------------------------------------------------------------------------------------|-------------|--------------|
| Profit/(loss) for the year attributable to ordinary equity holders of the parent (£m) | 8.6         | (9.7)        |
| Weighted average number of ordinary shares for basic EPS (No.)                        | 402,756,797 | 401,087,547  |
| Adjustment for weighted average number of shares held in EBT                          | (77,501)    | (239,283)    |
| Weighted average number of ordinary shares in issue (No.)                             | 402,679,296 | 400,848,264  |
| <b>Basic earnings per share (in pence per share)</b>                                  | <b>2.1</b>  | <b>(2.4)</b> |

**12. Earnings per share (EPS)** continued

For dilutive EPS, the weighted average number of ordinary shares in issue is adjusted to include all dilutive potential ordinary shares arising from share options. Refer to the remuneration committee report for the terms and conditions of instruments generating potential ordinary shares that affect the measurement of diluted EPS.

|                                                                                       | 2022        | 2021         |
|---------------------------------------------------------------------------------------|-------------|--------------|
| Profit/(loss) for the year attributable to ordinary equity holders of the parent (£m) | 8.6         | (9.7)        |
| Weighted average number of ordinary shares in issue (No.)                             | 402,679,296 | 400,848,264  |
| Adjustment for weighted average number of contingently issuable shares                | 9,363,470   | —            |
| Diluted weighted average number of ordinary shares in issue (No.)                     | 412,042,766 | 400,848,264  |
| <b>Diluted earnings per share (in pence per share)</b>                                | <b>2.1</b>  | <b>(2.4)</b> |

In the prior year the weighted average number for contingently issuable shares would be anti-dilutive, they are excluded from the above. However 8,891,739 shares are potentially dilutive.

The directors believe that EPS excluding adjusting items ('adjusted EPS') better reflects the underlying performance of the business and assists in providing a clearer view of the performance of the group.

Reconciliation of profit after taxation to profit after taxation excluding adjusting items ('adjusted profit'):

|                                                                      | 2022        | 2021         |
|----------------------------------------------------------------------|-------------|--------------|
| Profit/(loss) for the year attributable to owners of the parent (£m) | 8.6         | (9.7)        |
| Adjusting items (see note 10)                                        | 8.4         | (18.9)       |
| Adjusted profit/(loss) (£m)                                          | 17.0        | (28.6)       |
| Weighted average number of Ordinary Shares in issue                  | 402,679,296 | 400,848,264  |
| Weighted average number of dilutive Ordinary Shares                  | 412,042,766 | 400,848,264  |
| <b>Adjusted basic earnings per share (in pence per share)</b>        | <b>4.2</b>  | <b>(7.1)</b> |
| <b>Adjusted diluted earnings per share (in pence per share)</b>      | <b>4.1</b>  | <b>(7.1)</b> |

In the prior year the weighted average number for contingently issuable shares would be anti-dilutive, they are excluded from the above. However 8,891,739 shares are potentially dilutive.

### 13. Property, plant and equipment

| (£m)                                           | Freehold property | Leasehold improvements | Equipment    | Assets in the course of construction | Right of use (ROU) | Total          |
|------------------------------------------------|-------------------|------------------------|--------------|--------------------------------------|--------------------|----------------|
| <b>Cost:</b>                                   |                   |                        |              |                                      |                    |                |
| At 1 January 2021                              | 870.5             | 164.0                  | 447.4        | 9.2                                  | 763.9              | 2,255.0        |
| Additions                                      | 11.4              | 11.9                   | 47.6         | 6.2                                  | —                  | 77.1           |
| Acquisition of a subsidiary (Note 32)          | —                 | 0.1                    | 4.7          | —                                    | 25.5               | 30.3           |
| Additions to ROU assets                        | —                 | —                      | —            | —                                    | 32.6               | 32.6           |
| Adjustments to existing assets (eg indexation) | —                 | —                      | —            | —                                    | 9.7                | 9.7            |
| Disposals                                      | (35.9)            | (1.7)                  | (20.9)       | —                                    | (5.8)              | (64.3)         |
| Transfers <sup>1</sup>                         | (0.7)             | 3.4                    | 1.8          | (4.5)                                | —                  | —              |
| <b>At 1 January 2022</b>                       | <b>845.3</b>      | <b>177.7</b>           | <b>480.6</b> | <b>10.9</b>                          | <b>825.9</b>       | <b>2,340.4</b> |
| Additions                                      | 8.5               | 6.4                    | 55.9         | 19.3                                 | —                  | 90.1           |
| Acquisition of a subsidiary (Note 32)          | —                 | —                      | 0.6          | —                                    | —                  | 0.6            |
| Additions to ROU assets                        | —                 | —                      | —            | —                                    | 4.9                | 4.9            |
| Adjustments to existing assets (eg indexation) | —                 | —                      | —            | —                                    | 34.0               | 34.0           |
| Disposals                                      | (3.6)             | (3.7)                  | (71.8)       | —                                    | (0.9)              | (80.0)         |
| Transfer                                       | —                 | —                      | (10.0)       | —                                    | 10.0               | —              |
| <b>At 31 December 2022</b>                     | <b>850.2</b>      | <b>180.4</b>           | <b>455.3</b> | <b>30.2</b>                          | <b>873.9</b>       | <b>2,390.0</b> |

#### Accumulated depreciation and impairment:

|                                       |              |             |              |          |              |              |
|---------------------------------------|--------------|-------------|--------------|----------|--------------|--------------|
| At 1 January 2021                     | 180.3        | 46.9        | 295.3        | —        | 197.2        | 719.7        |
| Charge for the year                   | 17.9         | 8.4         | 41.1         | —        | 29.7         | 97.1         |
| Acquisition of a subsidiary (Note 32) | —            | —           | 4.1          | —        | —            | 4.1          |
| Disposals                             | (9.2)        | (0.9)       | (19.7)       | —        | (4.2)        | (34.0)       |
| <b>At 1 January 2022</b>              | <b>189.0</b> | <b>54.4</b> | <b>320.8</b> | <b>—</b> | <b>222.7</b> | <b>786.9</b> |
| Charge for the year                   | 12.3         | 9.3         | 42.6         | —        | 33.7         | 97.9         |
| Disposals                             | (3.1)        | (3.6)       | (71.6)       | —        | (0.9)        | (79.2)       |
| <b>At 31 December 2022</b>            | <b>198.2</b> | <b>60.1</b> | <b>291.8</b> | <b>—</b> | <b>255.5</b> | <b>805.6</b> |

#### Net book value:

|                            |              |              |              |             |              |                |
|----------------------------|--------------|--------------|--------------|-------------|--------------|----------------|
| <b>At 31 December 2022</b> | <b>652.0</b> | <b>120.3</b> | <b>163.5</b> | <b>30.2</b> | <b>618.4</b> | <b>1,584.4</b> |
| At 31 December 2021        | 656.3        | 123.3        | 159.8        | 10.9        | 603.2        | 1,553.5        |

The net book value of land is £156.3 million (2021: £156.3 million). During the year the group refinanced its senior finance facility and pledged nine of its freehold properties as security, the net book value of these properties are £157.6 million as at 31 December 2022. No assets in the prior year were subject to restriction on title or pledged as security for liabilities. There were no borrowing costs capitalised during the year ended 31 December 2022 (2021: Nil).

### Impairment testing

The directors consider property and property right-of-use assets for indicators of impairment semi-annually. As equipment and leasehold improvements do not generate independent cash flows, they are considered alongside the property as a single cash-generating unit ('CGU'). When making the assessment, the value-in-use of the property is compared with its carrying value in the accounts. Where headroom is significant, no further work is undertaken. Where headroom is minimal, a detailed assessment is performed for the property, which includes identifying the factors resulting in limited headroom and undertaking financial forecasts to assess the level of sensitivity this has to key assumptions.

In order to estimate the value-in-use, management has used trading projections covering the period to December 2027 from the most recent board approved strategic plan. The variables in the cash flows are interdependent and reflect management's expectations based on past experience and current market trends, it takes into account both current business and committed initiatives. To the extent that there was a shortfall between the recent actual cash flows and forecast, the future cash flows have been adjusted to reflect any initiatives implemented by management to address the underlying cause. In addition, management consider the potential financial impact from short term climate change scenarios, and the cost of initiatives by the group to manage the longer term climate impacts.

#### Key assumptions

Management identified a number of key assumptions relevant to the value-in-use calculations, being EBITDA growth over the five year period, capital maintenance spend, discount rates and long term growth rates. The assumptions are based on past experience and external sources of information.

There were three properties triggered for detailed review in the period owing to the relatively lower level of headroom. Management has performed a sensitivity analysis on these properties using reasonably possible changes for each key assumption, keeping all other assumptions constant. The sensitivity analysis included an assessment of the break-even point for each of the key assumptions.

The trading projections for the five-year period underlying the value in use reflect a growth in EBITDA. EBITDA is based on a number of elements of the operating model over the longer-term, including pricing trends, volume growth and the mix and complexity of procedures and assumptions regarding cost inflation. The sensitivity analysis identified that a reasonably possible change that would result the elimination of headroom for each property as shown in the table below.

The group has used a pre-tax discount rate of 10.6% (2021: 8.5%), adjusted for the effect of IFRS 16. The sensitivity analysis identified that a reasonably possible change in the pre-tax discount rate, would result in the elimination of headroom as shown in the table below.

For the properties triggered for review the table below provides the headroom and the reasonably possible change identified in the sensitivity analysis mentioned above which would result in the elimination of headroom.

|                | Headroom (the amount that recoverable amount exceeded the carrying amount) | EBITDA growth over the five year period | Sensitivity for decrease of EBITDA growth per annum | Sensitivity for increase of the pre-tax discount rate sensitivity |
|----------------|----------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------------------|-------------------------------------------------------------------|
| Property CGU 1 | £5.7m                                                                      | 2%–62%                                  | 8.6%                                                | 270 bps                                                           |
| Property CGU 2 | £5.0m                                                                      | 2%–70%                                  | 4.5%                                                | 299 bps                                                           |
| Property CGU 3 | £7.4m                                                                      | 0%–79%                                  | 2.6%                                                | 135 bps                                                           |

**13. Property, plant and equipment** continued**Impairment**

A long-term growth rate of 2.0% has been applied to cash flows beyond 2027 based on long term view of inflation, revenue growth and market conditions. Capital maintenance spend is based on historic run rates and our expectations of the group's requirements. The sensitivity testing identified no reasonably possible changes in the capital maintenance and long term growth rates that would cause the carrying amount of any CGU to exceed its recoverable amount.

As a result, management believe that some of the key impairment review assumptions constitute a major source of estimation uncertainty as they consider that there is a significant risk of a material change to its estimate of these assumptions within the next 12 months.

**Right of use (ROU) assets**

| (£m)                                            | Leasehold property | Equipment and motor vehicles | Total        |
|-------------------------------------------------|--------------------|------------------------------|--------------|
| <b>Cost:</b>                                    |                    |                              |              |
| At 1 January 2021                               | <b>760.4</b>       | <b>3.5</b>                   | <b>763.9</b> |
| New leases entered                              | 25.5               | 7.1                          | 32.6         |
| Acquisition of a subsidiary (Note 32)           | 25.5               | —                            | 25.5         |
| Adjustments to existing assets (eg indexation)  | 9.7                | —                            | 9.7          |
| Disposals                                       | (5.6)              | (0.2)                        | (5.8)        |
| Transfers                                       | —                  | —                            | —            |
| <b>At 1 January 2022</b>                        | <b>815.5</b>       | <b>10.4</b>                  | <b>825.9</b> |
| New leases entered                              | <b>0.4</b>         | <b>4.5</b>                   | <b>4.9</b>   |
| Adjustments to existing assets (eg indexation)  | <b>34.0</b>        | <b>—</b>                     | <b>34.0</b>  |
| Disposals                                       | <b>(0.1)</b>       | <b>(0.8)</b>                 | <b>(0.9)</b> |
| Transfers                                       | <b>—</b>           | <b>10.0</b>                  | <b>10.0</b>  |
| <b>At 31 December 2022</b>                      | <b>849.8</b>       | <b>24.1</b>                  | <b>873.9</b> |
| <b>Accumulated depreciation and impairment:</b> |                    |                              |              |
| At 1 January 2021                               | <b>194.8</b>       | <b>2.4</b>                   | <b>197.2</b> |
| Charge for year                                 | 27.4               | 2.3                          | 29.7         |
| Disposals                                       | (4.0)              | (0.2)                        | (4.2)        |
| <b>At 1 January 2022</b>                        | <b>218.2</b>       | <b>4.5</b>                   | <b>222.7</b> |
| Charge for the year                             | <b>29.9</b>        | <b>3.8</b>                   | <b>33.7</b>  |
| Disposals                                       | <b>(0.1)</b>       | <b>(0.8)</b>                 | <b>(0.9)</b> |
| <b>At 31 December 2022</b>                      | <b>248.0</b>       | <b>7.5</b>                   | <b>255.5</b> |
| <b>Net book value:</b>                          |                    |                              |              |
| <b>At 31 December 2022</b>                      | <b>601.8</b>       | <b>16.6</b>                  | <b>618.4</b> |
| At 31 December 2021                             | 597.3              | 5.9                          | 603.2        |

**14. Intangible assets**

| (£m)                                            | Goodwill     |
|-------------------------------------------------|--------------|
| <b>Cost or valuation:</b>                       |              |
| <b>At 1 January 2021</b>                        | 518.8        |
| Acquisition of a subsidiary                     | 17.0         |
| <b>At 31 December 2021</b>                      | 535.8        |
| Acquisition of a subsidiary                     | <b>11.1</b>  |
| Adjustment to prior year goodwill acquired      | <b>(0.1)</b> |
| <b>At 31 December 2022</b>                      | <b>546.8</b> |
| <b>Impairment:</b>                              |              |
| <b>At 31 December 2021 and 31 December 2022</b> | <b>201.0</b> |
| <b>Carrying amount:</b>                         |              |
| <b>At 31 December 2022</b>                      | <b>345.8</b> |
| At 31 December 2021                             | 334.8        |

**Acquisition during the year**

On 16 December 2022, the group acquired 100% of the voting shares of The Doctors Clinic Group, a non-listed company based in England who are an integrated provider of occupational health services and private GP services, for £12 million generating goodwill of £11.1 million.

**Impairment testing**

The directors treat the business as a single cash-generating unit for the purposes of testing goodwill for impairment prior to the acquisition of The Doctors Clinic Group. The recoverable amount of goodwill is calculated by reference to its estimated value-in-use. In order to estimate the value-in-use, management has used trading projections covering the period to December 2027 from the most recent board approved strategic plan. The variables in the cash flows are interdependent and reflect management's expectations based on past experience and current market trends, it takes into account both current business and committed initiatives. In addition, management consider the potential financial impact from short term climate change scenarios, and the cost of initiatives by the group to manage the longer term climate impacts. The recoverable amount exceeded the carrying amount by c£400 million.

**Key assumptions**

Management identified a number of key assumptions relevant to the value-in-use calculations, being EBITDA margin growth over the five year period, capital maintenance spend, discount rates and long term growth rates. The assumptions are based on past experience and external sources of information.

Management has performed a sensitivity analysis using reasonably possible changes for each key assumption, keeping all other assumptions constant. The sensitivity analysis included an assessment of the break-even point for each of the key assumptions.

