

# **Sonic Healthcare Limited**

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## **Board Charter**

**23 September 2004**

## Table of Contents

<b>1. Constitution</b>	<b>3</b>
<b>2. Overall Purpose</b>	<b>3</b>
<b>3. Organisation</b>	<b>3</b>
Membership	<b>3</b>
Meetings	<b>4</b>
Minutes	<b>4</b>
Deeds of Access, Indemnity and Insurance	<b>5</b>
<b>4. Roles and Responsibilities</b>	<b>5</b>
Role of the Board of Directors	<b>5</b>
Conflicts of Interest of Directors	<b>6</b>
Share Trading	<b>7</b>
<b>5. Evaluating Performance</b>	<b>7</b>
<b>6. Review of the Board Charter</b>	<b>7</b>

## **1. Constitution**

The Board adopted this Charter on 23 September 2004. The Board is constituted and empowered pursuant to the Constitution of the Company and the Corporations Act.

## **2. Overall Purpose**

The principal purpose of the Board Charter is to formalise the functions reserved to the Board and those delegated to management. The Board Charter also sets out the composition and organisational aspects of the Board.

## **3. Organisation**

### **3.1 Membership**

- 3.1.1 The composition of the Board is to be consistent with the principle of medical management and leadership which has been a core strategy of the Company since 1992.
- 3.1.2 The presence of pathologists and radiologists on the Board ensures that the Board has the capacity to understand complex medical issues and be in close touch with the medical marketplace. Their presence also gives comfort both to referring doctors (the Company's customers) and to owners of diagnostic practices which the Company seeks to acquire.
- 3.1.3 The Company's current non-executive directors, including the Chairman, are considered independent and perform major roles in the Board Committees.
- 3.1.4 The Board has resolved that the position of Chairperson of the Board be held by an independent director, and that the position of Chairperson and Managing Director will be held by different persons.
- 3.1.5 The Board has also resolved that the mere fact that a director has been in office for a period greater than 10 years does not change that director's status as an independent.
- 3.1.6 The Board has specifically considered the position of the current Chairman, Mr. Barry Patterson, and has determined that he is independent.

- 3.1.7 The Board has resolved that the Managing Director of Sonic must continue to be a medical doctor.
- 3.1.8 The size and composition of the Board is determined by the full Board acting on recommendations of the Nominations Committee, subject to the Company's constitution.
- 3.1.9 The Company's constitution requires that the Board comprise no more than 12 and no less than 3 directors at any time.
- 3.1.10 Sonic's constitution also requires all directors other than the Managing Director to offer themselves for re-election at an Annual General Meeting, such that they do not hold office without re-election for longer than three years.
- 3.1.11 Independence, as referred to above, complies with ASX Corporate Governance Council Recommendation 2.1: "Assessment of independence".

## **3.2 Meetings**

- 3.2.1 The Board will meet formally at least 10 times a year to consider a broad range of matters, including strategy, financial performance reviews, capital management and acquisitions.
- 3.2.2 It is the preference of the Board to meet in person, although if more practical, certain meetings may be held by teleconference. If physical attendance is impractical, a Director may attend any meeting by teleconference.
- 3.2.3 Written, bound Board papers will be provided to the Board approximately one week before each Board meeting.

## **3.3 Minutes**

- 3.3.1 The draft minutes of each Board meeting are to be approved by the Chairman.
- 3.3.2 A copy of the draft minutes, once they have been approved by the Chairman, will be included in the papers for the next Board meeting.
- 3.3.3 The original approved Board minutes will be filed in the Company Register.

- 3.3.4 Minutes are not a verbatim recording of the meeting but accurately record the resolutions of the board, key reasons for those decisions (where appropriate) and actions arising.
- 3.3.5 The minuted action statement from each Board meeting is approved by the Chairman and circulated to all Board members as soon as practicable, but no less than 7 days, after each meeting.
- 3.3.6 Minuted actions in the action statement will include accountabilities, performance expectations and the nature and timing of subsequent reporting.

