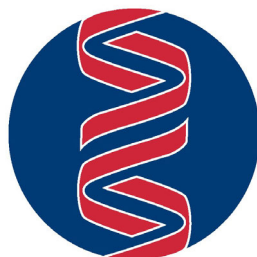


**THIS DOCUMENT IS IMPORTANT**

*If you do not understand it or are in any doubt about how to act, you should consult your stockbroker, solicitor, accountant or other professional adviser immediately.*



**SONIC HEALTHCARE LIMITED**

**ACN 004 196 909**

**NOTICE OF ANNUAL GENERAL MEETING 2020**

**AND**

**EXPLANATORY MEMORANDUM**

The Annual General Meeting (**AGM**) of shareholders will be held on 12 November 2020, commencing at 10.00am (Sydney time). In the interests of safety for shareholders, the Board, team members and the broader community during the COVID-19 pandemic, the 2020 AGM will be held virtually, rather than at a physical location.

Sonic has adopted measures to allow shareholders to participate in the AGM online this year. The AGM will be made accessible to shareholders via a live webcast as well as an online platform which will include a facility for shareholders to ask questions in relation to the business of the meeting and to vote in real time at the meeting. These processes are set out in this Notice of Meeting.

The Board of Sonic encourages shareholders to participate virtually in the meeting. Whilst shareholders will be able to ask questions and vote online during the meeting, you are encouraged to lodge a proxy ahead of the meeting at [www.investorvote.com.au](http://www.investorvote.com.au).

Proxies must be appointed in accordance with the instructions set out in this Notice of Meeting. Proxy appointments and any authority documents must be received by no later than 10.00am (Sydney time) on 10 November 2020.

**A copy of Sonic's Annual Report for the financial year ended 30 June 2020 is accessible on Sonic's website at the following address: [www.sonichealthcare.com/annual-reports](http://www.sonichealthcare.com/annual-reports). As permitted by the *Corporations Act 2001* (Cth) (*Corporations Act*), a physical copy of the Annual Report has been sent only to shareholders who have elected to receive a physical copy.**

### **How to participate in the virtual AGM**

Shareholders can participate in the AGM and watch the webcast online from their computer or mobile device, by entering the URL <https://web.lumiagm.com/357926886> in their browser.

The online platform will allow shareholders to view the meeting, vote and ask questions in real-time. To assist the meeting to run smoothly shareholders are encouraged to lodge questions prior to the AGM. Questions may be submitted by emailing [shareholder@sonichealthcare.com](mailto:shareholder@sonichealthcare.com) or by submitting an online question when lodging your proxy vote online at [www.investorvote.com.au](http://www.investorvote.com.au).

**Important information:** To participate and vote online you will need the meeting ID for the Sonic AGM, which is: 357-926-886, your security holder number (SRN or HIN) and postcode, or if overseas your three character country code which can be obtained on the User Guide accessible on Sonic's website at the following address [www.sonichealthcare.com/agm](http://www.sonichealthcare.com/agm). To participate online, security holders can register from 9.30am (Sydney time) on Thursday 12 November 2020.

### **How to submit your vote in advance of the meeting**

Proxy appointments and any authority documents must be received by no later than 10.00am (Sydney time) on 10 November 2020. Instructions on how to appoint a proxy are on the online voting website, [www.investorvote.com.au](http://www.investorvote.com.au). Your proxy may be appointed in a variety of ways described on page 8 of the Notice of Meeting under 'Proxies'.

Further information on how to attend and participate online is set out on page 10 of this Notice of Meeting. We look forward to engaging with Shareholders in this new way, and we hope that you will participate virtually in the AGM.

# Notice of Annual General Meeting 2020

Notice is given that the 2020 Annual General Meeting of Sonic Healthcare Limited (**Sonic** or the **Company**) will be held as a virtual meeting on Thursday, 12 November 2020, commencing at 10.00am (Sydney time).

## AGENDA

### ORDINARY BUSINESS

#### Financial Statements and Reports

To receive and consider:

- (a) the Financial Report of the Company;
- (b) the Directors' Report; and
- (c) the Auditor's Report,

for the financial year ended 30 June 2020.

#### Election of Directors

To consider and, if thought fit, pass each of the following resolutions as an ordinary resolution:

1. **THAT** Professor Mark Compton, who retires in accordance with Article 71 of the Company's Constitution and, being eligible, offers himself for re-election, is re-elected as a Director of the Company.
2. **THAT** Mr Neville Mitchell, who retires in accordance with Article 71 of the Company's Constitution and, being eligible, offers himself for re-election, is re-elected as a Director of the Company.
3. **THAT** Professor Suzanne Crowe, who was appointed as a Director during the year and who retires in accordance with Article 69 of the Company's Constitution and, being eligible, offers herself for election, is elected as a Director of the Company.
4. **THAT** Mr Chris Wilks, who retires in accordance with Article 71 of the Company's Constitution and, being eligible, offers himself for re-election, is re-elected as a Director of the Company.

#### Remuneration Report

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

5. **THAT** the Remuneration Report for the financial year ended 30 June 2020 is adopted.

**Note** that the vote on this resolution is advisory only and does not bind the Company or its Directors. However, pursuant to section 250R of the Corporations Act, if at least 25% of the votes cast on this resolution are against its adoption, the Conditional Spill Resolution in Resolution 12 will be put to the AGM.

Please refer to the instructions in the Additional Information – Proxies section on page 8 for details of how to appoint a proxy for this resolution.

#### VOTING EXCLUSION STATEMENT:

Sonic will disregard any votes cast on Resolution 5 by or on behalf of a member of the key management personnel (being each Director of Sonic) or their closely related parties (including as proxy), unless the vote is cast by that person as proxy for a person entitled to vote in accordance with the direction on the Proxy Form, or where there is no specified voting direction, the vote is cast by the Chairman of the meeting as proxy, having been expressly authorised to vote on this resolution, even though it is connected with the remuneration of the Directors. A “closely related party” is defined in the Corporations Act and includes a spouse, dependant and certain other close family members, as well as any companies controlled by the Directors.

#### **Increase in Available Pool for Non-executive Directors’ Fees**

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

6. ***THAT***, for the purposes of ASX Listing Rule 10.17 and Article 72 of the Company’s Constitution, the maximum total annual amount of fees available for the Company to pay Non-executive Directors as a whole be increased by \$500,000 to give the Company flexibility to pay total Non-executive Directors’ fees of up to \$2,500,000.

#### VOTING EXCLUSION STATEMENT:

Sonic will disregard any votes cast in favour of Resolution 6 by or on behalf of any Director of the Company and any of their associates. However, the Company need not disregard a vote cast in favour if it is cast by:

- such persons as proxy or attorney for a person who is entitled to vote, in accordance with the directions given to the proxy or attorney on the Proxy Form; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

In addition, the Company will disregard votes cast by a Director (or any of their closely related parties) as proxy, where the appointment does not specify the way the proxy is to vote, unless the proxy is the Chairman of the meeting and has been expressly authorised to vote on behalf of someone entitled to vote on this resolution, even though it is connected with the remuneration of the Directors.

**Approval of the issue of securities under the Sonic Healthcare Limited Employee Option Plan and Sonic Healthcare Limited Performance Rights Plan as an exception to ASX Listing Rule 7.1**

To consider, and if thought fit, pass each of the following resolutions as an ordinary resolution:

7. **THAT**, for the purposes of seeking approval as an exception to ASX Listing Rule 7.1 and all other purposes, the issue of options, and shares following the valid exercise of such options, under and in accordance with the terms of the Sonic Healthcare Limited Employee Option Plan be approved.
8. **THAT**, for the purposes of seeking approval as an exception to ASX Listing Rule 7.1 and all other purposes, the issue of performance rights, and shares following the valid exercise of such performance rights, under and in accordance with the terms of the Sonic Healthcare Limited Performance Rights Plan be approved.