The trading projections for the five year period underlying the value in use reflect a growth in EBITDA margin. EBITDA Margin is dependent on a number of elements of the operating model over the longer-term, including pricing trends, volume growth and the mix and complexity of procedures and assumptions regarding cost inflation. The growth in EBITDA margin over the next 5 years ranges between 0.5% and 1.8% per annum. The sensitivity analysis identified that a reasonably possible decrease of 12% in the annual EBITDA forecast within the trading projection (2023-2027) would result in the elimination of headroom.

**14. Intangible assets** continued**Impairment testing** continued

The group has used a pre-tax discount of 10.6% (2021: 8.5%), adjusted for the effect of IFRS 16. The sensitivity analysis identified that a reasonably possible increase of 250 bps in the pre-tax discount rate, would result in the elimination of headroom.

A long-term growth rate of 2.0% has been applied to cash flows beyond 2027 based on long term view of inflation and market conditions. Capital maintenance spend is based on historic run rates and our expectation of the group's requirements. The sensitivity testing identified no reasonably possible changes in the capital maintenance and long term growth rates that would cause the carrying amount of any CGU to exceed its recoverable amount.

As a result, management believe that some of the key impairment review assumptions constitute a major source of estimation uncertainty as they consider that there is a significant risk of a material change to its estimate of these assumptions within the next 12 months.

**15. Financial assets**

On 31 October 2019, the group entered into a profit share arrangement with Genesis Care. The agreement provides the group with an entitlement to a gross profit share relating to the chemotherapy business transferred to Genesis Care as part of the sale of the Bristol Cancer Centre in perpetuity.

The group has recognised a financial asset in respect of this gross profit share and the asset is classed as a fair value through profit and loss asset. The financial asset is valued using forward looking information to establish cash flows and is discounted back to net present value. This valuation is reviewed at each reporting date, with movements in fair value being recognised through the consolidated income statement. Cash received is adjusted against the financial asset, and is included within cash flows from investing activities on the consolidated statement of cash flows.

| (£m)                                            | 2022       | 2021       |
|-------------------------------------------------|------------|------------|
| Valuation at 1 January                          | 2.3        | 1.6        |
| Realised                                        | (0.7)      | (0.4)      |
| Unrealised fair value adjustments               | 3.0        | 1.1        |
| <b>Carrying amount at 31 December (Note 30)</b> | <b>4.6</b> | <b>2.3</b> |

Management completes relevant sensitivities on the inputs when assessing the fair value.

With all other inputs remaining constant:

- A 1.2% increase (decrease) in the discount rate used, would see a decrease (increase) in fair value of £0.6 million (£0.3 million) (2021: 1.3% increase (decrease) £0.3 million (£0.4 million))
- A 20% increase (decrease) in the forecast annual cash flow of £0.14 million (2021: £0.36 million), would see an increase (decrease) in fair value of £0.6 million (£1.1 million) (2021: £0.4 million (£0.4 million))

**16. Subsidiary undertakings and non-controlling interest**

As at 31 December 2022, these consolidated financial statements of the group comprise the company and the following companies, most of which are incorporated in, and whose operations are conducted in, the United Kingdom. All subsidiaries are 100% owned unless otherwise indicated.

Incorporated in England and Wales and registered at 3 Dorset Rise, London, EC4Y 8EN, unless otherwise stated

|                                                   | Principal activity                   | Class of share |
|---------------------------------------------------|--------------------------------------|----------------|
| Claremont Hospital Holdings Limited               | Holding company                      | Ordinary       |
| Claremont Hospital LLP <sup>^</sup>               | Health provision                     | N/A            |
| Classic Hospitals Group Limited <sup>#</sup>      | Holding company                      | Ordinary       |
| Classic Hospitals Limited <sup>#</sup>            | Non-trading company                  | Ordinary       |
| Classic Hospitals Property Limited                | Property company                     | Ordinary       |
| Didsbury MSK Limited <sup>o</sup>                 | Health provision                     | Ordinary       |
| Fox Healthcare Acquisitions Limited               | Leasing company                      | Ordinary       |
| Fox Healthcare Holdco 2 Limited <sup>#</sup>      | Holding company                      | Ordinary       |
| Lifescan Limited <sup>#</sup>                     | Non-trading company                  | Ordinary       |
| Maitland Medical Service Limited                  | Health provision                     | Ordinary       |
| Medicainsure Limited                              | Non-trading company                  | Ordinary       |
| Montefiore House Limited <sup>+</sup>             | Health provision                     | Ordinary       |
| SHC Holdings Limited <sup>#</sup>                 | Holding company                      | Ordinary       |
| Soma Health Limited                               | Health provision                     | Ordinary       |
| Spire Cambridge (Disposal) Limited <sup>#</sup>   | Non-trading company                  | Ordinary       |
| Spire Fertility (Disposal) Limited <sup>#</sup>   | Non-trading company                  | Ordinary       |
| Spire Healthcare (Holdings) Limited               | Holding company                      | Ordinary       |
| Spire Healthcare Finance Limited <sup>*</sup>     | Holding company                      | Ordinary       |
| Spire Healthcare Group UK Limited <sup>#</sup>    | Holding company                      | Ordinary       |
| Spire Healthcare Holdings 1 <sup>!&amp;</sup>     | Holding company                      | Ordinary       |
| Spire Healthcare Holdings 2 Limited <sup>#</sup>  | Holding company                      | Ordinary       |
| Spire Healthcare Holdings 3 Limited <sup>#</sup>  | Holding company                      | Ordinary       |
| Spire Healthcare Limited                          | Health provision                     | Ordinary       |
| Spire Healthcare Properties Limited               | Property company                     | Ordinary       |
| Spire Healthcare Property Developments Limited    | Development company                  | Ordinary       |
| Spire Property 1 Limited                          | Property company                     | Ordinary       |
| Spire Property 4 Limited                          | Property company                     | Ordinary       |
| Spire Property 5 Limited                          | Property company                     | Ordinary       |
| Spire Property 6 Limited                          | Property company                     | Ordinary       |
| Spire Property 13 Limited                         | Property company                     | Ordinary       |
| Spire Property 16 Limited                         | Property company                     | Ordinary       |
| Spire Property 18 Limited                         | Property company                     | Ordinary       |
| Spire Property 19 Limited                         | Property company                     | Ordinary       |
| Spire Property 23 Limited                         | Property company                     | Ordinary       |
| Spire Thames Valley Hospital Limited <sup>#</sup> | Non-trading company                  | Ordinary       |
| Spire Thames Valley Hospital Propco Limited       | Property company                     | Ordinary       |
| Spire UK Holdco 2A Limited <sup>#</sup>           | Holding company                      | Ordinary       |
| Spire UK Holdco 4 Limited                         | Holding company                      | Ordinary       |
| The Doctors Clinic Group Ltd                      | Holding company and health provision | Ordinary       |
| The London Doctors Clinic Ltd                     | Non-trading company                  | Ordinary       |

<sup>o</sup> Ownership interest is 51.0%.

<sup>+</sup> Ownership interest is 50.1%.

<sup>\*</sup> Direct shareholding of the company.

<sup>&</sup> Spire Healthcare Holdings 1 is an undertaking with unlimited liability.

<sup>!</sup> The LLP has 'Members' capital classified as equity' in lieu of 'Class of shares'.

<sup>#</sup> In liquidation and expected to be dissolved during 2023.

**16. Subsidiary undertakings and non-controlling interest** continued

In the prior year, in order to simplify the structure of the group and reduce costs, the group undertook a process in which a number of companies within the group were identified for members' voluntary liquidation. The entities in members' voluntary liquidation at year end are shown above and they are expected to be formally dissolved at Companies House during 2023.

**Non-controlling interest**

Financial information of subsidiaries that have a material non-controlling interest is provided below. The entities, as set out above, are Montefiore House Limited, Didsbury MSK Limited and Claremont Hospital LLP. On the initial acquisition of Claremont Hospital LLP on 30 November 2021, the group owned c 88%. Following the exercise of a put option during the period, Spire Healthcare acquired the remaining interest in the LLP on 31 March 2022, and now owns 100% of this entity. The accumulated interest relating to Claremont has therefore been reclassified to retained earnings.

Accumulated balances of material non-controlling interest:

| (£m)                                                                  | 2022  | 2021  |
|-----------------------------------------------------------------------|-------|-------|
| <b>Profit/(loss) allocated to material non-controlling interests:</b> |       |       |
| Montefiore House Limited                                              | (0.8) | 0.3   |
| Didsbury MSK Limited                                                  | 0.4   | 0.5   |
| Claremont Hospital LLP                                                | —     | —     |
| <b>Accumulated balances of material non-controlling interest:</b>     |       |       |
| Montefiore House Limited                                              | (6.4) | (5.6) |
| Didsbury MSK Limited                                                  | 0.5   | 0.3   |
| Claremont Hospital LLP                                                | —     | 0.5   |

Within the entities, the most material assets and liabilities relate to right of use assets and lease liabilities in respect of property. Except for the lease rental payments, the majority of cash flows are generated through operations.

**17. Inventories**

| (£m)                                             | 2022 | 2021 |
|--------------------------------------------------|------|------|
| Prostheses, drugs, medical and other consumables | 40.6 | 40.2 |

Cost of sales for the year ended 31 December 2022 includes inventories recognised as an expense amounting to £244.0 million (2021: £216.1 million).

**18. Trade and other receivables**

| (£m)                                             | 2022         | 2021        |
|--------------------------------------------------|--------------|-------------|
| <b>Amounts falling due within one year:</b>      |              |             |
| Trade receivables                                | 59.8         | 54.7        |
| Unbilled receivables                             | 18.2         | 12.3        |
| Prepayments                                      | 15.7         | 18.4        |
| Other receivables                                | 11.8         | 17.9        |
|                                                  | 105.5        | 103.3       |
| Allowance for expected credit losses             | (5.0)        | (4.1)       |
| <b>Total current trade and other receivables</b> | <b>100.5</b> | <b>99.2</b> |

Unbilled receivables reflects work in progress where a patient had treatment, or was receiving treatment, at the end of the period and the invoice had not yet been raised.

Other receivables includes the £5.4 million insurance reimbursement right (2021: £7.4 million); as well as £2.6 million (2021: £7.9 million) reimbursement right related to the new Paterson fund, which is being held by solicitors on account until payments are made, with any amount not paid out being returned to Spire Healthcare. During the year, £5.3 million was paid out of this fund. The amounts paid to the new Paterson fund do not reflect an investment in a financial asset, but merely a right to reimbursement should the fund not be utilised in full.

In the prior year, as well as the £7.4 million insurance reimbursement right, other receivables includes a £2.2 million receivable from the vendor of Claremont Hospital, which was acquired by the group during the year, and is the difference between the original estimated purchase price of £19.1 million and the final agreed purchase price of £16.9 million.

Trade and other receivables of £1.5 million have been recognised on the acquisition of The Doctors Clinic Group during the year (Note 32).

Trade receivables comprise amounts due from private medical insurers, the NHS, self-pay patients, consultants and other third parties who use the group's facilities. Invoices to customers fall due within 60 days of the date of issue.

The group was successful in its bid to be included on the NHSE Framework for purchasing additional activity from the independent sector, which commenced in April 2021. Inclusion on the Framework is at an agreed price for activity, based on the NHS tariff, but carries no guaranteed volumes. For contracts under the framework that include an estimated contract value, billing is in advance for the expected volume, with a quarterly true-up for actual volumes undertaken. For contracts under the framework without an estimated contract value (which can include local agreements), billing is in arrears based on actual volumes only.

The ageing of trade receivables is shown below and shows amounts that are past due at the reporting date (excluding payments on account where there is no right to offset these at the reporting date). A provision for expected credit losses has been recognised at the reporting date through consideration of the ageing profile of the group's trade receivables and the perceived credit quality of its customers reflecting net debt due. The carrying amount of trade receivables, net of expected credit losses, is considered to be an approximation to its fair value.

## 18. Trade and other receivables continued

The loss allowance as at 31 December 2022 for trade receivables was determined as follows:

|                                           | Current     | 0-30 days   | 31-90 days  | 91-364 days  | 1-2 years    | Total       |
|-------------------------------------------|-------------|-------------|-------------|--------------|--------------|-------------|
| Expected loss rate                        | <b>0.0%</b> | <b>1.8%</b> | <b>8.3%</b> | <b>29.2%</b> | <b>17.5%</b> | <b>7.2%</b> |
| Gross debt (£m)                           | 27.8        | 16.8        | 8.4         | 8.9          | 8.0          | 69.9        |
| Less payments on account (£m)             |             |             |             |              |              | (10.1)      |
| Carrying amount of trade receivables (£m) |             |             |             |              |              | 59.8        |
| Loss allowance (£m)                       | –           | 0.3         | 0.7         | 2.6          | 1.4          | 5.0         |

The loss allowance as at 31 December 2021 for trade receivables was determined as follows:

|                                           | Current     | 0-30 days   | 31-90 days  | 91-364 days  | 1-2 years    | Total       |
|-------------------------------------------|-------------|-------------|-------------|--------------|--------------|-------------|
| Expected loss rate                        | <b>0.7%</b> | <b>2.2%</b> | <b>5.1%</b> | <b>19.5%</b> | <b>23.6%</b> | <b>5.5%</b> |
| Gross debt (£m)                           | 27.1        | 22.9        | 13.7        | 7.7          | 5.5          | 76.9        |
| Less payments on account (£m)             |             |             |             |              |              | (22.2)      |
| Carrying amount of trade receivables (£m) |             |             |             |              |              | 54.7        |
| Loss allowance (£m)                       | 0.2         | 0.5         | 0.7         | 1.5          | 1.2          | 4.1         |

Trade receivables are written off when there is no longer a reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and failure to make contractual payments for a period of greater than two years past due.

The group assesses on a forward looking basis expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied for trade receivables is the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables.

Trade receivables after expected credit losses comprise the following wider customer/payor groups:

| (£m)                     | 2022        | 2021 |
|--------------------------|-------------|------|
| Private medical insurers | <b>30.4</b> | 27.4 |
| NHS                      | <b>8.2</b>  | 9.2  |
| Patient debt             | <b>7.2</b>  | 8.9  |
| Other                    | <b>9.0</b>  | 5.1  |
|                          | <b>54.8</b> | 50.6 |

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

| (£m)                     | 2022         | 2021  |
|--------------------------|--------------|-------|
| At 1 January             | <b>4.1</b>   | 5.3   |
| Provided in the year     | <b>1.1</b>   | –     |
| Utilised during the year | <b>(0.2)</b> | (0.2) |
| Released during the year | <b>–</b>     | (1.0) |
| At 31 December           | <b>5.0</b>   | 4.1   |

The group applies the IFRS 9 simplified approach to measuring Expected Credit Losses (ECLs) for trade receivables. Under this standard, lifetime ECL provisions are recognised for trade receivables using a matrix of rates dependant on age thresholds and customer types. The ECL rates are determined with reference to historical performance of each payor age group during the last two years.

To develop the ECL matrix, trade receivables were grouped according to shared characteristics (payor/payor type) and the days past due. As the majority of the group's debt is receivable from large, well-funded insurance companies, the National Health Service or from a large number of individuals, the group has concluded that historical debt performance of the portfolio during the last two reporting periods provides a reasonable approximation of the future expected loss rates for each payor age category.

