

**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 2021**

**AND**

**EXPLANATORY MEMORANDUM**

The Annual General Meeting (**AGM**) of shareholders will be held on 18 November 2021, 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 2021 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 16 November 2021.

**A copy of Sonic's Annual Report for the financial year ended 30 June 2021 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/327860815> 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: 327-860-815 , 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 18 November 2021.

### **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 16 November 2021. 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 5 of the Notice of Meeting under 'Proxies'.

Further information on how to attend and participate online is set out on page 7 of this Notice of Meeting. We look forward to engaging with Shareholders in this way, and we hope that you will participate virtually in the AGM.

# **Notice of Annual General Meeting 2021**

Notice is given that the 2021 Annual General Meeting of Sonic Healthcare Limited (**Sonic** or the **Company**) will be held as a virtual meeting on Thursday, 18 November 2021, 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 2021.

#### **Election of Directors**

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

1. **THAT** *Ms Kate Spargo, who retires in accordance with Article 71 of the Company's Constitution and, being eligible, offers herself for re-election, is re-elected as a Director of the Company.*
2. **THAT** *Mr Lou Panaccio, 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:

3. **THAT** *the Remuneration Report for the financial year ended 30 June 2021 is adopted.*

**Note** that the vote on this resolution is advisory only and does not bind the Company or its Directors.

Please refer to the instructions in the Additional Information – Proxies section on page 5 for details of how to appoint a proxy for this resolution.

#### **VOTING EXCLUSION STATEMENT:**

Sonic will disregard any votes cast (in any capacity) on Resolution 3 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.

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

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

4. **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 \$3,066,001 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.
5. **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 \$1,168,399 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 4 and 5 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.

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 2021 AGM, the shares of the Company that are on issue as at 7.00pm (Sydney time) on 16 November 2021 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 16 November 2021. 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 16 November 2021.

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 during the online registration period to obtain a username and password to vote online.

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 16 November 2021. 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 3, 4 and 5, 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 3, 4 and 5 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 3, 4 and 5 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 3, 4 and 5 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 3, 4 and 5, 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.

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 18 November 2021.

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/327860815>

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: 327-860-815;
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 16 November 2021 even if they plan to attend online.

By ORDER of the Board of Directors



Paul Alexander  
Company Secretary

Dated: 19 October 2021



## 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 2021 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 2021 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 2021 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, 11 November 2021. At the meeting, PricewaterhouseCoopers will be given the opportunity to answer, or table written answers to, relevant questions.

#### **Resolutions 1 and 2 – 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. Ms Kate Spargo and Mr Lou Panaccio are required to retire as Directors at the end of the 2021 AGM but, being eligible, offer themselves for re-election. The Board (excluding the relevant Directors) recommends the re-election of Ms Kate Spargo and Mr Lou Panaccio.

Biographical details of the relevant Directors are set out below.

**Ms Kate Spargo**

*LLB (Hons), BA, FAICD*

*Non-executive, independent Director, appointed July 2010*

Ms Spargo has gained broad business experience as both a legal advisor, having worked in private practice and government, and as a director. Ms Spargo has been a director of both listed and unlisted companies over the last 20 years and her current directorships include the ASX-listed companies CIMIC Group Limited (from September 2017), Adairs Limited (from May 2015) and Sigma Healthcare Limited (from December 2015). Ms Spargo also holds Non-executive Director roles with the Future Fuels Cooperative Research Centre, Geelong Football Club Limited and Jellis Craig. Ms Spargo was previously a Non-executive Director of Fletcher Building Limited (March 2012 to September 2017) and Xenith IP Group Limited (from April 2017 until 15 August 2019). Ms Spargo is Chair of the Remuneration and Nomination Committee and is a member of the Audit Committee. Ms Spargo resides in Melbourne, Victoria and currently holds (personally) 3,000 and (beneficially) 20,000 Sonic shares. In recommending Ms Spargo's re-election, the Board recognised that she brings to the position a diverse range of leadership experience and skills. The Board considers Ms Spargo to be an independent director.