**Executive Director Remuneration – Approval of long term incentives**

To consider, and if thought fit, pass each of the following resolutions as an ordinary resolution:

9. **THAT**, for the purposes of ASX Listing Rules 10.14 and 7.1 and all other purposes, the grant of long term incentives up to a maximum value of \$3,449,251 to Dr Colin Goldschmidt, Managing Director and Chief Executive Officer, under the Sonic Healthcare Limited Employee Option Plan and the Sonic Healthcare Limited Performance Rights Plan and the subsequent allotment of shares in respect of those incentives on the terms summarised in the Explanatory Notes, be approved.
10. **THAT**, for the purposes of ASX Listing Rules 10.14 and 7.1 and all other purposes, the grant of long term incentives up to a maximum value of \$1,314,449 to Mr Chris Wilks, Finance Director and Chief Financial Officer, under the Sonic Healthcare Limited Employee Option Plan and the Sonic Healthcare Limited Performance Rights Plan and the subsequent allotment of shares in respect of those incentives on the terms summarised in the Explanatory Notes, be approved.

**VOTING EXCLUSION STATEMENT:**

Sonic will disregard any votes cast in favour of Resolutions 7, 8, 9 and 10 by or on behalf of any Director of Sonic (including Dr Goldschmidt and Mr Wilks), or any of their associates. However, the Company need not disregard a vote cast in favour, if it is cast by:

- such persons as proxy or attorney for a person who is entitled to vote, in accordance with the directions given to the proxy or attorney on the Proxy Form; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

In addition, the Company will disregard votes cast by a Director (or any of their closely related parties) as proxy, where the appointment does not specify the way the proxy is to vote, unless the proxy is the Chairman of the meeting and has been expressly authorised to vote on behalf of someone entitled to vote on this resolution, even though it is connected with the remuneration of the Directors.

### **Amendment to Constitution**

To consider, and if thought fit, pass the following resolution as a special resolution:

- 11. *THAT a new Constitution, tabled at the meeting and signed by the Chairman of the meeting for the purposes of identification, be approved as the Constitution of the Company in place of the current Constitution, with effect from the close of the meeting.***

As Item 11 is a special resolution, it will only be passed if at least 75% of the votes cast on the Item are in favour of the resolution.

## Conditional Spill Resolution

If required, to consider and, if thought fit, pass the following resolution as an ordinary resolution:

**12. THAT**, subject to and conditional on at least 25% of the votes cast on Resolution 5 being cast against the adoption of the Company's Remuneration Report for the financial year ended 30 June 2020:

(a) an extraordinary general meeting of the Company (**Spill Meeting**) be held within 90 days of this resolution;

(b) all of the Directors in office when the resolution to approve the Directors' Report for the financial year ended 30 June 2020 was passed (other than the Managing Director), and who remain in office at the time of the Spill Meeting, cease to hold office immediately before the end of the Spill Meeting; and

(c) resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting be put to the vote at the Spill Meeting.

Note: This Resolution will only be put to the AGM if at least 25% of the votes validly cast on Resolution 5 are against that Resolution. If you do not want a Spill Meeting to take place, you should vote 'against' Resolution 12. If you want a Spill Meeting to take place, you should vote 'for' Resolution 12. The proposed items of business should be read in conjunction with the explanatory notes on pages 15 to 16.

### VOTING EXCLUSION STATEMENT:

Sonic will disregard any votes cast on Resolution 12 by or on behalf of a member of the key management personnel (being each Director of Sonic) or their closely related parties (including as proxy), unless the vote is cast by that person as proxy for a person entitled to vote in accordance with the direction on the Proxy Form, or where there is no specified voting direction, the vote is cast by the Chairman of the meeting as proxy, having been expressly authorised to vote on this resolution, even though it is connected with the remuneration of the Directors. A "closely related party" is defined in the Corporations Act and includes a spouse, dependant and certain other close family members, as well as any companies controlled by the Directors.

Please refer to the instructions in the Additional Information – Proxies section below for details of how to appoint a proxy for these resolutions.

## **ADDITIONAL INFORMATION:**

This Notice of Meeting is accompanied by an Explanatory Memorandum which provides an explanation of the business of the meeting, including the proposed resolutions.

### ***Voting Entitlements***

1. For the purposes of the 2020 AGM, the shares of the Company that are on issue as at 7.00pm (Sydney time) on 10 November 2020 will be taken to be held by those persons recorded on the register of shareholders at that time. Accordingly, you will be entitled to vote at the meeting if, and only if, you are a registered shareholder of the Company at 7.00pm (Sydney time) on 10 November 2020. Transfers registered after that time will be disregarded in determining shareholders entitled to attend and vote at the meeting.

### ***Custodian Voting***

2. For Intermediary Online subscribers only (custodians) please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your voting intentions.

### ***Proxies***

3. A shareholder has a right to appoint a proxy, who need not be a shareholder of the Company.
4. If a shareholder is entitled to cast two or more votes, the shareholder may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.
5. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the shareholder's votes each proxy may exercise, each proxy may exercise half of the shareholder's voting rights (disregarding fractions).
6. You may appoint a proxy using an electronic facility available at the website [www.investorvote.com.au](http://www.investorvote.com.au). At the website, shareholders will be able to view an electronic version of the Proxy Form, which will accept proxy appointments and register them accordingly. A shareholder who wishes to use this facility must register their proxy appointment by no later than 10.00am (Sydney time) on 10 November 2020.

Shareholders are encouraged to notify an appointed proxy of their appointment to enable them to participate in the meeting online and to exercise your voting instructions. Appointed proxies will need to contact Computershare Investor Services on +61 3 9415 4024 Monday to Friday during business hours to obtain a username and password to vote online.



If shareholders are unable to complete an online proxy appointment, a Proxy Form can be requested by contacting Computershare on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia). Completed Proxy Forms (together with any authority under which the proxy was signed or a certified copy of the authority) must be received by Computershare no later than 10.00am (Sydney time) on 10 November 2020. The Proxy Form and authority must be returned as set out below:

- by post to: Computershare Investor Services Pty Limited GPO Box 242 Melbourne VIC 3001
- by facsimile to: Computershare Investor Services Pty Limited 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

## **7. DIRECTED PROXY VOTES**

If you specifically direct the proxy how to vote on a proposed resolution, the proxy may only vote on that item in the way that you have directed. If you appoint someone other than the Chairman of the meeting as your proxy and give them voting instructions, the Chairman of the meeting must cast those proxy votes on your behalf on a poll if your nominated proxy does not do so.

## **8. UNDIRECTED PROXY VOTES**

You are encouraged to consider how you wish to direct your proxy to vote. Other than Directors of Sonic or their closely related parties voting as a proxy on Resolutions 5, 6, 7, 8, 9, 10 and 12, if a proxy is not directed how to vote on an item of business, the proxy may vote, or abstain from voting, as they think fit. Should any resolution, other than those specified in this Notice of Meeting, be proposed at the meeting, a proxy may vote on that resolution as they think fit.

If you wish to appoint a Director of Sonic (other than the Chairman) or their closely related party as your proxy, you must specify how they should vote on Resolutions 5, 6, 7, 8, 9, 10 and 12 by completing the “For”, “Against” or “Abstain” boxes on the Proxy Form. If you do not do that, your proxy will not be able to exercise your vote on your behalf for that resolution.