## 19. Cash and cash equivalents

| (£m)                | 2022        | 2021  |
|---------------------|-------------|-------|
| Cash at bank        | <b>67.1</b> | 165.5 |
| Short-term deposits | <b>7.1</b>  | 37.1  |
|                     | <b>74.2</b> | 202.6 |

Cash and cash equivalents comprise cash balances, short-term deposits and other short-term highly liquid investments (including money market funds) with maturities not exceeding three months placed with investment grade counterparties which are subject to an insignificant risk of change in value.

Cash and cash equivalents of £0.3 million has been added on the acquisition of The Doctors Clinic Group during the year (Note 32).

## 20. Non-current assets held for sale

During the year the group completed the sale of its Spire St Saviours property and received proceeds of £3.2 million. In June 2022 an impairment of £0.5 million was recognised on the property, as the sales price less costs to sell on the property was lower than the carrying value. No impairment was recognised in the prior year (see Note 10).

As at 31 December 2022 the group's management have committed to sell a parcel of land at Bostocks Lane as the group has accepted an offer on the property. The sale is considered highly probable and the assessment has not changed. It therefore remains as classified as held for sale.

| (£m)                                        | 2022       | 2021 |
|---------------------------------------------|------------|------|
| Spire St Saviours Hospital property         | <b>–</b>   | 3.7  |
| Bostocks Lane (East Midlands Cancer Centre) | <b>1.1</b> | 1.1  |
|                                             | <b>1.1</b> | 4.8  |

## 21. Share capital and reserves

|                              | 2022                  | 2021        |
|------------------------------|-----------------------|-------------|
| <b>Authorised shares</b>     |                       |             |
| Ordinary share of £0.01 each | 404,108,470           | 401,104,036 |
|                              | 404,108,470           | 401,104,036 |
|                              | £0.01 ordinary shares |             |
|                              | Shares                | £'000       |
| <b>Issued and fully paid</b> |                       |             |
| <b>At 31 December 2022</b>   | 404,108,470           | 4,041       |
| At 31 December 2021          | 401,104,036           | 4,010       |

During the year, the authorised share capital was increased by £31,000 by the issue of 3,004,434 ordinary shares of £0.01 each.

### Share premium

| Share premium         | 2022  | 2021  |
|-----------------------|-------|-------|
| <b>At 1 January</b>   | 826.9 | 826.9 |
| Issue of new shares   | 3.1   | –     |
| <b>At 31 December</b> | 830.0 | 826.9 |

During the year the group issued 3,004,434 shares to settle share awards of which 2,916,000 shares were exercised under the save as you earn 2019 scheme at an exercise price of £1.09 per share. The proceeds from the issue of shares were £3.1 million.

### Capital reserves

This reserve represents the loans of £376.1 million due to the former ultimate parent undertaking and management that were forgiven by those counterparties as part of the reorganisation of the group prior to the IPO in 2014.

### EBT share reserves

Equiniti Trust (Jersey) Limited is acting in its capacity as trustee of the company's Employee Benefit Trust ('EBT'). The purpose of the EBT is to further the interests of the company by benefiting employees and former employees of the group and certain of their dependants. The EBT is treated as an extension of the group and the company.

During the year, the EBT purchased 88,354 shares and exercised 300,491 (2021: nil shares acquired and nil exercised) in order to settle share awards in relation to the directors' share bonus award and Long-Term Incentive Plan.

Where the EBT purchases the company's equity share capital the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. As at 31 December 2022, 27,146 shares (2021: 239,283) were held by the EBT in relation to the directors' share bonus award and Long-Term Incentive Plan. The EBT share reserve represents the consideration paid when the EBT purchases the company's equity share capital, until the shares are reissued.

| (Number of shares)    | 2022  |                    | 2021 |                    |
|-----------------------|-------|--------------------|------|--------------------|
|                       | (£m)  | (Number of shares) | (£m) | (Number of shares) |
| <b>At 1 January</b>   | 0.8   | 239,283            | 0.8  | 239,283            |
| Purchased             | –     | 88,354             | –    | –                  |
| Exercised             | (0.8) | (300,491)          | –    | –                  |
| <b>At 31 December</b> | –     | 27,146             | 0.8  | 239,283            |

### Hedging reserve

The balance of £6.6 million at 31 December 2022 (2021: (£0.5 million)) reflects the £1.2 million (2021: £2.5 million) recycled in the period, the fair value credit of £8.1 million (2021: £0.8 million credit) and the £2.2 million tax charge on the profit (2021: £0.6 million tax charge on the profit) to give a net movement of an increase of £7.1 million during the year (2021: a decrease of £2.7 million) on a hedged transaction. See note 22 for further information.

## 22. Borrowings

The group has borrowings in two forms, bank borrowings and lease liabilities as disclosed on the consolidated balance sheet. Total borrowings at 31 December 2022 were £1,190.8 million (2021: £1,265.3 million). More detail in respect of these two forms of borrowings are set out below.

### Bank borrowings

The bank loans are secured on fixed and floating charges over both the present and future assets of material subsidiaries of the group. On 24 February 2022, the group successfully refinanced its debt facilities with a syndicate of existing and new lenders. As part of the exercise and in recognition of the fact that the group had substantial cash reserves at 31 December 2021, the group repaid £100.0 million of the Senior Loan Facility. The new arrangement has a maturity of four years. The financial covenants relating to this new agreement are materially unchanged. The loan is non-amortising and carries interest at a margin of 2.05% over SONIA (2021: 2.25% over LIBOR).

For accounting purposes the loan and associated deferred and amortised fees have been treated as an extinguishment under IFRS 9, as a result £3.1 million has been recognised within finance costs in the income statement.

| (£m)                                       | 2022         | 2021         |
|--------------------------------------------|--------------|--------------|
| Amount due for settlement within 12 months | 2.9          | 5.7          |
| Amount due for settlement after 12 months  | 321.4        | 421.8        |
| <b>Total bank borrowings</b>               | <b>324.3</b> | <b>427.5</b> |

### Terms and debt repayment schedule

The maturity date is the date on which the relevant bank loans are due to be fully repaid.

**22. Borrowings** continued**Bank borrowings** continued

The carrying amounts drawn (after issue costs and including interest accrued) under facilities in place at the balance sheet date were as follows:

| (£m)                                   | Maturity      | Margin over SONIA    | 2022         | 2021  |
|----------------------------------------|---------------|----------------------|--------------|-------|
| Senior finance facility <sup>(1)</sup> | February 2026 | 2.05%                | <b>324.3</b> | —     |
| Senior finance facility <sup>(1)</sup> | July 2023     | 2.25% <sup>(2)</sup> | <b>—</b>     | 428.2 |

- In the prior period the difference between the carrying amount of the facility and the value of the debt repayment schedule is a modification fee on the loan extension and is deferred and amortised in accordance with IFRS 9 loan modification accounting. On refinancing in the current period, these amounts have been accelerated and recognised in the Income Statement as a result of the refinancing being treated as an extinguishment for accounting purposes.
- Margin over LIBOR.

Net debt for the purposes of the covenant test in respect of the Senior Loan Facility was £250.8 million (December 2021: £222.4 million) and the net debt to EBITDA ratio was 2.2x (December 2021: 2.3x). The net debt for covenant purposes comprises the senior facility of £325.0 million less cash and cash equivalents of £74.2 million. EBITDA for covenant purposes comprises Adjusted EBITDA for Last Twelve Months (LTM) of pre-IFRS 16 Adjusted EBITDA of £123.9 million (December 2021: 106.0 million) less the rental of a finance lease pre-IFRS 16 of £9.5 million (2021: £9.1 million).

The interest cover for covenant purposes was 8.5x (2021: 4.5x 2020: 4.0x, 2019 4.8x) and is calculated as the pre-IFRS 16 EBITDA described above over pre-IFRS 16 finance costs paid.

The new facilities include a sustainability-linked element connected to environmental and quality factors.

The group also has access to a further £100.0 million through a committed and undrawn revolving credit facility to February 2026.

**Lease liabilities****Obligations under finance leases**

The group has finance in respect of hospital properties, vehicles, office and medical equipment. The leases are secured on fixed and floating charges over both the present and future assets of material subsidiaries in the group. Leases, with a present value liability of £866.5 million (2021: £837.8 million), expire in various years to 2046 and carry incremental borrowing rates in the range 3.1–14.6% (2021: 3.1–14.6%). Rent in respect of hospital property leases are reviewed annually with reference to RPI or CPI, subject to assorted floors and caps. The discount rates used are calculated on a lease by lease basis, and are based on estimates of incremental borrowing rates. A movement in the incremental borrowing rate of 1% would result in an 8% movement in lease liability.

In the year, the group recognised charges of £13.6 million (2021: £12.3 million) of lease expenses relating to short term and low value leases for which the exemption under IFRS 16 has been taken. Cash outflows in respect of these are materially in line with the expense recognised, resulting in a total cash outflow of £105.6 million (2021: £38.3 million). The group has not made any variable lease payments in the year. The group is not a lessor for any leases to external parties. There has been no (2021: one) sale and leaseback transaction in this period. Where new leases have the right to extend and management is not reasonably certain to exercise the extension option, those future cash flows are not reflected in the above. The new leases do not include any restrictions or covenants.

Some leases receive RPI increases on an annual basis which affects both the cash flow and interest charged on those leases. Except for this increase, cash flows and charges are expected to remain in line with current year. The cash flows above do not reflect any termination or extension options as management is reasonably certain that the options will not be exercised. There are no significant restrictions or covenants which impact the cash flows in respect of these leases.

See note 13 for more detail on the depreciation of the Right of Use (ROU) assets and note 8 for more detail on the interest expense relating to leases.

**Changes in bank borrowings and lease liabilities arising from financing activities**

| (£m)              | 1 January      | Cash flows     | Non cash changes <sup>1</sup> | Additions <sup>3</sup> | 31 December    |
|-------------------|----------------|----------------|-------------------------------|------------------------|----------------|
| <b>2022</b>       |                |                |                               |                        |                |
| Bank loans        | <b>427.5</b>   | <b>(121.1)</b> | <b>17.9</b>                   | <b>—</b>               | <b>324.3</b>   |
| Lease liabilities | <b>837.8</b>   | <b>(93.7)</b>  | <b>73.5</b>                   | <b>48.9</b>            | <b>866.5</b>   |
| <b>Total</b>      | <b>1,265.3</b> | <b>(214.8)</b> | <b>91.4</b>                   | <b>48.9</b>            | <b>1,190.8</b> |

| (£m)              | 1 January      | Cash flows    | Non cash changes <sup>1</sup> | Loan modification <sup>2</sup> | Additions <sup>3</sup> | Disposals    | 31 December    |
|-------------------|----------------|---------------|-------------------------------|--------------------------------|------------------------|--------------|----------------|
| <b>2021</b>       |                |               |                               |                                |                        |              |                |
| Bank loans        | 420.8          | (13.2)        | 18.8                          | 1.1                            | —                      | —            | 427.5          |
| Lease liabilities | 749.5          | (26.0)        | 67.7                          | —                              | 48.4                   | (1.8)        | 837.8          |
| <b>Total</b>      | <b>1,170.3</b> | <b>(39.2)</b> | <b>86.5</b>                   | <b>1.1</b>                     | <b>48.4</b>            | <b>(1.8)</b> | <b>1,265.3</b> |

- Non-cash changes reflect interest charged on the loan.
- The loan modification relates to the fees incurred on the loan extensions, which are amortised in accordance with IFRS 9.
- Additions include both new leases entered into, indexation of existing leases, sale and leaseback transactions and acquisitions of subsidiaries.

**Derivatives**

The following derivatives were in place at 31 December:

|                                            | Interest rate  | Maturity date   | Notional amount | Carrying value liability/(Asset) |
|--------------------------------------------|----------------|-----------------|-----------------|----------------------------------|
| <b>31 December 2022 (£m)</b>               |                |                 |                 |                                  |
| Interest rate swaps                        | <b>2.7780%</b> | <b>Feb 2026</b> | <b>243.8</b>    | <b>(8.6)</b>                     |
| 31 December 2021 (£m)                      |                |                 |                 |                                  |
| Interest rate swaps                        | 1.2168%        | July 2022       | 213.0           | 0.7                              |
| <b>(£m)</b>                                |                |                 |                 |                                  |
|                                            |                |                 | <b>2022</b>     | <b>2021</b>                      |
| Amount due for settlement within 12 months |                |                 | <b>(3.6)</b>    | 0.7                              |
| Amount due for settlement after 12 months  |                |                 | <b>(5.0)</b>    | —                                |
| <b>Total derivatives (asset)/liability</b> |                |                 | <b>(8.6)</b>    | 0.7                              |

The interest rate swap from the prior year matured on 22 July 2022. The group entered into new interest rate swaps on the 25 July 2022. The movement in respect of derivatives reflects £1.2 million (December 2021: £1.2 million) recycled in the period and a £8.1 million credit (December 2021: £0.4 million credit) in fair value. All movements are reflected within other comprehensive income.

### 23. Deferred tax

| (£m)                                                     | Property, plant and equipment | IFRS 16 leases – spreading | IFRS 16     | Share-based payments | Losses       | Provisions and other temporary differences | Total        |
|----------------------------------------------------------|-------------------------------|----------------------------|-------------|----------------------|--------------|--------------------------------------------|--------------|
| At 1 January 2021                                        | 73.3                          | (38.3)                     | 25.0        | (1.1)                | (2.2)        | (2.8)                                      | 53.9         |
| (Credit)/charge to the profit or loss                    | (12.7)                        | 1.9                        | (2.6)       | –                    | (1.9)        | 0.3                                        | (15.0)       |
| (Credit)/charge to other comprehensive income and equity | –                             | –                          | –           | (3.0)                | –            | 0.6                                        | (2.4)        |
| Prior year adjustment                                    | 4.1                           | 0.2                        | (0.8)       | –                    | –            | –                                          | 3.5          |
| Change in tax rates                                      | 22.6                          | (10.8)                     | 7.1         | (0.1)                | (0.7)        | (0.4)                                      | 17.7         |
| At 1 January 2022                                        | <b>87.3</b>                   | <b>(47.0)</b>              | <b>28.7</b> | <b>(4.2)</b>         | <b>(4.8)</b> | <b>(2.3)</b>                               | <b>57.7</b>  |
| (Credit)/charge to the profit or loss                    | <b>(7.1)</b>                  | <b>1.8</b>                 | <b>2.8</b>  | <b>0.1</b>           | <b>(0.8)</b> | <b>0.6</b>                                 | <b>(2.6)</b> |
| (Credit)/charge to other comprehensive income and equity | –                             | –                          | –           | 0.1                  | –            | 2.1                                        | 2.2          |
| Adjustment in respect of prior year                      | <b>(2.2)</b>                  | <b>–</b>                   | <b>1.5</b>  | <b>–</b>             | <b>(0.6)</b> | <b>0.2</b>                                 | <b>(1.1)</b> |
| At 31 December 2022                                      | <b>78.0</b>                   | <b>(45.2)</b>              | <b>33.0</b> | <b>(4.0)</b>         | <b>(6.2)</b> | <b>0.6</b>                                 | <b>56.2</b>  |
| Disclosed within liabilities                             | <b>78.0</b>                   | <b>(45.2)</b>              | <b>33.0</b> | <b>(4.0)</b>         | <b>(6.2)</b> | <b>0.6</b>                                 | <b>56.2</b>  |

Deferred tax on property, plant and equipment has arisen on differences between the carrying value of the relevant assets and the tax base. Included in this amount is a one off credit to the profit and loss of £9.0 million in respect of the change in useful life and residual value of the freehold properties. The credit arises as a result of the ability to take into account additional tax basis and indexation for future capital disposals when calculating the deferred tax liability on property.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted, or substantively enacted, at the balance sheet date. The group has separately calculated the tax rates applicable in respect of adjusting items for the period. The prior year change in tax rates reflects the reassessment of deferred tax assets and liabilities to 25% from 19%. Deferred tax in the current period continues to be measured at 25%.