**Mr Lou Panaccio**

*BEC, CA, MAICD*

*Non-executive, independent Director, appointed June 2005*

Mr Panaccio is a Chartered Accountant with extensive executive management experience in business and healthcare services. Mr Panaccio is currently on the boards of ASX-and NASDAQ-listed Avita Therapeutics Inc. (Non-executive Chairman from July 2014) and ASX-listed Rhythm Biosciences Limited (Non-executive Director from August 2017). He is also a Non-executive Director of Unison Housing Limited, VGI Health Technology Limited, NeuralDX Limited (Non-executive Chairman from March 2019) and Haemokinesis Limited (from July 2021). Mr Panaccio was the Chief Executive Officer and Executive Director of Melbourne Pathology (acquired by Sonic in 1999) for ten years to 2001, the Chief Executive Officer of Monash IVF until 2009 and the Executive Chairman of Health Networks Australia until 2017. He was also a Non-executive Director of ASX-listed Genera Biosystems Limited from November 2010 until 28 June 2019 (Chairman from July 2011 until 28 June 2019). Mr Panaccio is a member of the Audit Committee, the Remuneration and Nomination Committee and the Risk Management Committee. Mr Panaccio resides in Melbourne, Victoria and currently holds (beneficially) 8,026 Sonic shares. In recommending Mr Panaccio's re-election, the Board has considered his performance and recognised that he has more than 30 years of executive leadership experience in healthcare services. The Board considers Mr Panaccio to be an independent director.

### **Resolution 3 – Remuneration Report**

Sonic's 2021 Annual Report contains the Company's 2021 Remuneration Report (forming part of the Directors' Report), which sets out the Board's remuneration policy and reports the remuneration arrangements in place and outcomes for key management personnel for the financial year ended 30 June 2021.

In designing the structure and measures used in Sonic's remuneration approach, the Sonic 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 Board remains committed to achieving the appropriate balance between shareholder and executive rewards and continues to monitor the alignment of Sonic's remuneration approach with Company performance.

In accordance with the Corporations Act, the vote on Resolution 3 will be advisory only and will not bind the Directors or the Company.

Under the Corporations Act, a 25% or higher "no" vote on the remuneration report resolution at an Annual General Meeting triggers a reporting obligation on a listed company to explain in its next annual report how shareholders' concerns are being addressed. If a 25% or higher "no" vote on the subsequent remuneration report occurs at the next Annual General Meeting, a resolution must be put to shareholders (a "spill resolution") that another general meeting be convened to consider the election of certain directors (the "spill meeting"). If the spill resolution is carried by an ordinary majority, the spill meeting must be held within 90 days and all directors that were directors when the 25% "no" vote was passed will cease to hold office immediately before the spill meeting (except for the Managing Director) and the general meeting will vote on whether those directors should be re-elected.

Shareholders will be provided with a reasonable opportunity to ask questions about the 2021 Remuneration Report at the AGM.

The Board recommends that shareholders vote in favour of Resolution 3.

## **Resolutions 4 and 5 - 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 long term incentive arrangements for Dr Goldschmidt and Mr Wilks provide performance incentives through to the 2023 financial year (having been approved by shareholders at the 2019 and 2020 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 previous 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 (STI)</b>	<b>Long Term Incentives (LTI)</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
<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

Dr Goldschmidt and Mr Wilks have agreed that their fixed and total target remuneration values stay the same for the 2022 financial year as they were for the previous five 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, 98% of their target STI and, on average, 58% 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 over a period of approximately 26 years.

<b>Options and Rights</b>	<b>Dr Colin Goldschmidt</b>	<b>Mr Chris Wilks</b>
Options issued but not exercised or forfeited	1,583,393	679,325
Options issued, subsequently forfeited as performance conditions not met	3,770,708	1,798,204
Options vested and exercised	6,232,206	3,412,918
Average price paid to exercise (\$)	\$8.29	\$7.40
Rights issued but not exercised or forfeited	187,475	82,523
Rights issued, subsequently forfeited as performance conditions not met	322,297	149,713
Rights vested and exercised	257,658	119,159
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 4 and 5 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 4 and 5 seek shareholders' approval to the grant of LTI to provide performance incentives through to the 2024 financial year with a maximum value of:

- Dr Goldschmidt: \$3,066,001; and
- Mr Wilks: \$1,168,399,

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 2024. 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 4 and 5, it is intended that the options and performance rights will be granted to Dr Goldschmidt and Mr Wilks on the date of the 2021 AGM Meeting or shortly after that date (but not later than 3 years after the AGM or any adjournment of it).