If you appoint the Chairman (or the Chairman is appointed by default) as your proxy in relation to Resolutions 5, 6, 7, 8, 9, 10 and 12 but do not complete any of the boxes “For”, “Against” or “Abstain” opposite that resolution on the Proxy Form, you expressly authorise the Chairman to exercise your proxy in relation to Resolutions 5, 6, 7, 8, 9, 10 and 12 even though the item is connected directly or indirectly with the remuneration of Directors. If you wish to appoint the Chairman as proxy with a direction to vote against, or to abstain from voting on Resolutions 5, 6, 7, 8, 9, 10 and 12, you must specify this by completing the “Against” or “Abstain” boxes on the Proxy Form.

The Chairman intends to vote undirected proxies in favour of all items of business, except in relation to Item 12 (the Conditional Spill Resolution), which the Chairman intends to vote against.

## 9. Further details on how to participate in the virtual AGM

Shareholders can submit questions in relation to the business of the meeting, and vote on the resolutions in real time during the meeting via the online meeting platform.

Shareholders participating in the meeting using the online platform will be able to vote between the commencement of the meeting and the closure of voting as announced by the Chairman during the meeting.

By participating in the meeting online you will be able to:

- hear and view meeting slides;
- submit questions at the appropriate time whilst the meeting is in progress; and
- vote during the meeting.

Instructions on how to log on to ask questions during the meeting are outlined below and available on Sonic's website at [www.sonichealthcare.com/agm](http://www.sonichealthcare.com/agm). Please note, only shareholders may ask questions online and only once they have been verified. It may not be possible to respond to all questions raised during the meeting. Shareholders are therefore encouraged to lodge questions prior to the AGM. Questions may be submitted by emailing [shareholder@sonichealthcare.com](mailto:shareholder@sonichealthcare.com) or by submitting an online question when lodging your proxy vote online at [www.investorvote.com.au](http://www.investorvote.com.au).

If you choose to participate in the meeting online, registration will open at 9.30am (Sydney time) on Thursday 12 November 2020.

To participate in the AGM online, you can log in to the meeting from your computer or mobile device, by entering the URL in your browser: <https://web.lumiagm.com/357926886>

Shareholders will need the following information to participate in the AGM in real-time:

1. The meeting ID for the Sonic Healthcare Limited AGM, which is: 357-926-886;
2. Your username, which is your SRN/HIN; and
3. Your password, which is the postcode registered to your holding if you are an Australian shareholder. Overseas shareholders should refer to the Online Meeting Guide (link below) for their password details.

Further information regarding participating in the AGM online, including browser requirements, is detailed in the AGM Online Meeting Guide available on Sonic's website [www.sonichealthcare.com/agm](http://www.sonichealthcare.com/agm).

## 10. All resolutions will be by poll

The Chairman intends to call a poll on each of the resolutions set out in this Notice of Meeting.

**11. Technical difficulties**

Technical difficulties may arise during the course of the AGM. The Chairman has discretion as to whether and how the meeting should proceed in the event that a technical difficulty arises. In exercising his discretion, the Chairman will have regard to the number of shareholders impacted and the extent to which participation in the business of the meeting is affected.

Where he considers it appropriate, the Chairman may continue to hold the meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions. For this reason, shareholders are encouraged to lodge a proxy by 10.00am (Sydney time) on Tuesday 10 November 2020 even if they plan to attend online.

By ORDER of the Board of Directors



Paul Alexander  
Company Secretary

Dated: 13 October 2020

## EXPLANATORY MEMORANDUM

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### **ORDINARY BUSINESS**

#### **Financial Statements and Reports**

The Financial Report of the Company and the reports of the Directors and Auditor's for the financial year ended 30 June 2020 will be laid before the AGM, as required by the Corporations Act. Shareholders can access a copy of the reports (which form part of Sonic's 2020 Annual Report) on the Company's website at [www.sonichealthcare.com](http://www.sonichealthcare.com). As permitted by the Corporations Act, a physical copy of the Annual Report has been sent only to shareholders who have elected to receive a physical copy.

During this item of business, shareholders will be provided with a reasonable opportunity to ask questions about, and make comments on, the reports and the management, business and performance of the Company.

Shareholders will also be given a reasonable opportunity to ask a representative of the Company's auditor, PricewaterhouseCoopers, questions relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements or the independence of the auditor in relation to the conduct of the audit. Shareholders may also submit a written question to PricewaterhouseCoopers if the question is relevant to the content of the Auditor's Report for the financial year ended 30 June 2020 or the conduct of the audit of the financial report for that year. Questions for the auditor must be received by the Company by no later than Thursday, 5 November 2020. At the meeting, PricewaterhouseCoopers will be given the opportunity to answer, or table written answers to, relevant questions.

#### **Resolutions 1, 2, 3 and 4 – Election of Directors**

Under Article 71 of the Constitution of the Company and in accordance with the ASX Listing Rules, no Director, other than the Managing Director, may hold office for a continuous period in excess of 3 years or past the third AGM following the Director's appointment, whichever is the longer, without submitting for re-election. Professor Mark Compton, Mr Neville Mitchell and Mr Chris Wilks are required to retire as Directors at the end of the 2020 AGM but, being eligible, offer themselves for re-election. The Board (excluding the relevant Directors) recommends the re-election of Professor Mark Compton, Mr Neville Mitchell and Mr Chris Wilks.

Under Article 69 of the Constitution of the Company and in accordance with the ASX Listing Rules, the Directors may appoint any person as a Director. That person shall hold office until the end of the next AGM and shall be eligible for election at that meeting without needing to give any prior notice. Professor Suzanne Crowe, who was appointed during the year, is required to retire as a Director at the end of the 2020 AGM but, being eligible, offers herself for election. The Board (excluding Professor Suzanne Crowe) recommends her election.

Biographical details of the relevant Directors are set out on pages 13 to 14.

**Professor Mark Compton, AM**

*Chairman*

*BSc, MBA, FAICD, FCHSM, FAIM, FRS (NSW)*

*Non-executive, independent Director, appointed October 2014 (Chairman from 19 November 2015)*

Prof. Compton has extensive senior executive experience in healthcare services. He is currently Adjunct Professor in Management (Healthcare Leadership) at Macquarie University (Macquarie Business School), Non-executive Director of ASX-listed Next Science Limited (since 2018) and Non-executive Chairman of not-for-profit organisations St Luke's Care and the Order of St John (St John Ambulance). His previous experience includes Chief Executive Officer of each of St Luke's Care, Immune Systems Therapeutics Limited and the Royal Flying Doctor Service of Australia. He was also Chief Executive Officer and Managing Director of the formerly ASX-listed companies SciGen Limited and Alpha Healthcare Limited. Prof. Compton has also held a number of Non-executive Director roles, including for formerly ASX-listed Independent Practitioner Network Limited, Chairman of the Woolcock Institute of Medical Research, Non-executive Director of Macquarie University Hospital and Chairman and Chancellor of St John Ambulance Australia (having served as a volunteer for more than 45 years). He is a member of the Audit Committee and the Remuneration and Nomination Committee. He resides in Sydney, NSW and currently holds (personally) 459 and (beneficially) 8,807 Sonic shares. In recommending his re-election, the Board recognised that he brings to the position broad experience and expertise in healthcare services and governance. The Board considers him to be an independent Director.