Deferred tax assets are recognised on the basis that the deferred tax liabilities represent forecast profits of the appropriate type (either capital or trading) and therefore represent a suitable taxable profit against which the reversal of the deferred tax assets can be offset. Deferred tax assets and liabilities in relation to property are only offset to the extent that they relate to the same site.

The group has unrecognised deferred tax assets (which do not expire) as follows:

| (£m)                                   | 2022        |              | 2021  |              |
|----------------------------------------|-------------|--------------|-------|--------------|
|                                        | Gross       | Tax effected | Gross | Tax effected |
| Trading losses                         | <b>8.0</b>  | <b>2.0</b>   | 9.9   | 2.5          |
| Capital losses                         | –           | –            | 1.2   | 0.3          |
| Tax basis for future capital disposals | <b>11.6</b> | <b>2.9</b>   | 34.4  | 8.6          |
| Total                                  | <b>19.6</b> | <b>4.9</b>   | 45.5  | 11.4         |

These amounts are the expected tax value of the gross temporary difference at the enacted long-term tax rate of 25% (2021: 25%) following the substantive enactment of the increased corporation tax rate of 25% effective from 1 April 2023. A deferred tax asset has not been recognised in respect of these amounts due to uncertainties as to the timing of future profits that the trading losses could be offset against and whether capital gains will arise against which the capital losses and tax basis for capital disposals could be utilised.

### 24. Provisions

| (£m)                            | Medical malpractice | Business restructuring and other | Total         |
|---------------------------------|---------------------|----------------------------------|---------------|
| At 1 January 2022               | <b>42.0</b>         | <b>2.8</b>                       | <b>44.8</b>   |
| Increase in existing provisions | <b>7.9</b>          | <b>0.5</b>                       | <b>8.4</b>    |
| Provisions utilised             | <b>(30.1)</b>       | <b>(1.0)</b>                     | <b>(31.1)</b> |
| Provisions released             | <b>(0.4)</b>        | <b>–</b>                         | <b>(0.4)</b>  |
| At 31 December 2022             | <b>19.4</b>         | <b>2.3</b>                       | <b>21.7</b>   |

Medical malpractice relates to estimated liabilities arising from claims for damages in respect of services previously supplied to patients. During the period £6.4 million was added due to additional claims received, and £9.1 million utilised. Amounts are shown gross of insured liabilities. Any such insurance recoveries of £5.4 million (December 2021: £7.4 million) are recognised in other receivables. This drives the majority of the movement in the medical malpractice provision with the exception of the insurer settlement and the Paterson actions following the Public Inquiry. Following the Court of Appeal judgment in H2 2021, relating to the ongoing legal action between the group and its insurer, finding in favour of the insurer, Spire Healthcare provided for £13.0 million in the prior period, and settled £13.0 million in the current period which is reflecting as utilised during the period.

Following the completion of the criminal proceedings against Ian Paterson, a consultant who previously had practicing privileges at Spire Healthcare, management agreed settlement with all current and known civil claimants (and the other co-defendants) and made a provision for the expected remaining costs in FY20. The provision is being utilised, including £5.3 million in patient claim settlements. The provision to complete the reviews, settle any claims and costs in respect of other Paterson items has been increased by £0.9 million. This provision remains subject to ongoing review following the publication of the Public Inquiry report on Paterson issued on 4 February 2020, as the group continues to assess the potential impact of the recommendations. The project is complex and the process for review and settlement takes some time. It is possible that, as further information becomes available, an adjustment to this provision will be required, but at this time, it reflects management's best estimate of the costs and settlement of claims at this point. The variables include the number of patients which are found to have been harmed following review, the level of harm, and the associated compensation claim, as well as the time to review each case can vary significantly.

The provision in relation to the Ian Paterson costs has been determined before taking account of any potential further recoveries from insurers.

As at 31 December 2022, the remaining business restructuring and other provisions primarily includes non-patient claims made against the group. The group is in the process of settling or defending such claims as appropriate. Management have sought external counsel, where appropriate, to determine the appropriate provision levels.

Provisions as at 31 December 2022 are materially considered to be current and expected to be utilised at any time within the next twelve months, subject to external factors beyond the group's control.

## 25. Trade and other payables

| (£m)                            | 2022  | 2021  |
|---------------------------------|-------|-------|
| Trade payables                  | 67.2  | 51.7  |
| Accrued expenses                | 58.4  | 52.6  |
| Social security and other taxes | 9.7   | 8.3   |
| Other payables                  | 29.2  | 46.5  |
| Trade and other payables        | 164.5 | 159.1 |

Trade and other payables of £1.9 million have been added on the acquisition of The Doctors Clinic Group during the year (see Note 32)

Accrued expenses includes general operating expenses incurred but not invoiced as at the year end, as well as holiday pay accrued of £5.2 million (2021: £9.1 million) due to staff deferring leave to maintain operations throughout the COVID-19 pandemic, and bonuses accrued during the year and paid during the following year of £7.0 million (FY21: £6.4 million).

Other payables include an accrual for pensions and payments on account. Revenue is not recognised in respect of payments on account until the performance obligation has been met. At year end the balance of payments on account was £11.9 million (2021: £9.9 million) partly, and other credit balances reclassified from trade debtors were £28.2 million (2021: £25.8 million), which largely relate to NHS credits. Payments on account are expected to be utilised against patient procedures within the following 12 months. The balance of payments on account as at 31 December 2021 have been fully utilised in the current year. However, this is subject to the patient attending for the procedure, and not cancelling or deferring treatment, which could result in repayment to the patient should they request so.

## 26. Dividends

During the year Didsbury MSK Limited declared and paid an interim dividend of £0.4 million to its shareholders of which £0.2 million was paid to the non-controlling interests. In addition £0.1 million of dividends were paid to the executive directors in respect of grants under the LTIP share scheme that have vested and are currently subject to a two-year holding period.

Since the end of the financial year, the directors have proposed a final dividend of approximately 0.5 pence per share. The dividend is subject to approval by shareholders at the Annual General Meeting and is therefore not included in the balance sheet as a liability at 31 December 2022.

## 27. Share-based payments

The group operates a number of share-based payment schemes for executive directors and other employees, all of which are equity settled.

The group has no legal or constructive obligation to repurchase or settle any of the options in cash. The total cost in respect of LTIPs and SAYE recognised in the income statement was £2.3 million in the year ended 31 December 2022 (2021: £2.8 million). Employer's National Insurance is being accrued, where applicable, at the rate of 14.3%, which management expects to be the prevailing rate at the time the options are exercised, based on the share price at the reporting date. The total National Insurance charge for the year was £0.3 million (2021: £0.4 million).

The following table analyses the total cost between each of the relevant schemes, together with the number of options outstanding:

|                           | 2022         |                                     | 2021         |                                     |
|---------------------------|--------------|-------------------------------------|--------------|-------------------------------------|
|                           | Charge<br>£m | Number of<br>options<br>(thousands) | Charge<br>£m | Number of<br>options<br>(thousands) |
| Long Term Incentive Plan  | 1.8          | 12,787                              | 2.5          | 11,449                              |
| Deferred Share Bonus Plan | –            | 525                                 | –            | 383                                 |
| Save As You Earn (SAYE)   | 0.5          | 3,652                               | 0.3          | 3,114                               |
|                           | 2.3          | 16,964                              | 2.8          | 14,946                              |

A summary of the main features of the scheme is shown below:

### Long Term Incentive Plan

The Long Term Incentive Plan ('LTIP') is open to executive directors and designated senior managers, and awards are made at the discretion of the remuneration committee. Awards are subject to market and non-market performance criteria.

Awards granted under the LTIP vest subject to achievement of performance conditions measured over a period of at least three years, unless the committee determines otherwise. Awards may be in the form of conditional share awards or nil-cost options or any other form allowed by the plan rules.

Vesting of awards will be dependent on a range of financial, operational or share price measures, as set by the committee, which are aligned with the long-term strategic objectives of the group and shareholder value creation. No less than 30% of an award will be based on share price measures. The remainder will be based on either financial and/or operational measures. At the threshold performance, no more than 25% of the award will vest, rising to 100% for maximum performance.

On 6 April 2020, the company granted a total of 5,638,223 options to the executive directors and other senior management. The options will vest based on earnings per share ('EPS') (20%) targets for the financial year ending 31 December 2022, relative total shareholder return ('TSR') (40%) targets on performance over the three year period to 31 December 2022 and operational excellence ('OE') (40%) targets based on employee engagement targets and regulatory ratings for the current portfolio of hospitals, subject to continued employment. Upon vesting, the options will remain exercisable until 1 April 2030.

On 18 March 2021, the company granted a total of 3,595,102 options to the executive directors and other senior management. The options will vest based on return on capital employed ('ROCE') (35%) targets for the financial year ending 31 December 2023, relative total shareholder return ('TSR') (35%) targets on performance over the three year period to 31 December 2023 and operational excellence ('OE') (30%) targets based on employee engagement targets and regulatory ratings for the current portfolio of hospitals, subject to continued employment. Upon vesting, the options will remain exercisable until March 2031. The executive directors are subject to a 2 year holding period, whilst other senior management are not.

On 14 March 2022, the company granted a total of 3,097,060 options to the executive directors and other senior management. The options will vest based on return on capital employed ('ROCE') (35%) targets for the financial year ending 31 December 2024, relative total shareholder return ('TSR') (35%) targets on performance over the three year period to 31 December 2024 and operational excellence ('OE') (30%) targets based on employee engagement targets and regulatory ratings for the current portfolio of hospitals, subject to continued employment. Upon vesting, the options will remain exercisable until March 2032. The executive directors are subject to a two year holding period, whilst other senior management are not.

## 27. Share-based payments continued

### Deferred Share Bonus Plan

The Deferred Share Bonus Plan is a discretionary executive share bonus plan under which the remuneration committee determines that a proportion of a participant's annual bonus will be deferred. The market value of the shares granted to any employee will be equal to one-third of the total annual bonus that would otherwise have been payable to the individual. The awards will be granted on the day after the announcement of the group's annual results. The awards will normally vest over a three-year period.

On 6 April 2020, the company granted a total of 243,973 options to executive directors, with a vesting date of 6 April 2023. The options will vest based on a target EBITDA net debt leverage ratio for the year ending 31 December 2021, and subject to continued employment.

On 18 March 2021, the company granted a total of 138,888 options to executive directors, with a vesting date of 18 March 2024. The options will vest based on a target EBITDA net debt leverage ratio for the year ending 31 December 2022, and subject to continued employment.

On 14 March 2022, the company granted a total of 142,427 options to executive directors, with a vesting date of 14 March 2025. There are no performance conditions in respect of the scheme and is subject to continued employment.

### Save As You Earn

The Save As You Earn ('SAYE') is open to all Spire Healthcare employees. Vesting will be dependent on continued employment for a period of 3 years from grant. The requirement to save is a non-vesting condition. On 3 May 2019, the company launched the SAYE scheme. There are no performance conditions in respect of the scheme and the scheme vested on 1 June 2022. The options remained exercisable for 6 months to 31 December 2022.

On the 24 April 2022, the company granted 3,800,557 options to employees with a vesting date of 1 June 2025. There are no performance conditions in respect of the scheme. Upon vesting, the options will remain exercisable for six months. The IFRS 2 charge has been calculated using an adjusted Black Scholes model with judgements including leavers of the scheme (employees who may cease to save) and dividend yields.

The aggregate number of share awards outstanding for the group and their weighted average contractual life is shown below:

|                                   | 2022                                 |                                     |                                     |                                    |                                          |                     |
|-----------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|------------------------------------|------------------------------------------|---------------------|
|                                   | LTIP (ROCE condition)<br>(thousands) | LTIP (TSR condition)<br>(thousands) | LTIP (EPS condition)<br>(thousands) | LTIP (OE condition)<br>(thousands) | Deferred Share Bonus Plan<br>(thousands) | SAYE<br>(thousands) |
| At 1 January                      | 1,133                                | 4,175                               | 1,975                               | 4,166                              | 383                                      | 3,114               |
| Granted                           | 1,084                                | 1,079                               | –                                   | 925                                | 142                                      | 3,811               |
| Exercised                         | –                                    | (208)                               | –                                   | (93)                               | –                                        | (2,916)             |
| Surrendered <sup>1</sup>          | (48)                                 | (205)                               | (77)                                | (198)                              | –                                        | –                   |
| Cancelled <sup>2</sup>            | –                                    | (115)                               | (358)                               | (457)                              | –                                        | (357)               |
| At 31 December                    | 2,169                                | 4,731                               | 1,540                               | 4,347                              | 525                                      | 3,652               |
| Exercisable at 31 December        | –                                    | –                                   | –                                   | –                                  | –                                        | 37                  |
| Weighted average contractual life | 2.4 years                            | 3.2 years                           | 0.4 years                           | 2.8 years                          | 1.1 years                                | 2.5 years           |

|                                   | 2021                                 |                                     |                                     |                                    |                                          |                     |
|-----------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|------------------------------------|------------------------------------------|---------------------|
|                                   | LTIP (ROCE condition)<br>(thousands) | LTIP (TSR condition)<br>(thousands) | LTIP (EPS condition)<br>(thousands) | LTIP (OE condition)<br>(thousands) | Deferred Share Bonus Plan<br>(thousands) | SAYE<br>(thousands) |
| At 1 January                      | –                                    | 3,854                               | 2,727                               | 3,612                              | 244                                      | 3,222               |
| Granted                           | 1,258                                | 1,258                               | –                                   | 1,079                              | 139                                      | –                   |
| Exercised                         | –                                    | –                                   | –                                   | –                                  | –                                        | (23)                |
| Surrendered <sup>1</sup>          | (106)                                | (217)                               | (55)                                | (201)                              | –                                        | –                   |
| Cancelled <sup>2</sup>            | (19)                                 | (720)                               | (697)                               | (324)                              | –                                        | (85)                |
| At 31 December                    | 1,133                                | 4,175                               | 1,975                               | 4,166                              | 383                                      | 3,114               |
| Exercisable at 31 December        | –                                    | 39                                  | –                                   | 326                                | –                                        | 37                  |
| Weighted average contractual life | 2.2 years                            | 2.2 years                           | 1.2 years                           | 2.2 years                          | 3.0 years                                | 0.9 years           |

1. These are shares where the participants are considered to be good leavers and forfeit a proportion of their shares on pro-rata basis.
2. These are shares where the participants forfeit all share options.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2022 was 2.2 years (2021: 2.2 years) in respect of LTIPs, and 2.5 years for SAYE (2021: 0.9 years).