A summary of the material terms of the Option Plan and the Performance Rights Plan is included within this Notice of Meeting.

No loans have or will be made in respect of the Directors' proposed acquisition of options or performance rights under Resolutions 4 and 5.

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 4 and 5 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 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:

- 75% of the options and 75% of the performance rights are subject to the first performance condition (**PC1**); and
- 25% of the options and 25% of the performance rights are subject to the second performance condition (**PC2**).

In recent years the LTI performance conditions have included a third measure, being Earnings Per Share (**EPS**) Growth, with a lower weighting being applied to PC1 (relative Total Shareholder Return). In setting the performance measures for the currently proposed LTI the Board considered the context of the ongoing impacts of the COVID-19 pandemic, and in particular the difficulties in predicting the level of future COVID-19 PCR testing revenues versus those achieved in the 2021 financial year. Consequently, the Board determined that EPS growth was not a suitable performance measure for the current LTI, and the target weighting of PC1 was increased from the usual 50% to 75%. The Board intends to consider the reintroduction of the EPS growth hurdle in future years.

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 – 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 PC2 that vest will be as follows:

Average ROIC for FY2022 to FY2024	Percentage of Options and Rights that vest
Less than Target Average ROIC	Nil options and rights to which PC2 applies
Equal to Target Average ROIC	40% of options and rights to which PC2 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 PC2 applies
110% of Target Average ROIC or greater	100% of options and rights to which PC2 applies

If necessary to avoid an anomalous result, the Board may make adjustments in measuring performance under PC2 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 Sonic Healthcare Employee Share Trust (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 LTI, 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 2021 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 23 September 2021, the number of options and performance rights would be calculated as follows:

Notional valuation date	23 September 2021
Sonic 5 day VWAP share price	\$41.75
Exercise price of options	\$41.75
Share price volatility	23.5%
Estimated dividend yield	2.48%
Maximum life of the options (grant date to expiry assuming vesting)	5 years
Risk free rate (based on Australian Government bonds)	0.64%
Average value of options	\$6.354
Percentage of maximum value of LTI to be issued as options	50%
Options that would be issued to Dr Goldschmidt using these assumptions	241,265
Options that would be issued to Mr Wilks using these assumptions	91,942

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\$41.75, Dr Goldschmidt would be issued 36,719 performance rights (50% of \$3,066,001 divided by \$41.75) and Mr Wilks would be issued 13,993 performance rights (50% of \$1,168,399, divided by \$41.75).

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 2020 AGM, shareholders approved the issue of LTI resulting in the issue of options for nil consideration under the Option Plan as follows:

- Dr Goldschmidt – 381,723 options (exercise price: \$34.21) issued on 18 November 2020; and
- Mr Wilks – 145,468 options (exercise price: \$34.21) issued on 18 November 2020.

These options will vest three years from grant date, if challenging performance conditions are met for the period of three years to 30 June 2023. They will expire five years from grant date.

### 2. Performance Rights

At the 2020 AGM, shareholders approved the issue of LTI resulting in the issue of performance rights for nil consideration under the Performance Rights Plan as follows:

- Dr Goldschmidt – 50,413 performance rights (nil exercise price) issued on 18 November 2020; and
- Mr Wilks – 19,211 performance rights (nil exercise price) issued on 18 November 2020.

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 2023. They will expire five years from grant date.

Performance rights were also issued for nil consideration under the Performance Rights Plan on 23 September 2021 in part satisfaction of the executives' 2021 STI. These performance rights are exercisable from 1 March 2022 until 1 October 2022 (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 Trust until at least 23 September 2023. The number of rights issued was as follows:

- Dr Goldschmidt – 31,495 performance rights (nil exercise price); and
- Mr Wilks – 16,412 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 4 and 5*

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 4 and 5.

## Summary of Option Plan

The terms of the Option Plan are summarised below.

### 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 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.

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 Performance Rights Plan

### 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.

### 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.