**Mr Neville Mitchell**

*BCom, CA*

*Non-executive, independent Director, appointed September 2017*

Mr Mitchell is a qualified Chartered Accountant with international healthcare and finance experience. He was Chief Financial Officer and Company Secretary of ASX-listed Cochlear Limited (until March 2017), a world-leading medical device developer, manufacturer and seller of hearing devices. Mr Mitchell was a key member of Cochlear's executive team, responsible for the setting and execution of the company's growth strategy from its listing in 1995 until his retirement in 2017. Mr Mitchell currently holds Non-executive Director roles with ASX-listed healthcare companies Fisher and Paykel Healthcare Corporation Limited (from November 2018) and Osprey Medical Inc. (from July 2012). He is a Non-executive Director of QBiotics (from November 2017), an unlisted public company, and a member of the Australian Board of Taxation. Mr Mitchell was previously a Non-executive Director of ASX-listed Sirtex Medical Limited (from April 2017 to September 2018). He has also previously performed roles with a number of industry and government committees, including Chairman of the Group of 100 (Australia's peak body for senior finance executives), and Chairman, Standing Committee (Accounting and Auditing), for the Australian Securities and Investments Commission (ASIC). Mr Mitchell is Chair of the Audit Committee and a member of the Risk Management Committee. Mr Mitchell resides in Sydney, NSW and currently holds (beneficially) 9,770 Sonic shares. In recommending his re-election, the Board recognised that he brings a wealth of international healthcare and finance experience to Sonic's Board. The Board considers him to be an independent Director.

**Professor Suzanne Crowe, AO**

*MBBS (Hons), FRACP, MD, FAICD*

*Non-executive, independent Director, appointed 6 April 2020*

Professor Crowe is a qualified medical specialist and physician-scientist, holding medical and MD degrees from Monash University, and an internal medicine specialist qualification in Infectious Diseases from the Royal Australasian College of Physicians. She is a Fellow of the Australian Institute of Company Directors and holds a Diploma in Medical Laboratory Technology from the Royal Melbourne Institute of Technology. Professor Crowe's current positions include Non-executive Director of ASX-and NASDAQ-listed Avita Therapeutics Ltd (from January 2016), Non-executive Director of St Vincent's Health Australia Ltd (from January 2013), and Emeritus Professor of Medicine at Monash University, Melbourne (from 2020). She retired from Burnet Institute as Associate Director in 2018 following a 30-year research career, having played an integral role in Burnet's development as a global research organisation. Professor Crowe retired as Principal Specialist in Infectious Diseases at The Alfred Hospital, Melbourne in 2019 after 35 years of service. She has served as a Member of the Prime Minister's Science Engineering and Innovation Council (India/China Working Group), as Head of the World Health Organization (WHO) Regional Reference Laboratory for HIV Resistance Testing and as an HIV advisor to WHO for 25 years. She was appointed a Fellow of the Australian Academy of Health and Medical Sciences in 2015. Prof. Crowe resides in Melbourne, Victoria and currently holds (personally) 856 Sonic shares. In recommending her election, the Board recognised that she brings to the position specialist medical expertise and a diverse range of medical leadership experience. The Board considers her to be an independent Director.

**Mr Chris Wilks**

*Finance Director and Chief Financial Officer*

*BCom, FAICD*

*Executive Director, appointed December 1989*

Mr Wilks became Finance Director and Chief Financial Officer of Sonic Healthcare in 1993. He has a background in chartered accounting and investment banking and was previously a partner in a private investment bank. Mr Wilks has held directorships in a number of public companies and is currently a Non-executive Director of Silex Systems Limited (since 1988), a listed company divested by Sonic in 1996. Mr Wilks resides in Sydney, NSW and currently holds (personally) 547,368 and (beneficially) 94,760 Sonic shares. In recommending Mr Wilks' re-election, the Board has acknowledged the role he performs within Sonic is broader than the usual Chief Financial Officer role and Mr Wilks' strategic input, experience and reputation in the market are considered extremely valuable to Sonic.

## Resolution 5 – Remuneration Report

Sonic's 2020 Annual Report contains the Company's 2020 Remuneration Report (forming part of the Directors' Report), which sets out the Board's remuneration policy and reports the remuneration arrangements in place for key management personnel for the financial year ended 30 June 2020.

Under the Corporations Act, a 25% or higher "no" vote (referred to as a 'strike') on the Remuneration Report resolution at an AGM triggers a reporting obligation on a listed company to explain in its next annual report how shareholders' concerns are being addressed. Sonic received a first strike at the 2019 AGM, with 25.56% of votes cast against the adoption of its Remuneration Report for the year ended 30 June 2019. In response, the Sonic Board has carefully considered the comments made by shareholders and proxy adviser firms, and has sought additional input from these stakeholders, as part of a review of the overall structure and measures in Sonic's remuneration approach. Based on this review, a number of changes have been made, which are fully described in the 2020 Remuneration Report. The Board has been mindful of balancing shareholder interests with those of Sonic's key executives. The Board wants to reward shareholders for their trust in the Company, as well as reward excellent, long serving and committed executives who have delivered consistent value to shareholders over many years.

The changes made are summarised as follows:

### *Effective for 2020*

- 30% of the executives' Short Term Incentive (**STI**) earned has been deferred into equity for two years; and
- the Remuneration Report has been prepared in a new format to provide shareholders with greater clarity on both the remuneration framework and the assessments made by the Board in determining remuneration outcomes.

### *Effective for 2021*

- The remuneration mix for Dr Goldschmidt for 2021 has been adjusted to increase the weighting of the Long Term Incentive (**LTI**) opportunity relative to the STI opportunity in line with market comparators.
- STI arrangements have been changed as follows:
  - the earnings performance target level has been increased to the upper quartile of the earnings guidance range rather than the mid-point;
  - a hurdle of achievement of 80% of target EBITDA growth before any contribution can be included from acquisitions which are unknown at the time of setting the target has been introduced. The amount which can be included as a result of such acquisitions is capped at 1%;
  - the qualitative component has been reweighted from 25% to 20% of the target opportunity;
  - the outperformance opportunity on the qualitative component has been removed, capping it to 100% of target; and
  - deferral into equity for 2 years of 50% of any payment made with respect to the quantitative (earnings related) component of the STI, that is, on 80% of the target opportunity.

- LTI arrangements have been changed as follows:
  - the threshold EPS CAGR target has been increased from 4% to 5% per year;
  - the proportion available to vest at reaching EPS CAGR threshold performance has been reduced from 40% to 30%; and
  - the executives have been provided with the opportunity to earn up to 150% of the relevant target portion for performance above 10% EPS CAGR.

The Board remains committed to achieving the appropriate balance between shareholder and executive rewards and will continue to monitor the alignment of Sonic's remuneration approach with Company performance.

A resolution for adoption of the 2020 Remuneration Report will be put to the vote at the AGM, as required by section 250R of the Corporations Act. In accordance with the Corporations Act, the vote on Resolution 5 will be advisory only and will not bind the Directors or the Company. However, if at least 25% of the votes validly cast on the resolution to adopt the Remuneration Report for the year ended 30 June 2020 are cast against that Remuneration Report's adoption, Sonic would receive a 'second strike' for the purposes of the Corporations Act and section 250V(1) of the Corporations Act would apply. In these circumstances, Sonic would be required to put the Conditional Spill Resolution (Resolution 12) to the vote of shareholders at the 2020 AGM.

Shareholders will be provided with a reasonable opportunity to ask questions about the 2020 Remuneration Report at the AGM.

The Board recommends that shareholders vote in favour of Resolution 5.



## **Resolution 6 – Increase in Available Pool for Non-executive Directors’ Fees**

Under ASX Listing Rule 10.17 and Article 72 of the Company’s Constitution, the maximum combined annual amount of remuneration payable to all Non-executive Directors (**NEDs**) is fixed by shareholders in general meeting. At present, the fee pool is set at \$2,000,000, which was approved by shareholders at the 2017 AGM. The fee pool includes all Board and Board Committee fees paid to NEDs, as well as superannuation contributions made on behalf of NEDs. \$1,306,274 was paid in the 2020 financial year from the pool. This amount was lower than expected as the NEDs took a voluntary 50% reduction in fees for a period of approximately eight weeks as part of Sonic’s response to the COVID-19 pandemic.