## 27. Share-based payments continued

### Save As You Earn continued

Share options outstanding at the end of the year have the following expiry date:

| Grant – vest               | Expiry date | Exercise price (£) | Share options thousands |       |
|----------------------------|-------------|--------------------|-------------------------|-------|
|                            |             |                    | 2022                    | 2021  |
| LTIP grants                |             |                    |                         |       |
| 30/09/2014 – December 2016 | 30/09/2024  | —                  | 32                      | 32    |
| 30/03/2018 – March 2021    | 30/03/2028  | —                  | 2                       | 7     |
| 30/03/2018 – March 2021    | 30/03/2028  | —                  | 326                     | 326   |
| 30/03/2019 – March 2022    | 30/03/2029  | —                  | 1,118                   | 2,702 |
| 30/03/2020 – March 2023    | 30/03/2030  | —                  | 5,112                   | 5,145 |
| 30/03/2021 – March 2024    | 30/03/2031  | —                  | 3,199                   | 3,237 |
| 01/04/2022 – March 2025    | 01/01/2032  | —                  | 2,997                   | —     |
| Deferred Share Bonus Plan  |             |                    |                         |       |
| 06/04/2020 – April 2023    | 05/04/2030  | —                  | 244                     | 244   |
| 18/03/2021 – March 2024    | 17/03/2031  | —                  | 139                     | 139   |
| 01/04/2022 – April 2025    | 01/04/2032  | —                  | 142                     | —     |
| Save As You Earn           |             |                    |                         |       |
| 03/05/2019 – June 2022     | 01/12/2022  | 1.09               | 18                      | 3,114 |
| 26/04/2022 – May 2025      | 01/11/2025  | 1.98               | 3,634                   | —     |

During the year, 300,491 shares, relating to LTIPs, were exercised from the company's Employee Benefit Trust ('EBT'), during the year (see note 21 for more information). Where considered the most appropriate use of surplus cash, the company will continue to fund the Spire Healthcare Employee Benefit Trust ('EBT'), a discretionary trust held for the benefit of the group's employees, for the ongoing acquisition of shares to satisfy the exercise of share plan awards by employees.

The following information is relevant to the determination of the fair value of the awards granted for the years ended 31 December 2022 and 2021, respectively, under the schemes:

| 2022                                                              | LTIP<br>(TSR condition) | LTIP<br>(ROCE condition)            | LTIP<br>(OE condition)              | Deferred Share<br>Bonus Plan | Save as you Earn           |
|-------------------------------------------------------------------|-------------------------|-------------------------------------|-------------------------------------|------------------------------|----------------------------|
| Option pricing model                                              |                         |                                     |                                     |                              | <b>Black-Schöles model</b> |
| Fair value at grant date (£)                                      | Monte Carlo<br>1.75     | Fair value<br>at grant date<br>2.44 | Fair value<br>at grant date<br>2.44 | n/a                          | 0.71                       |
| Fair value at grant date for shares subject to holding period (£) | 1.48                    | 2.06                                | 2.06                                | n/a                          | n/a                        |
| Weighted average share price at grant date (£)                    | 2.44                    | 2.44                                | 2.44                                | n/a                          | 2.21                       |
| Exercise price (£)                                                | Nil                     | Nil                                 | Nil                                 | Nil                          | 1.98                       |
| Weighted average contractual life                                 | 2.2 years               | 2.2 years                           | 0.2 years                           | 3.0 years                    | 2.5 years                  |
| Expected dividend yield                                           | n/a                     | n/a                                 | n/a                                 | n/a                          | n/a                        |
| Risk-free interest rate                                           | 1.4%                    | n/a                                 | n/a                                 | n/a                          | n/a                        |
| Volatility <sup>(1)</sup>                                         | 53%                     | 53%                                 | 53%                                 | n/a                          | n/a                        |

| 2021                                                              | LTIP<br>(TSR condition) | LTIP<br>(EPS condition)     | LTIP<br>(OE condition)      | Deferred Share<br>Bonus Plan |
|-------------------------------------------------------------------|-------------------------|-----------------------------|-----------------------------|------------------------------|
| Option pricing model                                              | Monte Carlo             | Fair value<br>at grant date | Fair value<br>at grant date | n/a                          |
| Fair value at grant date (£)                                      | 1.17                    | 1.65                        | 1.65                        | n/a                          |
| Fair value at grant date for shares subject to holding period (£) | 1.00                    | 1.41                        | 1.41                        | n/a                          |
| Weighted average share price at grant date (£)                    | 1.65                    | 1.65                        | 1.65                        | n/a                          |
| Exercise price (£)                                                | Nil                     | Nil                         | Nil                         | Nil                          |
| Weighted average contractual life                                 | 2.2 years               | 2.2 years                   | 2.2 years                   | 3.0 years                    |
| Expected dividend yield                                           | n/a                     | n/a                         | n/a                         | n/a                          |
| Risk-free interest rate                                           | 0.2%                    | n/a                         | n/a                         | n/a                          |
| Volatility <sup>(1)</sup>                                         | 49%                     | 49%                         | 49%                         | n/a                          |

1. The expected volatility is based on the historical volatility of the company and a comparator group of other international healthcare companies.

## 28. Commitments

### Consignment stock

At 31 December 2022, the group held consignment stock on sale or return of £24.3 million (2021: £23.5 million). The group is only required to pay for the equipment it chooses to use and therefore this stock is not recognised as an asset.

### Capital commitments

Capital commitments comprise amounts payable under capital contracts which are duly authorised and in progress at the consolidated balance sheet date. They include the full cost of goods and services to be provided under the contracts through to completion. The group has rights within its contracts to terminate at short notice and, therefore, cancellation payments are minimal.

Capital commitments at the end of the year were as follows:

| (£m)                            | 2022 | 2021 |
|---------------------------------|------|------|
| Contracted but not provided for | 27.0 | 29.1 |

## 29. Contingent liabilities

The group had the following guarantees at 31 December 2022:

- The bankers to Spire Healthcare Limited have issued a letter of credit in the maximum amount of £1.5 million (2021: £1.5 million) in relation to contractual pension obligations
- Under certain lease agreements entered into on 26 January 2010, the group has given undertakings relating to obligations in the lease documentation and the assets of the group are subject to a fixed and floating charge
- See note C11 for details of contingent liability in respect of lease arrangements and agreements

**30. Financial risk management and impairment of financial assets**

The group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The directors have overall responsibility for the establishment and oversight of the group's risk management framework.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

**Credit risk and impairment**

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers and investment securities.

**Trade and other receivables**

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The group's exposure to credit risk from trade receivables is considered to be low because of the nature of its customers and policies in place to prevent credit risk occurring in normal circumstances.

Most revenues arise from insured patients' business and the NHS. Insured revenues give rise to trade receivables which are mainly due from large insurance institutions, which have high credit worthiness. The remainder of revenues arise from individual self-pay patients and consultants.

During the period, trade receivables have increased as private work has increased as a result of COVID-19 restrictions being removed, but aged debt has reduced. Individual self-pay patients continues to be the largest risk for the group given the current economic uncertainty. Given the COVID-19 induced economic uncertainty, the group has considered the provision required, specifically for self-pay patients, and maintained a provision accordingly through the expected loss rate percentages. The Expected Credit Loss (ECL) as at year end is £5.0 million (December 2021: £4.1 million).

The group establishes an allowance for impairment that represents its ECL in respect of trade and other receivables.

This allowance is composed of specific losses that relate to individual exposures and also an ECL component established using rates reflecting historical information for payor groups, and forward looking information. Given the continued economic uncertainty, the group has considered the provision required, specifically for self-pay patients and maintained an adjustment to the provision accordingly, which is in line with the position at December 2021.

Note 18 shows the ageing and customer profiles of trade receivables outstanding at the year end.

Unbilled receivables are considered for expected credit losses, but these are not considered material and therefore not recognised.

**Investments**

The group limits its exposure to credit risk by only investing in short-term money market deposits with large financial institutions, which must be rated at least Investment Grade by key rating agencies.

**Market risk**

Market risk is the risk that changes in market prices, such as interest rates, will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

**Interest rate risk**

The group is exposed to interest rate risk arising from fluctuations in market rates. This affects future cash flows from money market investments and the cost of floating rate borrowings.

From time-to-time, the group considers the cost benefit of entering into derivative financial instruments to hedge its exposure to interest rate volatility based on existing variable rates, current and predicted interest yield curves and the cost of associated medium-term derivative financial instruments.

Interest rates on variable rate loans are determined by SONIA (2021: LIBOR) fixings on a quarterly basis. Interest is settled on all loans in line with agreements and is settled at least annually.

|                              | Variable     | Total        | Undrawn facility <sup>1</sup> |
|------------------------------|--------------|--------------|-------------------------------|
| <b>31 December 2022 (£m)</b> | <b>325.0</b> | <b>325.0</b> | <b>100.0</b>                  |
| Effective interest rate (%)  | <b>4.85%</b> | <b>4.85%</b> |                               |
| <b>31 December 2021 (£m)</b> | 425.0        | 425.0        | 100.0                         |
| Effective interest rate (%)  | 2.96%        | 2.96%        |                               |

1. If this facility was drawn the interest rate would be in line with the variable rate loans.

The group has an interest rate swap derivative asset of £8.6 million (2021: £0.7 million liability) in place (refer to note 22).

The fair value of this instrument is considered the same as its carrying value and level 2 of the fair value hierarchy is used to measure the fair value of the instrument. The variable rate consideration received by the group is Sterling three month SONIA, being lower than the hedged rate, resulting in some exposure on the hedged amount.

**Sensitivity analysis**

A change of 25 basis points ('bp') in interest rates at the reporting date would have increased/(decreased) equity and reported results by the amounts shown below. This analysis assumes that all other variables remain constant.

### 30. Financial risk management and impairment of financial assets continued

#### Sensitivity analysis continued

| (£m)                       | Profit or loss |               | Equity        |               |
|----------------------------|----------------|---------------|---------------|---------------|
|                            | 25bp increase  | 25bp decrease | 25bp increase | 25bp decrease |
| <b>At 31 December 2022</b> |                |               |               |               |
| Variable rate instruments  | (0.2)          | 0.2           | (0.2)         | 0.2           |
| <b>At 31 December 2021</b> |                |               |               |               |
| Variable rate instruments  | (0.5)          | 0.5           | (0.5)         | 0.5           |

#### Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

Liquidity is managed across the group and consideration is taken of the segregation of accounts for regulatory purposes. Short-term operational working capital requirements are met by cash in hand and overdraft facilities.

Typically the group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of at least 90 days, including the servicing of financial obligations. In addition to cash on demand, the group has available the following line of credit:

- £100.0 million of revolving credit facility, which was undrawn as at 31 December 2022 (2021: £100.0 million undrawn)

The following are contractual maturities, at as the balance sheet date, of financial liabilities, including interest payments and excluding the impact of netting agreements:

| At 31 December 2022<br>(£m)        | Maturity analysis |                        |               |                       |                       |                       |                       |                   |
|------------------------------------|-------------------|------------------------|---------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------|
|                                    | Carrying amount   | Contractual cash flows | Within 1 year | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 4 years | Between 4 and 5 years | More than 5 years |
| Trade and other payables           | 154.8             | 154.8                  | 154.8         | –                     | –                     | –                     | –                     | –                 |
| Bank borrowings                    | 324.3             | 394.4                  | 20.2          | 22.1                  | 20.5                  | 331.6                 | –                     | –                 |
| Lease liabilities                  | 866.5             | 1,819.1                | 92.8          | 93.2                  | 93.6                  | 92.2                  | 92.2                  | 1,355.1           |
|                                    | 1,345.6           | 2,368.3                | 267.8         | 115.3                 | 114.1                 | 423.8                 | 92.2                  | 1,355.1           |
| <b>Derivative financial assets</b> |                   |                        |               |                       |                       |                       |                       |                   |
| Interest rate swaps                | (8.6)             | (9.2)                  | (2.9)         | (3.6)                 | (2.1)                 | (0.6)                 | –                     | –                 |
|                                    | (8.6)             | (9.2)                  | (2.9)         | (3.6)                 | (2.1)                 | (0.6)                 | –                     | –                 |

| At 31 December 2021<br>(£m)             | Maturity analysis |                        |               |                       |                       |                       |                       |                   |
|-----------------------------------------|-------------------|------------------------|---------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------|
|                                         | Carrying amount   | Contractual cash flows | Within 1 year | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 4 years | Between 4 and 5 years | More than 5 years |
| Trade and other payables                | 150.8             | 150.8                  | 150.8         | –                     | –                     | –                     | –                     | –                 |
| Bank borrowings                         | 427.5             | 449.6                  | 12.8          | 436.8                 | –                     | –                     | –                     | –                 |
| Lease liabilities                       | 837.8             | 1,819.3                | 86.8          | 87.0                  | 87.7                  | 87.9                  | 86.5                  | 1,383.4           |
| Financial liability                     | 1.9               | 1.9                    | 1.9           | –                     | –                     | –                     | –                     | –                 |
|                                         | 1,418.0           | 2,421.6                | 252.3         | 523.8                 | 87.7                  | 87.9                  | 86.5                  | 1,383.4           |
| <b>Derivative financial liabilities</b> |                   |                        |               |                       |                       |                       |                       |                   |
| Interest rate swap                      | 0.7               | 1.2                    | 1.2           | –                     | –                     | –                     | –                     | –                 |
|                                         | 0.7               | 1.2                    | 1.2           | –                     | –                     | –                     | –                     | –                 |

#### Capital management

The group's objective is to maintain an appropriate balance of debt and equity financing to enable the group to continue as a going concern, to continue the future development of the business and to optimise returns to shareholders and benefits to other stakeholders.

The board closely manages trading capital, defined as net assets plus net debt. The group's net assets at 31 December 2022 were £725.1 million (2021: £704.8 million) and net debt, calculated as borrowings, less cash and cash equivalents and the amortised fees of £3.6 million (2021: £0.7 million) that was recorded at the date of the loan extensions, amounted to £253.7 million (2021: £225.6 million).

The principal focus of capital management revolves around working capital management and compliance with externally imposed financial covenants see note 22 for more detail.

Major investment decisions are based on reviewing the expected future cash flows and all major capital expenditure requires approval by the board.

At the balance sheet date, the group's committed undrawn facilities, and cash and cash equivalents were as follows:

| (£m)                                        | 2022  | 2021  |
|---------------------------------------------|-------|-------|
| Committed undrawn revolving credit facility | 100.0 | 100.0 |
| Cash and cash equivalents                   | 74.2  | 202.6 |

#### Fair value measurement

As of 31 December 2022, except for an interest rate swap and financial asset relating to a gross profit share, the group did not hold financial instruments that are included in level 1, 2 or 3 of the hierarchy.

Management assessed that cash and short-term deposits, trade and other receivables, unbilled receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The carrying value of debt is approximately equal to its fair value. During the year ended 31 December 2022, there were no transfers between the levels in the fair value hierarchy.

### 30. Financial risk management and impairment of financial assets continued

#### Fair value measurement continued

In determining fair value measurement, the impact of potential climate-related matters, including legislation, which may affect the fair value measurement of assets and liabilities in the financial statements has been considered.

A derivative is a financial instrument whose value is based on one or more underlying variables. The group uses derivative financial instruments to hedge its exposure to interest rate risk. Derivatives are not held for speculative reasons. Fair values are obtained from market observable pricing information including interest rate yield curves and have been calculated as follows; fair value of interest rate swaps is determined as the present value of the estimated future cash flows based on observable yield curves.

The financial asset reflects a profit share arrangement with a partner. There are no market observable prices for the valuation. Management therefore assesses forward looking information and appropriate discount rates and risk factors to determine the fair value. Sensitivities are also taken into account when reviewing the fair value (note 15).