### **3.4 Deeds of Access, Indemnity and Insurance**

All Directors will be parties to a Deed of Access, Indemnity and Insurance with the Company under which the Company agrees to:

- 3.4.1 Indemnify and insure the Director against liabilities (and the costs of defending such liabilities) which arise out of the performance of their normal duties as Directors unless the liability relates to conduct involving lack of good faith.
- 3.4.2 Provide access and the right to copy certain documents.

## **4. Roles and Responsibilities**

### **4.1. Role of the board of directors**

- 4.1.1 The Board of Directors is accountable to shareholders for the performance of the parent entity and the consolidated group and is responsible for the corporate governance practices of the group.
- 4.1.2 The Board's principal objective is to maintain and increase shareholder value while ensuring that the group's overall activities are properly managed.
- 4.1.3 Sonic's corporate governance practices provide the structure which enables the Board's principal objective to be achieved, whilst ensuring that the business and affairs of the group are conducted ethically and in accordance with the law.

4.1.4 The Board's overall responsibilities include:

- providing strategic direction and approving corporate strategies;
- monitoring management and financial performance and reporting;
- monitoring and ensuring the maintenance of adequate risk management controls and reporting mechanisms;
- ensuring the business is conducted ethically and transparently;
- appointing and removing the Managing Director;
- ratifying the appointment and, where appropriate, the removal of the Finance Director and the Company Secretary;
- monitoring performance and implementation of strategy by Executive Directors, and ensuring appropriate resources are available; and
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures.

4.1.5 The Board delegates responsibility for day-to-day management of the business to the Managing Director and senior executives. The Managing Director also oversees the implementation of strategies approved by the Board. The Managing Director is also responsible for remuneration policies for all staff other than himself, the Finance Director and non-executive Directors.

4.1.6 The Board uses a number of Committees to support it in matters that require more intensive review and involvement.

4.1.7 As part of its commitment to good corporate governance, the Board regularly reviews the practices and standards governing the Board's composition, independence and effectiveness, the accountability and compensation of Directors (and senior executives) and the Board's responsibility for the stewardship of the group.

## **4.2 Conflicts of interest of directors**

4.2.1 The Board has guidelines dealing with disclosure of interests by directors and participation and voting at Board meetings where any such interests are discussed.

4.2.2 In accordance with the Corporations Act, any director with a material interest in a matter being considered by the Board does not receive the relevant Board papers, must not be present when the matter is being considered, and may not vote on the matter.

### **4.3 Share trading**

- 4.3.1 Under Sonic's Share Trading Policy all Sonic employees are prohibited from buying or selling Sonic shares at any time they are aware of any material price sensitive information that has not been made public, and are reminded of the laws against "insider trading".
- 4.3.2 Certain "Designated Officers", including all directors and senior executives, are also prohibited from trading in periods other than in 8 week windows following the release of half year and full year results, and 2 week periods following the provision to the market at any time by Sonic of definitive guidance regarding the next result to be released.
- 4.3.3 Exceptions to this prohibition can be approved by the Chairman (for other directors) or the Managing Director (for all other employees) in circumstances of financial hardship.
- 4.3.4 Prohibitions also apply to financial instruments related to Sonic's shares and to trading in the shares of other entities using information obtained through employment with Sonic.
- 4.3.5 The Managing Director and Finance Director are required to obtain approval from the Chairman of the Remuneration Committee before selling any shares.
- 4.3.6 All Sonic share dealings by directors are to be promptly notified to the Australian Stock Exchange (ASX).

## **5. Evaluating Performance**

The Board will evaluate its own performance on an annual basis by undertaking the following activities:

- 5.1 The Chairperson will meet with each director separately to discuss individual performance and ideas for improvement; and
- 5.2 The Board as a whole will discuss and analyse its own performance during the year including suggestions for change or improvement. This will include an assessment of the extent to which the Board has discharged its responsibilities as set out in this Charter.

## **6. Review of the Board Charter**

The Board will review the Board Charter annually.