The composition of the Sonic Board continues to evolve. With the appointment of Professor Suzanne Crowe from April 2020, and the change of status of Dr Philip Dubois (who retired from his executive position and became a NED with effect from 1 July 2020), the number of NEDs on Sonic’s Board has recently increased from five to seven, six of whom are considered independent. It is essential that the Company remains able to attract and retain NEDs with the appropriate experience, expertise, skills and diversity to oversee the Company’s culture, business and strategic direction.

It is therefore proposed that the maximum combined annual amount of remuneration payable to all NEDs (the pool) be increased by \$500,000 to \$2,500,000. Based on the composition of the Board and its Committees at the time of the 2020 AGM, the total annual fees payable amount to \$1,746,000, which, whilst still within the existing maximum amount, does not provide significant headroom. The passage of this resolution will provide headroom for the Board to have the flexibility over coming years to appoint further NEDs in order to bring new attributes and further diversity of membership to the Board, increase Board committee membership, or to increase individual NED fees in the future, should any of these be considered appropriate.

The Board continues to review its composition to ensure that collectively the NEDs provide the skill-set appropriate to the increasing scope, complexity and global nature of the Company’s business, including relevant industry, medical and other professional experience. The time commitment of Directors and the demands being placed upon them to conscientiously and adequately perform their duties on behalf of shareholders is significantly increasing with the complexity of both regulatory requirements and the medical diagnostic services business itself, as well as Sonic’s continued international growth.

Shareholders should also note that, if the proposed resolution is approved, the maximum amount is not expected to be paid to NEDs each financial year (just as it has not been in the past). The Company will continue to set the actual level of remuneration of its NEDs within the maximum combined annual amount of remuneration payable to all NEDs after having regard to independent external advice, market practice, Board performance, the interests of shareholders and other appropriate factors.

Sonic’s NED fees were last reviewed with effect from 1 July 2017. There is no change to the fee levels proposed at this time, only the pool size. Current fee levels are set out in the 2020 Remuneration Report. Equity or performance based remuneration is not payable to NEDs.

The Board (other than the NEDs, given their interest), recommend that shareholders vote in favour of Resolution 6.

**Resolutions 7 and 8 - Approval of the issue of securities under the Sonic Healthcare Limited Employee Option Plan and Sonic Healthcare Limited Performance Rights Plan as an exception to ASX Listing Rule 7.1**

The issue of securities under the Sonic Healthcare Limited Employee Option Plan (the **Option Plan**) was last approved by shareholders for the purposes of an exception to ASX Listing Rule 7.1 at the 2017 AGM on 22 November 2017. Since the date of that approval, a total of 14,448,025 options have been issued under the Option Plan, (including 675,145 options approved by shareholders at the 2017 AGM) of which none have been exercised and none have vested. 226,299 of these options have lapsed as performance conditions for vesting were not achieved and 14,221,726 have not yet vested.

The issue of securities under the Sonic Healthcare Limited Performance Rights Plan (the **Performance Rights Plan**) was last approved by shareholders for the purposes of an exception to ASX Listing Rule 7.1 at the 2017 AGM held on 22 November 2017. Since the date of that approval, a total of 256,843 performance rights have been issued under the Performance Rights Plan (including 87,762 performance rights approved by shareholders at the 2017 AGM) of which 7,905 have been exercised. 25,518 of these performance rights have lapsed as performance conditions for vesting were not achieved and 223,420 have not yet vested.

Shareholder approval is accordingly being sought under Resolutions 7 and 8 for the purposes of ASX Exceptions 9 and 13 in ASX Listing Rule 7.2 as an exception to Listing Rule 7.1.

If shareholders approve the issue of securities under an employee incentive scheme (such as the Option Plan and Performance Rights Plan) as an exception to Listing Rule 7.1, then Listing Rule 7.1 will not apply to any issue under that scheme for the 3 years following the date of approval. Accordingly, if Resolutions 7 and 8 are passed, the number of securities (shares or options) issued under the Option Plan and Performance Rights Plan by the Company for the 3 years following the date of this AGM will not count towards the annual 15% limit on the number of equity securities that Sonic may issue without shareholder approval. The Company believes it to be an appropriate corporate governance practice to seek approval of the issue of securities under the Option Plan and Performance Rights Plan as an exception to Listing Rule 7.1.

If shareholders do not approve the issue of securities under the Option Plan and Performance Rights Plan as an exception to Listing Rule 7.1, grants under the Option Plan and Performance Rights Plan by the Company on or after 22 November 2020 will count towards the 15% annual limit on the number of equity securities that Sonic may issue without shareholder approval.

## Summary of the terms of the Option Plan

In accordance with the requirements of Exception 13 to ASX Listing Rule 7.1, the terms of the Option Plan are summarised below. A complete copy of these terms is available to shareholders free of charge on request.

### 1. *Participants*

The Company may offer options under the Option Plan as it sees fit to the following persons:

- a full-time or part-time employee of the Company, any associated body corporate of the Company, and any other entity the results of which form part of the consolidated financial results of the Company for financial reporting purposes (the **Group**);
- an executive Director of the Group who has been such an executive Director for a continuous period of one year; and
- any other person (excluding Non-executive Directors) that provides services to a member of the Group and who the Board declares to be an employee for the purposes of the Option Plan.

### 2. *Exercise price*

Unless determined otherwise by the Board, the exercise price of an option issued under the Option Plan will be determined by adding 5 cents to the weighted average sale price per share for Sonic shares sold on the ASX in the five business days preceding the date of issue of the option.

### 3. *Exercise of options*

Unless determined otherwise by the Board, the options will vest and become exercisable as follows:

- up to 50% of the options held may be exercised after 30 months from the date of issue;
- up to 75% of the options held may be exercised after 42 months from the date of issue;
- up to 100% of the options held may be exercised after 54 months from the date of issue; and
- options may not be exercised at any time after 58 months from the date of issue of the options, or if the options have lapsed.

If an option holder ceases to be an employee or executive Director by reason of dismissal, resignation or expiry of contract (other than as a result of the person reaching retirement age or suffering an illness or incapacity), the options held by that person will lapse unless the Company determines otherwise. If an option holder ceases to be an employee or executive Director by reason of retirement (as defined in the Option Plan), the options held by that person will remain capable of exercise in accordance with the time periods described above unless the Company determines otherwise.

Options may be exercised after the option holder gives the Company notice together with payment of the exercise price. If the option holder is not employed by an Australian based entity, shares will be issued to the option holder within 21 days of the Company's receipt of the exercise notice. If the option holder is employed by an Australian based entity, shares will either be issued to, acquired by or allocated to the trustee of the Sonic Healthcare Employee Share Trust (the **Trust**) within 21 days of the Company's receipt of the exercise notice. Shares held in the Trust are held on behalf of the Participant unless withdrawn from the Trust in accordance with the Option Plan.

At the Board's discretion an offer letter may specify additional vesting conditions and/or an exercise price and vesting period different to those specified under the terms of the Option Plan.

4. *Consideration*

Any monetary consideration payable for an issue of options must not exceed the lesser of 1 cent and 1% of the exercise price of the option.

5. *Maximum number of shares*

The number of shares that would be issued were each option under the Option Plan exercised must not at any time exceed 5% of the total number of shares in the Company on issue disregarding issues of options or issues of shares on the exercise of options following an offer or invitation to a person situated outside Australia or by an excluded offer or invitation. The maximum number of shares proposed to be issued under the Option Plan within the three year period from the date of the passing of Resolution 7 will not exceed 23,879,228 shares, representing 5% of the shares on issue in the Company as at the date of this Notice of Meeting.