As at 31 December 2022, the group held the following financial instruments measured at fair value:

| Financial instruments measured at fair value (£m)             | Maturity analysis            |          |            |            |
|---------------------------------------------------------------|------------------------------|----------|------------|------------|
|                                                               | Value as at 31 December 2022 | Level 1  | Level 2    | Level 3    |
| <b>Financial assets at fair value through profit and loss</b> |                              |          |            |            |
| Profit share arrangement (Note 15)                            | 4.6                          | –        | –          | 4.6        |
| Interest rate swaps                                           | 8.6                          | –        | 8.6        | –          |
| <b>Financial assets measured at fair value</b>                | <b>13.2</b>                  | <b>–</b> | <b>8.6</b> | <b>4.6</b> |

During the year, Spire Healthcare received a profit share in respect of the financial asset of £0.7 million (2021: £0.4 million). In addition an unrealised fair value movement of £3.0 million (2021: £1.1 million) was recognised in income upon review of the financial asset to increase the value of the financial asset on the balance sheet.

As at 31 December 2021, the group held the following financial instruments measured at fair value:

| Financial instruments measured at fair value (£m)                                             | Maturity analysis            |          |            |            |
|-----------------------------------------------------------------------------------------------|------------------------------|----------|------------|------------|
|                                                                                               | Value as at 31 December 2022 | Level 1  | Level 2    | Level 3    |
| <b>Financial assets at fair value through profit and loss</b>                                 |                              |          |            |            |
| Profit share arrangement (Note 15)                                                            | 2.3                          | –        | –          | 2.3        |
| <b>Financial assets measured at fair value</b>                                                | <b>2.3</b>                   | <b>–</b> | <b>–</b>   | <b>2.3</b> |
| <b>Financial liabilities at fair value through profit and loss and using hedge accounting</b> |                              |          |            |            |
| Interest rate swaps                                                                           | 0.7                          | –        | 0.7        | –          |
| <b>Financial liabilities at fair value on acquisition of a subsidiary</b>                     |                              |          |            |            |
| Share put options                                                                             | 1.9                          | –        | –          | 1.9        |
| <b>Financial liabilities measured at fair value</b>                                           | <b>2.6</b>                   | <b>–</b> | <b>0.7</b> | <b>1.9</b> |

#### Cash flow hedge

The group designate, as cash flow hedges, interest rate swaps entered into with three counterparties maturing in February 2026. These interest rate swaps convert floating interest rate liabilities into fixed interest rate liabilities. The swaps run concurrently with the hedged item, being the group's floating rate liabilities under the senior finance facility.

For the years ended December 2022 and 2021, there were no significant amounts recognised in the profit or loss relating to the ineffective portion of hedges or portions excluded from the assessment of hedge effectiveness. The movement in the interest rate swap relates to fair value movement and is recognised through other comprehensive income.

#### Fair value hierarchy

The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;  
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and  
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2022, the group held financial instruments measured at fair value, being an asset of £13.2 million (2021: £2.3 million) and a liabilities of nil (2021: £2.6 million).

### 31. Related party transactions

#### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly. They include the board and executive committee, as identified on pages 91 to 95.

Compensation for key management personnel is set out in the table below:

#### Key management compensation

| (£m)                                            | 2022       | 2021       |
|-------------------------------------------------|------------|------------|
| Salaries and other short term employee benefits | 5.0        | 4.5        |
| Post-employment benefits                        | 0.5        | 0.5        |
| Termination benefits                            | –          | –          |
| Share-based payments                            | 1.1        | 1.0        |
|                                                 | <b>6.6</b> | <b>6.0</b> |

Further information about the remuneration of individual directors is provided in the audited part of the directors' remuneration report on pages 112 to 119.

There were no transactions with related parties external to the group in the year to 31 December 2022 (2021: nil).

## 32. Business combinations and acquisition of non-controlling interests

### Acquisitions in 2022

#### Acquisition of The Doctors Clinic Group Limited (together 'Doctors Clinic Group')

On 16 December 2022, the group acquired 100% of the voting shares of The Doctors Clinic Group Limited (which in turn owns 100% of the shares of The London Doctors Clinic Limited, Maitland Medical Service Limited and Soma Health Limited), a non-listed company based in England which operates GP and occupational health services in the UK, for £11.6 million. The group acquired the companies to expand its offering for GP and occupational health services in line with its strategic plan.

#### Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of The Doctors Clinic Group Limited as at the date of acquisition were:

| (£m)                                               | Fair value<br>recognised on<br>acquisition |
|----------------------------------------------------|--------------------------------------------|
| <b>Assets</b>                                      |                                            |
| Plant, property and equipment (Note 13)            | 0.6                                        |
| Trade and other receivables (Note 18)              | 1.5                                        |
| Cash (Note 19)                                     | 0.3                                        |
|                                                    | <b>2.4</b>                                 |
| <b>Liabilities</b>                                 |                                            |
| Payables (Note 25)                                 | (1.9)                                      |
|                                                    |                                            |
| <b>Total identifiable net assets at fair value</b> | <b>0.5</b>                                 |
| Goodwill arising on acquisition (Note 14)          | 11.1                                       |
| <b>Purchase consideration transferred</b>          | <b>11.6</b>                                |

The amounts recognised, are subject to adjustment in line with IFRS 3 for up to a 12 months from acquisition, with goodwill being adjusted accordingly.

The fair value of the trade receivables amounts to £1.5 million. The gross amount of trade receivables is £1.5 million and it is expected that the full contractual amounts can be collected.

From the date of acquisition, The Doctors Clinic Group contributed £0.4 million of revenue and loss of £0.1 to profit before tax from continuing operations of the group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been £10.0 million and loss before tax from continuing operations for the group would have been £2.5 million.

Goodwill has been recognised to reflect the synergies which the group believes are available to expand its offering for GP and occupational health services in line with its strategic plan which reflect intangibles that cannot be separately quantified. This goodwill is not deductible for tax purposes.

#### Purchase consideration transferred

| (£m)                                  | Cash flow on<br>acquisition |
|---------------------------------------|-----------------------------|
| Net cash acquired with the subsidiary | 0.3                         |
| Cash paid                             | 11.6                        |
| Net cash flow on acquisition          | 11.3                        |

Transaction costs of £1.7 million were expensed and are included within adjusting Items. The acquisition is subject to a completion accounts process which is due to take place during H1 2023. Following this, the final purchase price adjustments will be agreed, and goodwill updated accordingly in line with IFRS 3, which allows 12 months from the acquisition date to finalise the goodwill position.

#### Prior year Acquisition of Claremont Hospital Holdings Limited and Claremont Hospital LLP (together 'Claremont Hospital')

During the year the group reviewed its goodwill position in respect of Claremont Hospital in line with IFRS 3 and adjustment of £0.1 million has been recognised in respect of provisions originally recognised on acquisition

## 33. Events after the reporting period

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



# Company balance sheet

As at 31 December 2022  
(Registered number 09084066)

| (£m)                                | Note | 2022           | restated<br>2021 |
|-------------------------------------|------|----------------|------------------|
| <b>ASSETS</b>                       |      |                |                  |
| <b>Non-current assets</b>           |      |                |                  |
| Investments                         | C9   | 840.5          | 838.2            |
| Other receivables                   | C7   | 168.3          | 162.6            |
|                                     |      | 1,008.8        | 1,000.8          |
| <b>Current assets</b>               |      |                |                  |
| Other receivables                   | C7   | 170.2          | 117.0            |
| Cash and cash equivalents           | C6   | 0.2            | 0.2              |
|                                     |      | 170.4          | 117.2            |
| <b>Total assets</b>                 |      | <b>1,179.2</b> | <b>1,118.0</b>   |
| <b>EQUITY AND LIABILITIES</b>       |      |                |                  |
| <b>Equity</b>                       |      |                |                  |
| Share capital                       | 21   | 4.0            | 4.0              |
| Share premium                       |      | 830.0          | 826.9            |
| EBT share reserves                  | 21   | —              | (0.8)            |
| Retained earnings                   |      | 337.8          | 285.0            |
| <b>Total equity</b>                 |      | <b>1,171.8</b> | <b>1,115.1</b>   |
| <b>Current liabilities</b>          |      |                |                  |
| Income tax payable                  |      | 1.8            | 1.1              |
| Trade and other payables            | C8   | 5.6            | 1.8              |
| <b>Total liabilities</b>            |      | <b>7.4</b>     | <b>2.9</b>       |
| <b>Total equity and liabilities</b> |      | <b>1,179.2</b> | <b>1,118.0</b>   |

The profit attributable to the owners of the company for the year ended 31 December 2022 was £51.4million (2021: £43.5million).

The financial statements on pages 164 to 167 were approved by the board of directors on 1 March 2023 and signed on its behalf by:

**Justin Ash**  
Chief Executive Officer

**Jitesh Sohda**  
Chief Financial Officer

# Company statements of changes in equity

For the year ended 31 December 2022

| (£m)                                    | Share capital | Share premium | EBT share reserves | Retained earnings | Total equity   |
|-----------------------------------------|---------------|---------------|--------------------|-------------------|----------------|
| <b>At 1 January 2021</b>                | 4.0           | 826.9         | (0.8)              | 238.7             | 1,068.8        |
| Profit for the year                     | —             | —             | —                  | 43.5              | 43.5           |
| Other comprehensive income for the year | —             | —             | —                  | —                 | —              |
| Share-based payment                     | —             | —             | —                  | 2.8               | 2.8            |
| Dividend paid                           | —             | —             | —                  | —                 | —              |
| <b>As at 1 January 2022</b>             | 4.0           | 826.9         | (0.8)              | 285.0             | 1,115.1        |
| Profit for the year                     | —             | —             | —                  | 51.4              | 51.4           |
| Other comprehensive income for the year | —             | —             | —                  | —                 | —              |
| Issue of new shares                     | —             | 3.1           | —                  | —                 | 3.1            |
| Share-based payment                     | —             | —             | —                  | 2.3               | 2.3            |
| Utilisation of EBT shares               | —             | —             | 0.8                | (0.8)             | —              |
| Dividend paid                           | —             | —             | —                  | (0.1)             | (0.1)          |
| <b>As at 31 December 2022</b>           | <b>4.0</b>    | <b>830.0</b>  | <b>—</b>           | <b>337.8</b>      | <b>1,171.8</b> |

# Company statement of cash flows

For the year ended 31 December 2022

| (£m)                                                 | 2022          | 2021          |
|------------------------------------------------------|---------------|---------------|
| <b>Cash flows from operating activities</b>          |               |               |
| Profit before taxation                               | 52.1          | 43.6          |
| Dividend received                                    | (46.9)        | (43.4)        |
| Profit before taxation (excluding dividend received) | 5.2           | 0.2           |
| Adjustments for:                                     |               |               |
| Interest income                                      | (9.8)         | (6.8)         |
| Finance costs                                        | 3.4           | 2.4           |
|                                                      | (1.2)         | (4.2)         |
| Movements in working capital:                        |               |               |
| Increase in trade and other receivables              | (45.9)        | (41.7)        |
| Increase in trade and other payables                 | 0.3           | 2.1           |
| <b>Net cash used in operating activities</b>         | <b>(46.8)</b> | <b>(43.8)</b> |
| <b>Cash flows from investing activities</b>          |               |               |
| Dividend received                                    | 46.9          | 43.4          |
| <b>Net cash generated from investing activities</b>  | <b>46.9</b>   | <b>43.4</b>   |
| <b>Cash flows from financing activities</b>          |               |               |
| Dividend paid to equity holders of the Parent        | (0.1)         | —             |
| <b>Net cash used in financing activities</b>         | <b>(0.1)</b>  | <b>—</b>      |
| Net decrease in cash and cash equivalents            | —             | (0.4)         |
| Cash and cash equivalents at beginning of year       | 0.2           | 0.6           |
| <b>Cash and cash equivalents at end of year</b>      | <b>0.2</b>    | <b>0.2</b>    |

## Notes to the parent company financial statements

For the year ended 31 December 2022

This section contains the notes to the company financial statements. The issued share capital and EBT share reserves are consistent with the Spire Healthcare Group plc group financial statements. Refer to note 21 of the group financial statements.

### C1. Basis of preparation

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards ('IAS') in accordance with the Companies Act 2006 and on an historical cost basis. The financial statements are presented in UK sterling and all values are rounded to the nearest million pounds (£m), except when otherwise indicated.

See note 1 for general information about the company.

The financial statements have been prepared on a going concern basis as the directors believe there are no material uncertainties that lead to significant doubt that the company can continue as a going concern until March 2023 (see the going concern section in note 2 for more detail).

The company applies consistent accounting policies, as applied by the group. To the extent that an accounting policy is relevant to both group and company financial statements, refer to the group financial statements for disclosure of the accounting policy. Material policies that apply to the company only are included as appropriate.

The company has used the exemption granted under s408 of the Companies Act 2006 that allows for the non-disclosure of the income statement of the parent company.

The financial statements contain a prior period restatement in relation to the classification of intercompany receivables. The receivable was classified as a current asset as the company does not expect to realise these assets within the next 12 months after the reporting period, these have been reclassified as non-current. In accordance with the accounting standards a third balance sheet has not been provided as this adjustment does not affect the profit for the year, cash flow statement or statement of changes in equity. The effect of the change is shown in the table below.

| Balance sheet line item       | As previously reported at 1 January 2021 | As restated at 1 January 2021 | As previously reported at 31 December 2021 | As restated at 31 December 2021 |
|-------------------------------|------------------------------------------|-------------------------------|--------------------------------------------|---------------------------------|
| Non-current other receivables | £0m                                      | £158.9m                       | £0m                                        | £162.6m                         |
| Current other receivables     | £323.6m                                  | £164.7m                       | £279.6                                     | £117.0m                         |

The company did not have items to be reported as other comprehensive income; therefore, no statement of comprehensive income was prepared.

### C2. Significant accounting policies in this section

#### Investment in subsidiaries

The company's investments in subsidiaries are carried at cost less provisions resulting from impairment. In testing for impairment, the carrying value of the investment is compared to its recoverable amount, being its value-in-use. In addition, market capitalisation is compared to the investments of the company when assessing impairment requirements.

#### Share-based payments

The financial effect of awards by the company of options over its equity shares to employees of subsidiary undertakings is recognised by the company in its individual financial statements as an increase in its investment in subsidiaries with a credit to equity equivalent to the IFRS 2 cost in subsidiary undertakings. The subsidiary, in turn, will recognise the IFRS 2 cost in its income statement with a credit to equity to reflect the deemed capital contribution from the company.

**C3. Key estimates and assumptions in this section****Impairment testing of investments in subsidiaries**

The company's investments in subsidiaries have been tested for impairment by comparison against the underlying value of the subsidiaries' assets based on value-in-use calculated using the same assumptions as noted for the testing of goodwill impairment in note 14 of the group financial statements. In addition, the market capitalisation is also compared to the investments of the company to determine if there is a trigger for impairment review. See note C9 for more detail.

**C4. Staff costs and directors' remuneration**

The company had no employees during the year, except for the directors. The information on compensation for the directors, being considered as the key management personnel of the company, is disclosed in note C12.