Shares issued on the exercise of an option will rank equally in all respects with other issued ordinary shares in the Company and the Company must apply for the quotation of such shares.

6. *Takeover bid*

If a takeover bid or other publicly announced proposal is made in respect of shares in the Company which the Board reasonably believes is likely to lead to a change of control (as defined in the Option Plan), any unexercised options may become exercisable (for a period of time) at the Board's discretion, having regard to pro-rata performance (including based on time of continued employment) and the circumstances around the potential change of control. After such period, unexercised options will continue in force subject to the terms of the Option Plan.

7. *Adjustment*

In the event of a pro-rata bonus or cash issue, the number of shares underlying the options on issue and/or the exercise price of the options may be adjusted in accordance with the ASX Listing Rules and the terms of the Option Plan. Adjustments will also be made if certain changes to the capital structure of Sonic occur, including consolidations, sub-divisions, reductions or returns.

8. *Rights to new issues*

Options do not confer on the relevant holder any rights to participate in new issues of securities by the Company or any other body corporate, except any rights arising in respect of a reorganisation of the Company's issued capital.

9. *Alteration of the Option Plan*

Subject to the requirements of the ASX Listing Rules, the Board may at any time vary the terms of the Option Plan, provided that the interests of the Participants are not, in the opinion of the Board, materially prejudiced.

## Summary of the terms of the Performance Rights Plan

In accordance with the requirements of Exception 13 to ASX Listing Rule 7.1, the terms of the Performance Rights Plan are summarised below. A complete copy of these terms is available to shareholders free of charge on request.

### 1. *Participants*

All Directors and full-time or part-time employees are eligible participants under the Performance Rights Plan. The Board may, in its sole and absolute discretion, determine that an eligible participant may participate in the Performance Rights Plan and make an invitation to that participant.

### 2. *Exercise Price*

A performance right has a nil exercise price.

### 3. *Exercise of Performance Rights*

Upon an invitation being made, the Board will determine the vesting conditions (if any) attaching to the performance rights. At the Board's discretion as set out in the invitation letter, a vested performance right will be exercisable by a participant by delivery to the Company of a signed exercise notice, or will be automatically exercised within the period specified by the Board in the invitation letter. Upon exercise of performance rights, the Board will instruct the trustee of the Trust to acquire, subscribe for and/or allocate shares to the participant, and the trustee will hold those shares on trust for the participant. Each performance right that is exercised entitles the participant to one share.

The performance rights will lapse on the earlier of:

- the cessation of employment of a participant (unless the Board exercises discretion where the participant is a good leaver);
- any vesting conditions not being satisfied (or the Board determining that they cannot be met prior to the expiry date); and
- the expiry date.

### 4. *Consideration*

No consideration is payable in respect of performance rights.

### 5. *Maximum Performance Rights Allocation*

The number of performance rights granted under the Performance Rights Plan must not exceed (assuming all outstanding performance rights were exercised) a maximum of 10% of the total number of shares in the Company on issue at the time of the grant of the performance rights. Shares issued for the purposes of the Performance Rights Plan will rank equally in all respects with other issued ordinary shares in the Company and the Company must apply for the quotation of such shares. The maximum number of shares proposed to be issued under the Performance Rights Plan within the three year period from the date of the passing of Resolution 8 will not exceed 47,758,456 shares, representing 10% of the shares on issue in the Company as the date of this Notice of Meeting.

6. *Capital Reconstructions*

If the capital of the Company is reconstructed the performance rights and/or plan shares (as the case may be) will be treated in accordance with the ASX Listing Rules.

7. *Amendment of the Performance Rights Plan*

Subject to the requirements of the ASX Listing Rules and the Company's Constitution, the Board may at any time vary the terms of the Performance Rights Plan, provided that the interests of the Participants are not, in the opinion of the Board, materially prejudiced.

The Board recommends that shareholders vote in favour of Resolutions 7 and 8.

**Resolutions 9 and 10 - Approval of long term incentives for Dr Colin Goldschmidt, Managing Director and Chief Executive Officer, and Mr Chris Wilks, Finance Director and Chief Financial Officer**

**Background**

Properly designed equity incentives are an important component of senior executive remuneration. The existing equity-based LTI arrangements for Dr Goldschmidt and Mr Wilks provide performance incentives through to the 2022 financial year (having been approved by shareholders at the 2018 and 2019 AGM's). Dr Goldschmidt and Mr Wilks receive annual grants of equity-based remuneration in the form of options and performance rights over shares in Sonic Healthcare Limited (conditional on approval by shareholders), subject to performance conditions with measurement periods of three years.

Annual grants allow the Company to determine the appropriate performance hurdles each year for the grant being made, adjust the mix between type of instruments for changes in circumstances (e.g. tax law), and / or select different measures to take into account changes in the Company's strategy or context. Shareholders have the opportunity to vote on the proposed grants each year, taking into account recent Company performance.

The Remuneration and Nomination Committee has designed the current proposed grant of options and performance rights to these key executives to ensure their remuneration is in line with market and appropriate to retain their services, after taking into consideration their other remuneration components. Shareholder and proxy adviser firm feedback on the previous year's grants have also been taken into account. Dr Goldschmidt and Mr Wilks have been in their current roles since 1993. Their knowledge, experience, and the reputation they have in the market are considered extremely valuable to the Company. Under their leadership Sonic Healthcare has been one of the best performing stocks on the ASX since their appointment.

As required by ASX Listing Rule 10.15.4, the details of the executives' current remuneration are as follows:

	<b>Fixed Remuneration (FR)</b>	<b>Short Term Incentives</b>	<b>Long Term Incentives</b>
<b>Dr Colin Goldschmidt</b>	\$2,397,634	91.8% of FR at target 128.5% of FR at maximum	127.9% of FR at target 143.9% of FR at maximum
<b>Mr Chris Wilks</b>	\$1,089,740	105.3% of FR at target 147.4% of FR at maximum	107.2% of FR at target 120.6% of FR at maximum

Dr Goldschmidt and Mr Wilks have agreed that their fixed and total target remuneration values stay the same for the 2021 financial year as they were for the previous four years. Shareholders are referred to the Remuneration Report for further details of the executives' remuneration.

Short term and long term incentive amounts are targets, subject to challenging performance hurdles and may not ever be received by the executives. In the past 5 years, the executives have received, on average, 88% of their target STI and, on average, 43% of available LTI options and performance rights have vested.

In accordance with the requirements of ASX Listing Rule 10.15.5, the number of securities that have been issued in total over the years of their tenure to each of Dr Goldschmidt and Mr Wilks under the Option Plan and Performance Rights Plan are as follows. Please note that these issues have occurred spread over a period of approximately 25 years.

<b>Options and Rights</b>	<b>Dr Colin Goldschmidt</b>	<b>Mr Chris Wilks</b>
Options issued but not exercised or forfeited	1,366,229	606,964
Average price paid to exercise (\$)	Nil	Nil
Options vested and exercised	6,067,647	3,339,811
Average price paid to exercise (\$)	\$9.80	\$9.80
Rights issued but not exercised or forfeited	154,733	68,687
Average price paid to exercise (\$)	Nil	Nil
Rights vested and exercised	208,492	97,372
Average price paid to exercise (\$)	Nil	Nil

## Approval under ASX Listing Rule 10.14

Shareholder approval of the issue of the securities proposed under Resolutions 9 and 10 is required under ASX Listing Rule 10.14, which prohibits the Company from permitting any Director of the Company to acquire newly issued securities under an employee incentive scheme, such as the Option Plan and the Performance Rights Plan, without the approval of shareholders.