**C5. Auditor's remuneration**

During the year, the company obtained the following services from the company's external auditor, as detailed below:

| (£'000)                                            | 2022 | 2021 |
|----------------------------------------------------|------|------|
| Amounts payable to auditor in respect of:          |      |      |
| Audit of the company's annual financial statements | 15.0 | 15.0 |
|                                                    | 15.0 | 15.0 |

**C6. Cash and cash equivalents**

| (£m)         | 2022 | 2021 |
|--------------|------|------|
| Cash at bank | 0.2  | 0.2  |
|              | 0.2  | 0.2  |

**C7. Other receivables**

| (£m)                                              | 2022  | Restated<br>2021 |
|---------------------------------------------------|-------|------------------|
| Amounts owed by subsidiary undertakings – current | 170.2 | 117.0            |
|                                                   | 170.2 | 117.0            |

The amounts owed by subsidiary undertakings bear interest at SONIA plus 2.05% (2021: LIBOR plus 2.25%). No allowance for expected credit losses has been included for amounts receivable from subsidiary undertakings as the provision rates calculated based on two years are immaterial. As described in the directors' report, the group has sufficient resources to satisfy going concern and viability considerations. All subsidiaries are under common control and resources could be made available for settlement of debts as and when required.

| (£m)                                                  | 2022  | Restated<br>2021 |
|-------------------------------------------------------|-------|------------------|
| Amounts owed by subsidiary undertakings – non-current | 168.3 | 162.6            |
|                                                       | 168.3 | 162.6            |

The amounts owed by subsidiary undertakings bear interest at SONIA plus 2.05% (2021: LIBOR plus 2.25%). The amounts are unsecured and repayable on demand. The prior year restatement in relation to the classification of intercompany receivables. The receivable was classified as a current asset as the company does not expect to realise these assets within the next 12 months after the reporting period, these have been reclassified as non-current.

**C8. Trade and other payables**

| (£m)                                    | 2022 | 2021 |
|-----------------------------------------|------|------|
| Amounts owed to subsidiary undertakings | 5.1  | 1.7  |
| Accruals                                | 0.5  | 0.1  |
|                                         | 5.6  | 1.8  |

The amounts owed to subsidiary undertakings bear interest at SONIA plus 2.05% (2021: LIBOR plus 2.25%). The amounts are unsecured and repayable on demand.

**C9. Investment in subsidiaries**

| (£m)                       | Subsidiary<br>undertakings | Total        |
|----------------------------|----------------------------|--------------|
| Net book value             |                            |              |
| At 1 January 2021          | 835.4                      | 835.4        |
| Additions – IFRS 2 costs   | 2.8                        | 2.8          |
| <b>At 1 January 2022</b>   | <b>838.2</b>               | <b>838.2</b> |
| Additions – IFRS 2 costs   | 2.3                        | 2.3          |
| <b>At 31 December 2022</b> | <b>840.5</b>               | <b>840.5</b> |

Details of the company's subsidiaries at the balance sheet date are in note 16 to the group financial statements.

At the year end, investments in subsidiaries were reviewed for indicators of impairment.

Management acknowledged one indicator of impairment at the year end, being, the net assets of the company are higher than that of the group's consolidated net assets. In the current period, market capitalisation exceeds the investment value.

The company undertakes a five year forecast when assessing the recoverable amount of the investment consistent with the forecast in note 14 to the group financial statements. Management determined that no impairment was required.

**C10. Capital management and financial instruments**

The capital structure of the company comprises issued capital, reserves and retained earnings as disclosed in the company statement of changes in equity totalling £1,171.8 million (2021: £1,115.1 million) as at 31 December 2022, and cash amounted to £0.2 million (2021: £0.2 million).

**Credit risk**

As at 31 December 2022, the company had amounts owed by subsidiary undertakings of £338.5 million (2021: £279.6 million). The company's maximum exposure to credit risk from these amounts is £338.5 million (2021: £279.6 million).

**Liquidity risk**

The company finances its activities through its investments in subsidiary undertakings.

The company anticipates that its funding sources will be sufficient to meet its anticipated future administrative expenses and dividend obligations as they become due over the next 12 months.

**C10. Capital management and financial instruments continued****Liquidity risk** continued

£0.1 million of dividends were paid to the executive directors in respect of grants under the LTIP share scheme that have vested and are currently subject to a two-year holding period.

Since the end of the financial year, the directors have proposed a final dividend of approximately 0.5 pence per share. The dividend is subject to approval by shareholders at the Annual General Meeting and is therefore not included in the balance sheet as a liability at 31 December 2022.

| (£m)                                              | 2022         | 2021  |
|---------------------------------------------------|--------------|-------|
| Financial assets: carrying amount and fair value: |              |       |
| <b>Loans and receivables</b>                      |              |       |
| Cash and cash equivalents                         | 0.2          | 0.2   |
| Amounts owed by subsidiary undertakings           | 338.5        | 279.6 |
|                                                   | <b>338.7</b> | 279.8 |

All of the above financial assets are current and not impaired.

| (£m)                                                   | 2022       | 2021 |
|--------------------------------------------------------|------------|------|
| Financial liabilities: carrying amount and fair value: |            |      |
| <b>Amortised cost</b>                                  |            |      |
| Amounts owed to subsidiary undertakings                | 5.1        | 1.7  |
|                                                        | <b>5.1</b> | 1.7  |

All of the above financial liabilities have a maturity of less than one year.

The fair value of financial assets and liabilities approximates their carrying value.

**Market risk****Interest rate risk and sensitivity analysis**

As at 31 December 2022 the company had short-term borrowings of £5.1 million (2021: £1.7 million) owed to subsidiary undertakings, which are repayable on demand and bear interest at LIBOR plus 2.25% (2021: LIBOR plus 2.25%). Interest on these borrowings in the year amounted to £3.4 million (2021: £2.4 million) and the directors do not perceive that servicing this debt poses any significant risk to the company given its size in relation to the company's net assets.

IFRS 7 Financial Instruments: Disclosures required a market risk sensitivity analysis illustrating the fair values of the company's financial instruments and the impact on the company's income statement and shareholders' equity of reasonably possible changes in selected market risks. Excluding cash and cash equivalents, the company has no financial assets or liabilities that expose it to market risk, other than the amounts owed by/to subsidiary undertakings of £338.5 million (2021: £279.6 million) and £5.1 million (2021: £1.7 million) respectively. The directors do not believe that a change of 25 basis points in the LIBOR interest rates will have a material impact on the company's income statement or shareholders' equity.

**C11. Contingent liabilities****Lease arrangements with a consortium of investors**

The company has given a guarantee to a consortium of investors, comprising Malaysia's Employees Provident Fund (EPF), affiliated funds of Och-Ziff Capital Management group and Moor Park Capital, in relation to the sale of 12 of the Spire Healthcare group's property-owning companies on 17 January 2013. With effect from

17 January 2013, the total third party annual commitments of the group under these leases increased by £51.3 million per annum.

As a result of the sale, the group has long-term institutional lease arrangements (up to December 2042, subject to renewal or extension), with the landlord for each of the 12 properties. The leases include key terms such as annual rental covenants and minimum levels of capital expenditure invested by the group. The capital expenditure covenants measured on an average basis over each five-year period during the term of the leases, require the group to incur, in total, £5.0 million of maintenance capital expenditure and £3.0 million of additional capital expenditure on the portfolio of 12 hospitals each year, such being subject to indexation in line with RPI. If the minimum rent cover ratio is not met, the group is required to enter into an asset performance recovery plan in order to comply with the covenants, but no default would be deemed to have occurred. The company is a party to this guarantee. As at 31 December 2022, the group complied with the required covenants and the lease liability held on the consolidated balance sheet is £611.4 million (2021: £593.4 million).

**Lease agreements entered into by Classic Hospitals Limited (novated to Spire Healthcare Limited during the year)**

Under lease agreements entered into on 26 January 2010 by Classic Hospitals Limited, a subsidiary undertaking of the company, the company has undertaken to guarantee the payment of rentals over the lease term to August 2040, and to ensure that the other covenants in the lease are observed. The lease has been moved to Spire Healthcare Limited, another subsidiary undertaking of the company, to allow Classic Hospitals Limited to enter Members' Voluntary Liquidation as part of the entity rationalisation carried out during the year. The initial rentals payable under the leases in 2010 were £6.3 million per annum, which will be subject to an increase in future years. As part of these arrangements, the assets of the company are subject to a fixed and floating charge in the event of a default. As at 31 December 2022, there was no breach in the required covenants and the lease liability held on the Consolidated balance sheet is £80.8 million (2021: £79.9 million).

**C12. Related party transactions**

The company's subsidiaries are listed in note 16 to the group financial statements. The following table provides the company's balances that are outstanding with subsidiary companies at the balance sheet date:

| (£m)                                                                                                                                           | 2022         | 2021  |
|------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------|
| Amounts owed from subsidiary undertakings – Spire Healthcare Finance Limited, Spire Healthcare Limited and Spire Healthcare (Holdings) Limited | 338.5        | 279.6 |
| Amounts owed to subsidiary undertakings – Spire Healthcare Limited                                                                             | (5.1)        | (1.7) |
|                                                                                                                                                | <b>333.4</b> | 277.9 |

The amounts outstanding are unsecured and repayable on demand.

The following table provides the company's transactions with subsidiary companies recorded in the profit for the year:

| (£m)                                | 2022 | 2021 |
|-------------------------------------|------|------|
| Amounts invoiced to subsidiaries    | 57.8 | 46.5 |
| Amounts invoiced by subsidiaries    | –    | –    |
| Dividend received from subsidiaries | 46.9 | 43.4 |

Amounts invoiced to/by subsidiaries relate to general corporate purposes.

**C12. Related party transactions** continued**Directors' remuneration**

The remuneration of the non-executive directors of the company is set out below. Further information about the remuneration of individual directors is provided in the audited part of the directors' remuneration report on pages 146 to 155.

| (£m)                          | 2022       | 2021       |
|-------------------------------|------------|------------|
| Short term employee benefits* | 1.0        | 3.9        |
| Pension contributions         | —          | —          |
| Share-based payments*         | —          | —          |
| <b>Total</b>                  | <b>1.0</b> | <b>3.9</b> |

\* Emoluments and share-based payment charges for the executive directors are borne by a subsidiary company, Spire Healthcare Limited. Share-based payment related charges for the Executive Chairman prior to Admission (ie directors' Share Bonus Plan) are also borne by a subsidiary company, Spire Healthcare Limited. Please refer to note 27 of the group consolidation statements.

**Directors' interests in share-based payment schemes**

Refer to note 27 to the group financial statements for further details of the main features of the schemes relating to share options held by the chairman, executive directors and senior management team.

**Other transactions**

In order to simplify the structure of the group and reduce costs, the company undertook a process in the prior year in which a number of companies within the group were identified for members' voluntary liquidation, as follows:

- Classic Hospitals Group Limited
- Fox Healthcare Holdco 2 Limited
- Spire UK Holdco 2A Limited
- Spire Healthcare Holdings 1
- Spire Cambridge (Disposal) Limited
- Spire Fertility (Disposal) Limited
- Spire Healthcare Group UK Limited
- SHC Holdings Limited
- Spire Healthcare Holdings 3 Limited
- Spire Healthcare Holdings 2 Limited
- Classic Hospitals Limited
- Lifescan Limited
- Spire Thames Valley Hospital Limited

These entities were all in members' voluntary liquidation at year end and are expected to be formally dissolved at Companies House during 2023.

**C13. Events after the reporting period**

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



# Shareholder information

## Spire Healthcare website

Shareholders are encouraged to visit our website at [www.spirehealthcare.com](http://www.spirehealthcare.com) which has a wealth of information about the company and the services it offers. There is a section designed specifically for investors at [www.investors.spirehealthcare.com](http://www.investors.spirehealthcare.com) where shareholder and media information can be accessed. This year's annual report and notice of annual general meeting can also be viewed there.

## Registered office and group head office

Spire Healthcare Group plc  
3 Dorset Rise  
London EC4Y 8EN  
Tel +44 (0)20 7427 9000  
Fax +44 (0)20 7427 9001  
Registered in England and Wales No. 09084066

## Shareholder enquiries

All shareholder enquiries regarding your shares should be addressed to the company's share registrar at the address on page 215, or as follows:

### Equiniti Limited

Tel (UK only) 0371 384 2030\*  
Tel (non-UK) +44 (0)121 415 7047

For the hard of hearing, Equiniti Limited offers a special Textel service that can be accessed by dialling 0371 384 2255\* (or +44 (0)121 415 7028 from outside the UK).

\* Lines are open from 8.30am to 5.30pm, Monday to Friday, UK time.

## Managing your shares

Please contact our registrar, Equiniti Limited, to manage your shareholding if you wish to:

- Register for electronic communications
- Transfer your shares
- Change your registered name or address
- Register a lost share certificate and obtain a replacement
- Consolidate your shareholdings
- Manage your dividend payments
- Notify the death of a shareholder

When contacting Equiniti Limited or registering online, you should have your shareholder reference number at hand. This can be found on your share certificate or latest dividend confirmation. You can manage your shareholding online by registering for Shareview at [www.shareview.co.uk](http://www.shareview.co.uk). This website has a 'frequently asked questions' section which addresses the most common shareholder problems.

All other shareholder enquiries not related to the share register should be addressed to the company secretary at the registered office or emailed to [companysecretary@spirehealthcare.com](mailto:companysecretary@spirehealthcare.com).

## Electronic shareholder communications

Registering for online communications gives shareholders more control of their shareholding. The registration process is via our registrar's secure website at [www.shareview.co.uk](http://www.shareview.co.uk). Once registered you will be able to:

- Elect how we communicate with you
- Amend your details
- Amend the way you receive dividends
- Buy or sell shares online

This does not mean shareholders can no longer receive paper copies of documents if they so wish. We are able to offer a range of services and tailor communication to meet your needs.

## Share dealing services

UK resident shareholders can sell shares on the internet or by phone using Equiniti Limited's Shareview Dealing facility by either logging onto [www.shareview.co.uk/dealing](http://www.shareview.co.uk/dealing) or by calling 0345 603 7037 between 8.00am and 4.30pm on any business day (excluding bank holidays).

In order to gain access to this service, the shareholder reference number is required, which can be found at the top of the Company's share certificates.

## ShareGift

It may be that you have a small number of shares which would cost you more to sell than they are worth. It is possible to donate these to ShareGift, a registered charity, who provide a free service to enable you to dispose charitably of such shares. There are no implications for Capital Gains Tax purposes (no gain or loss) on gifts of shares to charity and it is also possible to obtain income tax relief. More information on this service can be obtained from [www.sharegift.org](http://www.sharegift.org) or by calling +44 (0)207 930 3737.

## Dividend mandate

If you are a shareholder who has a UK bank or building society account, you are recommended to arrange payment electronically through a bank or building society mandate. There is no fee for this service and notification confirming details of any dividend payment will be sent to your registered address. Please contact Equiniti on 0371 384 2030 or download an application form from [www.shareview.co.uk](http://www.shareview.co.uk).

## Overseas dividend payment service

Equiniti Limited provides a dividend payment service to over 30 countries that automatically converts payments into the local currency by an arrangement with Citibank Europe PLC. Further details, including an application form and terms and conditions of the service, are available on [www.shareview.co.uk](http://www.shareview.co.uk) or from Equiniti Limited by calling +44 (0)121 415 7047 or writing to them at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA (please quote Overseas Payment Service with the Company name and your shareholder reference number).



## Shareholder information continued

## Shareholder security

From time-to-time, in common with other listed companies, shareholders may receive unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders, using persuasive and high-pressure tactics to lure investors into scams in what often turn out to be worthless, non-existent or high-risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'.

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. Further information on how to avoid share fraud or to report a scam can be found on our website at [www.spirehealthcare.com](http://www.spirehealthcare.com).

## 2022 Financial calendar

|                                        |                |
|----------------------------------------|----------------|
| 2023 annual general meeting            | 11 May 2023    |
| Final dividend record date             | 26 May 2023    |
| Final dividend payment date            | 23 June 2023   |
| Announcement of 2023 half year results | September 2023 |

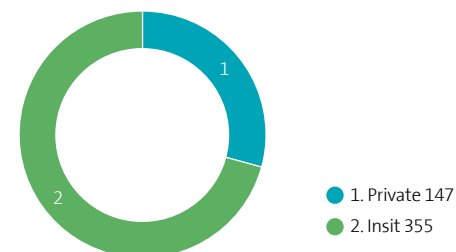
## Analysis of ordinary shareholders

## Holding of ordinary shares as at 31 December 2022

| Investor type             | Private |        | Institutional and other |        | Total |      |
|---------------------------|---------|--------|-------------------------|--------|-------|------|
|                           | 2022    | 2021   | 2022                    | 2021   | 2022  | 2021 |
| Number of holders         | 147     | 119    | 355                     | 385    | 502   | 504  |
| Percentage of holders     | 29.28%  | 23.61% | 70.72%                  | 76.92% | 100%  | 100% |
| Percentage of shares held | 0.17%   | 0.16%  | 99.83%                  | 99.70% | 100%  | 100% |

| Investor type             | 1-1,000 |        | 1,001-50,000 |        | 50,001-500,000 |        | 500,001+ |        |
|---------------------------|---------|--------|--------------|--------|----------------|--------|----------|--------|
|                           | 2022    | 2021   | 2022         | 2021   | 2022           | 2021   | 2022     | 2021   |
| Number of holders         | 74      | 91     | 250          | 243    | 106            | 104    | 72       | 66     |
| Percentage of holders     | 14.74%  | 18.06% | 49.80%       | 48.21% | 21.12%         | 20.63% | 14.34%   | 13.10% |
| Percentage of shares held | 0.01%   | 0.01%  | 0.76%        | 0.69%  | 4.67%          | 4.51%  | 94.56%   | 94.79% |

## Shareholders percentage by shareholder



## Corporate advisers

**Auditor**  
Ernst & Young LLP  
1 More London Place  
London SE1 2AF

## Brokers

**J.P. Morgan Cazenove**  
25 Bank Street  
Canary Wharf  
London E14 5JP

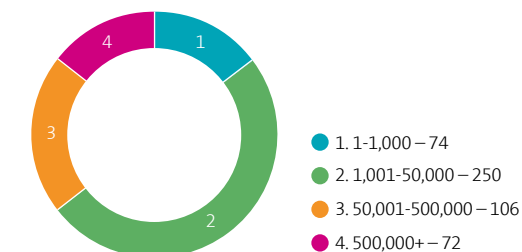
## Numis Securities Limited

45 Gresham Street  
London EC2V 7BF

## Legal advisers

Freshfields Bruckhaus  
Deringer LLP  
100 Bishopsgate  
London EC2P 2SR

## Shareholders percentage by shareholding



## Remuneration consultants

Deloitte LLP  
2 New Street Square  
London EC4A 3BZ

## Registrar

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA



## Alternative performance measures definitions

| Performance measure                                    | Definition                                                                                                 | Purpose                                                                                                                                                                                                                                                    |
|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Adjusted operating profit; or, adjusted EBIT</b>    | Operating profit, less adjusting items before interest and tax.                                            | Provides a comparable measure of operating profit performance over time.                                                                                                                                                                                   |
| <b>Conversion of adjusted EBITDA to cash</b>           | Adjusted EBITDA divided by operating cash flows before adjusting items and taxation.                       | Intends to show the group's efficiency at converting adjusted EBITDA into cash.                                                                                                                                                                            |
| <b>Adjusted EBITDA</b>                                 | Adjusted EBITDA is calculated as operating profit, adjusted to add back depreciation, and adjusting items. | Adjusted EBITDA shows the group's earning power independent of capital structure and tax situation with the purpose of simplifying comparisons with other companies in the same industry as it excludes non-cash accounting entries, such as depreciation. |
| <b>Adjusted EBITDA margin</b>                          | Adjusted EBITDA as a percentage of revenue.                                                                | Provides a comparable performance metric, expressed as a percentage of revenues.                                                                                                                                                                           |
| <b>Net debt</b>                                        | Interest-bearing liabilities, less cash and cash equivalents.                                              | Measurement of net group indebtedness for covenant purposes.                                                                                                                                                                                               |
| <b>Net bank debt</b>                                   | Interest-bearing liabilities, excluding borrowing costs, less cash and cash equivalents.                   | Measurement of net group indebtedness.                                                                                                                                                                                                                     |
| <b>Pre IFRS 16</b>                                     | Reported numbers before applying the effects of IFRS 16 Leases.                                            | To provide an understanding of the impact of IFRS 16 to the reported numbers and allow comparison to previously reported numbers.                                                                                                                          |
| <b>Net debt/EBITDA</b>                                 | Net debt at the end of the period divided by EBITDA.                                                       | Indicates the group's ability to service its debt from cash earnings.                                                                                                                                                                                      |
| <b>Clinical staff costs as a percentage of revenue</b> | Clinical staff costs and medical fees as a percentage of revenue.                                          | Provides a comparable measure of cost performance over time in relation to revenue activity.                                                                                                                                                               |
| <b>Other direct costs as a percentage of revenue</b>   | Other direct costs include, direct costs and medical fees as a percentage of revenue.                      | Provides a comparable measure of cost performance over time in relation to revenue activity.                                                                                                                                                               |



# Glossary

The following definitions apply throughout the Annual Report 2022, unless the context requires otherwise:

|                        |                                                                                                                                                                 |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Act</b>             | The Companies Act 2006, as amended                                                                                                                              |
| <b>Acute care</b>      | active but short-term treatment for a severe injury or episode of illness                                                                                       |
| <b>Adjusted EBITDA</b> | Adjusted EBITDA is calculated as operating profit, adjusted to add back depreciation, and adjusting items                                                       |
| <b>Admission</b>       | the admission of the shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities |
| <b>Articles</b>        | the articles of association of the company                                                                                                                      |
| <b>Board</b>           | the board of directors of the company                                                                                                                           |
| <b>CAGR</b>            | compound annual growth rate                                                                                                                                     |
| <b>Cardiology</b>      | specialty which encompasses the treatment of patients with cardiovascular disease                                                                               |
| <b>CCG</b>             | Clinical commissioning group                                                                                                                                    |
| <b>CGSC</b>            | Clinical governance and safety committee                                                                                                                        |
| <b>Cinven</b>          | Cinven Partners LLP                                                                                                                                             |
| <b>CMA</b>             | the UK Competition and Markets Authority                                                                                                                        |
| <b>Company</b>         | Spire Healthcare Group plc                                                                                                                                      |

|                                     |                                                                                                                                                                   |
|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>CQC</b>                          | Care Quality Commission                                                                                                                                           |
| <b>CO<sub>2</sub>e</b>              | carbon dioxide equivalent                                                                                                                                         |
| <b>CQUIN</b>                        | commissioning for quality and innovation payment which is earned for meeting quality targets on NHS work                                                          |
| <b>CRC Energy Efficiency Scheme</b> | the CRC (Carbon Reduction Commitment) scheme aims to incentivise energy efficiency and cut emissions in large energy users in the UK's public and private sectors |
| <b>CREST</b>                        | the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear UK and Ireland Limited is the operator                        |
| <b>CRM</b>                          | customer relationship management system/software                                                                                                                  |
| <b>CT</b>                           | computerised tomography                                                                                                                                           |
| <b>DSBP</b>                         | Deferred Share Bonus Plan                                                                                                                                         |
| <b>Directors</b>                    | the executive directors and non-executive directors                                                                                                               |
| <b>DPA</b>                          | Data Protection Act                                                                                                                                               |
| <b>EBITDA</b>                       | Earnings before interest, tax, depreciation and amortisation                                                                                                      |
| <b>EFW</b>                          | Energy from waste                                                                                                                                                 |
| <b>EPS</b>                          | earnings per share                                                                                                                                                |
| <b>ESOS</b>                         | Energy saving opportunity scheme                                                                                                                                  |
| <b>EU</b>                           | the European Union                                                                                                                                                |

|                                |                                                                                |
|--------------------------------|--------------------------------------------------------------------------------|
| <b>Executive directors</b>     | the executive directors of the company                                         |
| <b>FCA</b>                     | the Financial Conduct Authority                                                |
| <b>FRC</b>                     | the Financial Reporting Council                                                |
| <b>GDP</b>                     | gross domestic product                                                         |
| <b>GDPR</b>                    | General Data Protection Regulation                                             |
| <b>GHG</b>                     | greenhouse gas                                                                 |
| <b>GMC</b>                     | General Medical Council                                                        |
| <b>GP</b>                      | General practitioner                                                           |
| <b>Group</b>                   | Spire Healthcare Group plc and its subsidiaries                                |
| <b>HCA Holdings, Inc.</b>      | Hospital Corporation of America                                                |
| <b>HD</b>                      | Hospital director                                                              |
| <b>Health &amp; Safety Act</b> | The Health & Safety at Work etc Act 1974                                       |
| <b>HIS</b>                     | Health Improvement Scotland                                                    |
| <b>HIW</b>                     | Health Inspectorate Wales                                                      |
| <b>HMRC</b>                    | HM Revenue & Customs                                                           |
| <b>HSE</b>                     | Health and Safety Executive                                                    |
| <b>IFRS</b>                    | International Financial Reporting Standards, as adopted by the EU              |
| <b>IPO</b>                     | initial public offering of shares to certain institutional and other investors |

|                                |                                                                                                                                                                                                                                                           |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>ISO 14001</b>               | environmental management system                                                                                                                                                                                                                           |
| <b>ISO 18001</b>               | health and safety management system                                                                                                                                                                                                                       |
| <b>ITU</b>                     | Intensive Therapy Unit                                                                                                                                                                                                                                    |
| <b>JAG accreditation</b>       | The Joint Advisory Group on Gastrointestinal Endoscopy (JAG) accreditation is the formal recognition that an endoscopy service has demonstrated that it has the competence to deliver against the measures in the Endoscopy Global Rating Scale standards |
| <b>KPI</b>                     | key performance indicator                                                                                                                                                                                                                                 |
| <b>Listing Rules</b>           | the listing rules of the FCA made under section 74(4) of the Financial Services and Markets Act 2000                                                                                                                                                      |
| <b>LTIP</b>                    | Long Term Incentive Plan                                                                                                                                                                                                                                  |
| <b>MAC</b>                     | Medical advisory committee                                                                                                                                                                                                                                |
| <b>MRI</b>                     | magnetic resonance imaging                                                                                                                                                                                                                                |
| <b>NDC</b>                     | Spire Healthcare's national distribution centre in Droitwich                                                                                                                                                                                              |
| <b>NHS</b>                     | the National Health Services in England, Scotland, Wales and Northern Ireland, collectively                                                                                                                                                               |
| <b>NI</b>                      | National Insurance                                                                                                                                                                                                                                        |
| <b>NIC</b>                     | National Insurance Contributions                                                                                                                                                                                                                          |
| <b>Non-executive directors</b> | the non-executive directors of the company                                                                                                                                                                                                                |



## Glossary continued

|                                         |                                                                                                                |
|-----------------------------------------|----------------------------------------------------------------------------------------------------------------|
| <b>Official List</b>                    | the record of whether a company's shares are officially listed, maintained by the FCA (the UKLA Official List) |
| <b>Oncology</b>                         | specialty which encompasses the treatment of people with cancer                                                |
| <b>PHIN</b>                             | Private Healthcare Information Network                                                                         |
| <b>PILON</b>                            | payment in lieu of notice                                                                                      |
| <b>PIP Claims</b>                       | the claims relating to the supply of alleged faulty PIP breast implants                                        |
| <b>PMI</b>                              | private medical insurance/insurer                                                                              |
| <b>PPE</b>                              | property, plant and equipment                                                                                  |
| <b>PPU</b>                              | Private Patient Unit                                                                                           |
| <b>PROMs</b>                            | Patient Reported Outcome Measures                                                                              |
| <b>Registrar</b>                        | Equiniti Limited                                                                                               |
| <b>Registration regulations</b>         | the Care Quality Commission (Registration) Regulations 2009                                                    |
| <b>Regulated activities regulations</b> | the Health and Social Care Act 2008 (Regulated Activities) Regulations 2010                                    |
| <b>RIDDOR</b>                           | Reporting of Injuries, Diseases and Dangerous Occurrences Regulations                                          |
| <b>ROCE</b>                             | return on capital employed                                                                                     |
| <b>SAP</b>                              | global software developer/ software                                                                            |

|                         |                                                                                                          |
|-------------------------|----------------------------------------------------------------------------------------------------------|
| <b>Self-pay</b>         | when a procedure or treatment provided is funded by the patient directly                                 |
| <b>Shareholders</b>     | the holders of shares in the capital of the company                                                      |
| <b>Shares</b>           | the ordinary shares of 1 pence each in the company, having the rights set out in the articles            |
| <b>tCO<sub>2</sub>e</b> | tonnes of carbon dioxide equivalent                                                                      |
| <b>TSR</b>              | total shareholder return                                                                                 |
| <b>UK</b>               | the United Kingdom of Great Britain and Northern Ireland                                                 |
| <b>UKAS</b>             | UK Accounting Standards                                                                                  |
| <b>UK Code</b>          | the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time-to-time |

## Forward-looking statements

### Important information: forward-looking statements

These materials contain certain forward-looking statements relating to the business of Spire Healthcare Group plc (the 'company') and its subsidiaries (collectively, the 'group'), including with respect to the progress, timing and completion of the group's development, the group's ability to treat, attract, and retain patients and customers, its ability to engage consultants and GPs and to operate its business and increase referrals, the integration of prior acquisitions, the group's estimates for future performance and its estimates regarding anticipated operating results, future revenue, capital requirements, shareholder structure and financing. In addition, even if the group's actual results or development are consistent with the forward-looking statements contained in this presentation, those results or developments may not be indicative of the group's results or developments in the future. In some cases, you can identify forward-looking statements by words such as 'could,' 'should,' 'may,' 'expects,' 'aims,' 'targets,' 'anticipates,' 'believes,' 'intends,' 'estimates,' or similar words. These forward-looking statements are based largely on the group's current expectations as of the date of this presentation and are subject to a number of known and unknown risks and uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievement expressed or implied by these forward-looking statements. In particular, the group's expectations could be affected by, among other things, uncertainties involved in the integration of acquisitions or new developments, changes in legislation or the regulatory regime governing healthcare in the UK, poor performance by consultants who practice at our facilities, unexpected regulatory actions or suspensions, competition in general, the impact of global economic changes, and the group's ability to obtain or maintain accreditation or approval for its facilities or service lines. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements made during this presentation will in fact be realised and no representation or warranty is given as to the completeness or accuracy of the forward-looking statements contained in these materials.

The group is providing the information in these materials as of this date, and we disclaim any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



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