Resolutions 9 and 10 seek shareholders' approval to the grant of LTIs to provide performance incentives through to the 2023 financial year with a maximum value of:

- Dr Goldschmidt: \$3,449,251; and
- Mr Wilks: \$1,314,449,

on the terms set out in this Notice of Meeting, as both Dr Goldschmidt and Mr Wilks are Directors of Sonic and approval is being sought under ASX listing Rule 10.14.1 and for all other purposes. 50% of this value will be issued as options over ordinary shares in Sonic under the Option Plan, and the remaining 50% will be issued as performance rights over ordinary shares in Sonic under the Performance Rights Plan. No consideration will be payable for the options or performance rights (however, an exercise price will be payable for the exercise of any options).

The proposed LTI options and performance rights will vest three years from grant date, if challenging performance conditions (detailed below) are met for the period of three years to 30 June 2023. They will expire 5 years from grant date. Options can only vest when the market price of Sonic shares is higher than the exercise price.

If shareholder approval is obtained under Resolutions 9 and 10, it is intended that the options and performance rights will be granted to Dr Goldschmidt and Mr Wilks on the date of the 2020 AGM Meeting or shortly after that date (but not later than 3 years after the AGM or any adjournment of it).

No loans have or will be made in respect of the Directors' proposed acquisition of options or performance rights under Resolutions 9 and 10.

Details of any securities issued under the Option Plan or the Performance Rights Plan will be published in each annual report of the Company relating to the period in which securities have been issued, including that approval for the issue of such securities was obtained under ASX Listing Rule 10.14.

Dr Goldschmidt and Mr Wilks are the only Directors who have been invited by the Board to be eligible to participate in the Option Plan or the Performance Rights Plan. Any other Directors, or associates of such Directors, of the Company who become entitled to participate in the Option Plan or the Performance Rights Plan after Resolutions 9 and 10 are approved, who are not named in this Notice of Meeting, will not participate until approval is obtained under Listing Rule 10.14.



## Performance conditions

Vesting of the options and performance rights is subject to three challenging performance conditions that are designed to align the interests of the executive Directors with those of shareholders.

Each performance condition will be applied separately to the options and performance rights as follows:

- 45% of the options and 45% of the performance rights are subject to the first performance condition (**PC1**);
- 33% of the options and 33% of the performance rights are subject to the second performance condition (**PC2**); and
- 22% of the options and 22% of the performance rights are subject to the third performance condition (**PC3**).

Note that these percentages are impacted by the potential to earn up to a maximum of 150% for PC2. Based on target remuneration (as opposed to maximum) the percentages would be 50% (PC1), 25% (PC2) and 25% (PC3).

The performance conditions are as follows:

(a) PC1 – Total Shareholder Return (**TSR**)

Under PC1, Sonic's performance will be ranked by percentile according to its TSR relative to the TSR of the companies comprising the S&P ASX 100 Accumulation Index (excluding Banks and Resource companies). Relative TSR has been chosen as a performance hurdle as it provides a direct link between executive remuneration and shareholder return relative to the Company's peers. A relative measure is important, as it removes from the assessment broad market share price movements which are out of the control of the executives. The executive Directors will not derive any value from the LTI subject to PC1 unless Sonic's performance exceeds the median of the benchmark group.

The percentage of options and performance rights subject to PC1 that vest will be as follows:

TSR Ranking achieved	Percentage of Options and Rights that vest
Below the 51st percentile	Nil options and rights to which PC1 applies
51st percentile	50% of options and rights to which PC1 applies
Greater than 51st and less than 75th percentile	Pro rata between 50% and 100% of options and rights to which PC1 applies
75th percentile and above	100% of options and rights to which PC1 applies

(b) PC2 – Earnings Per Share (**EPS**) Growth

This hurdle will be measured by comparing the Company’s aggregate EPS over 3 years against an aggregate EPS target. EPS is calculated as Net Profit after Tax divided by the fully diluted weighted average number of ordinary shares on issue during a year, and for the purposes of the performance condition, will be calculated on a “constant currency” basis, using the same currency exchange rates to convert the 2021, 2022 and 2023 financial year foreign earnings into AUD as applied in the 2020 financial year, being the average rates for that year. Growth in EPS has been chosen as a hurdle as it is a direct measure of Company performance and maintains a strong correlation with long term shareholder return. Using a constant currency measure of EPS removes volatility from exchange rate movements that are out of the control or influence of the executives. The percentage of options and performance rights subject to PC2 that vest will be as follows:

Aggregate EPS for FY2021 to FY2023	Percentage of Options and Rights that vest
Less than 366 cents	Nil options and rights to which PC2 applies
366 cents	30% of options and rights to which PC2 applies based on target remuneration
Greater than 366 cents and less than 403 cents	Pro rata between 30% and 100% of options and rights to which PC2 applies based on target remuneration
403 cents	100% of options and rights to which PC2 applies based on target remuneration
Greater than 403 cents and less than 442 cents	Pro rata between 100% and 150% of options and rights to which PC2 applies based on target remuneration
442 cents	150% of options and rights to which PC2 applies based on target remuneration

366 cents per share equates to compound annual growth of 5%, 403 cents per share equates to compound annual growth of 10% and 442 cents equates to compound annual growth of 15%, in each case over a base of 110.6 cents per share, which was the EPS for 2020.

(c) PC3 – Return on Invested Capital (**ROIC**)

ROIC is calculated as Earnings before Interest and Tax, less related tax and minority interests, divided by average capital employed. It is expressed as a percentage. ROIC has been chosen as a performance hurdle as the Board believes that a primary focus in coming years should be improvement in the return from the substantial investments the Company has made into its businesses.

The Board sets a ROIC target at the beginning of each measurement year, taking into account market conditions and company-specific factors at the time. After completion of the three year measurement period, the average of the actual ROIC over the three years will be compared to the average of the three ROIC targets (**Target Average ROIC**).

Measurement of the average actual ROIC will exclude any significant uncontrollable or one off events, and the initial impact of business development initiatives, as approved by the Board.

The percentage of options and performance rights subject to PC3 that vest will be as follows:

<b>Average ROIC for FY2021 to FY2023</b>	<b>Percentage of Options and Rights that vest</b>
Less than Target Average ROIC	Nil options and rights to which PC3 applies
Equal to Target Average ROIC	40% of options and rights to which PC3 applies
Greater than Target Average ROIC and less than 110% of Target Average ROIC	Pro rata between 40% and 100% of options and rights to which PC3 applies
110% of Target Average ROIC or greater	100% of options and rights to which PC3 applies

If necessary to avoid an anomalous result, the Board may make adjustments in measuring performance under PC2 and PC3 to ensure the intent of the incentive plan is maintained.

Options and performance rights for which the performance conditions are not satisfied will be forfeited immediately after the performance measurement is finalised. There will be no retesting.

Following vesting of options and/or performance rights, ordinary shares in Sonic may be provided either by way of an issue of new shares or the purchase of existing shares on market by the trustee of the Trust in accordance with the relevant Plan rules. Options and performance rights are not eligible for dividends.

Should Dr Goldschmidt or Mr Wilks cease employment before their options and/or performance rights vest and the Board determines that the executive Director is a "good leaver", the Board has the discretion to enable the executive Director to retain the portion of the options and performance rights which vest (subject to the performance conditions) within a specified period of time following the cessation of employment, or to apply another treatment depending on the circumstances surrounding the departure. Should the Board not exercise this discretion the unvested awards will lapse.

To be judged a "good leaver" the executive Director would need to provide sufficient notice, assist with succession planning and transition and make themselves reasonably available to assist and answer queries of their replacement for a period post employment. The Board views this arrangement to be in the best interests of the Company and its shareholders, as the executive Directors will be incentivised to minimise disruption/loss of value associated with their departure.

For the proposed LTIs, if a takeover bid or other public proposal is made for voting shares in the Company which the Board reasonably believes is likely to lead to a change of control, unvested options and performance rights may vest at the Board's discretion, having regard to pro rata performance and the circumstances leading to the potential change of control.

## Valuation

The number of options to be issued to each executive will be calculated based on a Black Scholes methodology valuation at the date of issue (proposed to be the date of the 2020 AGM or shortly after), and the exercise price of the options will be determined using the Volume Weighted 5 day Average Market Price (**5 day VWAP**) for Sonic shares preceding the date of issue. The valuations will not allow for any discount relating to the performance conditions. For example, using a date of issue of 21 September 2020, the number of options and performance rights would be calculated as follows:

Notional valuation date	21 September 2020
Sonic 5 day VWAP share price	\$32.45
Exercise price of options	\$32.45
Share price volatility	24.1%
Estimated dividend yield	3.00%
Maximum life of the options (grant date to expiry assuming vesting)	5 years
Risk free rate (based on Australian Government bonds)	0.36%
Average value of options	\$4.565
Percentage of maximum value of LTI to be issued as options	50%
Options that would be issued to Dr Goldschmidt using these assumptions	377,793
Options that would be issued to Mr Wilks using these assumptions	143,970

The number of performance rights to be issued to each executive will be calculated at the date of issue by dividing 50% of the maximum value of LTI by the 5 day VWAP for Sonic shares preceding the date of grant. For example, based on a 5 day VWAP of A\$32.45, Dr Goldschmidt would be issued 53,147 performance rights (50% of \$3,449,251 divided by \$32.45) and Mr Wilks would be issued 20,253 performance rights (50% of \$1,314,449, divided by \$32.45).

The options and performance rights will not be listed on the ASX. Upon exercise, the shares issued or acquired will be held on trust by the trustee of the Trust until withdrawn in accordance with the terms of the applicable Plan.

## Issues of securities since the last approval by shareholders

### 1. Options

At the 2019 AGM, shareholders approved the issue of LTIs resulting in the issue of options for nil consideration under the Option Plan as follows:

- Dr Goldschmidt – 407,747 options (exercise price: \$29.26) issued on 19 November 2019; and
- Mr Wilks – 181,147 options (exercise price: \$29.26) issued on 19 November 2019.

These options will vest three years from grant date, if challenging performance conditions are met for the period of three years to 30 June 2022. They will expire five years from grant date.

### 2. Performance Rights

At the 2019 AGM, shareholders approved the issue of LTIs resulting in the issue of performance rights for nil consideration under the Performance Rights Plan as follows:

- Dr Goldschmidt – 44,941 performance rights (nil exercise price) issued on 19 November 2019; and
- Mr Wilks – 19,966 performance rights (nil exercise price) issued on 19 November 2019.

These performance rights will vest three years from grant date, if challenging performance conditions are met for the period of three years to 30 June 2022. They will expire five years from grant date.

Performance rights were also issued for nil consideration under the Performance Rights Plan on 23 September 2020 in part satisfaction of the executives' 2020 STI. These performance rights are exercisable from 1 March 2021 until 1 October 2021 (expiry date). The exercise of these performance rights will be satisfied by existing Sonic shares purchased on-market. The resulting shares are to be held by the trustee of the Sonic Healthcare Employee Share Trust until at least 23 September 2022. The number of rights issued was as follows:

- Dr Goldschmidt – 6,069 performance rights (nil exercise price); and
- Mr Wilks – 2,640 performance rights (nil exercise price).

There have been no other securities issued to Directors or their associates under the Option Plan or Performance Rights Plan since the last approval by shareholders.

### *Board recommendation for Resolutions 9 and 10*

Following a recommendation by the Remuneration and Nomination Committee, the Board has approved the proposed LTI grants. The Remuneration and Nomination Committee has negotiated these arrangements with Dr Goldschmidt and Mr Wilks, subject to shareholders' approval. Should shareholders not approve the issue of the options and performance rights, the Remuneration and Nomination Committee will need to negotiate alternative arrangements.

The Board (other than Dr Goldschmidt or Mr Wilks, given their interest) recommend that shareholders vote in favour of Resolutions 9 and 10.

## **Resolution 11 - Approval of amendments to the Constitution of the Company**

The Company seeks shareholder approval to amend the provisions of its Constitution to:

- update the Constitution for changes to the ASX Listing Rules and ASX Settlement Operating Rules. The amendments are technical in nature and will align the Constitution with recent changes to the ASX Listing Rules and ASX Settlement Operating Rules (and update the Constitution for any other outdated legislative references); and
- facilitate the holding of hybrid general meetings in future, which will facilitate shareholders' participation by attending the physical meeting or participating via electronic means.

The proposed amendments to the Constitution of the Company can be found in marked-up format on the Company's website at [www.sonichealthcare.com/policies-and-charters](http://www.sonichealthcare.com/policies-and-charters).

The Constitution of the Company may only be amended by special resolution. As such, at least 75% of the vote cast by members entitled to vote on the Resolution 11 will need to be in favour of the Resolution for it to pass.

The Board recommends that shareholders vote in favour of Resolution 11.

## **Resolution 12 - Conditional Spill Resolution**

### ***(Contingent Item)***

The Corporations Act includes a 'two-strike' rule in relation to remuneration reports. The two-strike rule provides that if at least 25% of the votes cast on the resolution to adopt the Remuneration Report at two consecutive AGMs are against adopting the Remuneration Report, shareholders will have the opportunity to vote on a Spill Resolution (described below) at the second AGM.

At last year's AGM, 25.56% of the votes cast on the resolution to adopt the Remuneration Report were against adopting the report (the first strike).

Accordingly, if at least 25% of the votes cast on Resolution 5 are against adopting the Remuneration Report at the 2020 AGM, this will constitute a 'second-strike' and Resolution 12 (the Spill Resolution) will be put to the meeting and voted on as required by s250V of the Corporations Act.

If less than 25% of the votes cast on Resolution 5 are against adopting the Remuneration Report at the 2020 AGM, then there will be no second-strike and Resolution 12 will not be put to the meeting.

If the Spill Resolution is put to the meeting, it will be considered as an ordinary resolution, which means that, to be passed, the item requires the approval of a simple majority of the votes cast by or on behalf of shareholders entitled to vote on the resolution.

If the Spill Resolution is passed, a further general meeting (***Spill Meeting***) must be held within 90 days after the 2020 AGM and, immediately before the end of the Spill Meeting, each Director (other than the Managing Director) who approved the last Directors' Report (the ***Relevant Directors***), will cease to hold office.

The Spill Meeting would consider the election or re-election of Directors, and each of the Relevant Directors would be eligible to seek re-election.

It is proposed that any vote would be conducted by a poll. Such a process results in each shareholder having one vote for each share held and in respect of which a vote is cast (subject to the voting exclusions).

*Board recommendation*

Noting that each Relevant Director would have a personal interest in any such resolution, and that each of them (and their closely related parties) would be excluded from voting on the resolution, the Board unanimously recommend that shareholders vote **against** Resolution 12.

This is on the basis that the Board consider the following factors to be relevant to a shareholder's decision on how to vote on this item:

- the steps taken by the Board to address concerns expressed by shareholders in relation to remuneration concerns, demonstrated by the changes made to the remuneration framework and enhanced disclosures, details of which are set out in the Remuneration Report;
- each of the relevant Non-executive Directors (except for Prof. Suzanne Crowe who is seeking election this year) has previously been elected as a Director and received strong support from shareholders; and
- the disruption and significant cost involved in convening a Spill Meeting.