

Sonic Healthcare Limited

Board Charter

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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 record those functions reserved for the Board and those delegated by the Board to management. The Board Charter also sets out the composition and organisational functions 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. The term “medical management” denotes the recognition by the Company that it is, in essence, the aggregation of many professional medical practices. Whilst recognising and employing all of the diverse range of skills required to successfully manage, the notions that the Company is most appropriately led by pathologists, radiologists and other medical practitioners, and that decisions are taken with appropriate medical input, are consistent with its provenance and undertaking.
- 3.1.2 The presence of pathologists, radiologists and other medical practitioners on the Board ensures that the Board has the capacity to understand complex medical issues and be in close touch with the medical environment. 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 by the Board to be 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 cannot be held by the same person.
- 3.1.5 The Board has also resolved that length of tenure does not change a director’s status from that of being an independent Director.

- 3.1.6 The Board has specifically considered the position of the current Chairman, Mr. Barry Patterson, and has appropriately classified him as being an independent Director.
- 3.1.7 The Board has resolved that the Managing Director of Sonic must 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, always subject to the requirements of the Company's constitution.
- 3.1.9 The Company's constitution requires that, at any time, the Board comprise no more than 12 and no less than 3 directors.
- 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 in order to consider a broad range of matters, including, but not limited to strategy, financial performance reviews, capital management and acquisitions.
- 3.2.2 It is the preference of the Board that Directors attend meetings 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 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 are party 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 increase shareholder value, in an enduring manner while ensuring that the group's overall activities are properly managed.

4.1.3 Sonic's corporate governance practices underpin the structure enabling 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 may be summarised as relating to policy formulation, planning and review. They include, but are not limited to:

- providing strategic direction and approving corporate strategies;
- monitoring management, 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, reviewing the performance of and, if required, removing the Managing Director;
- ratifying the appointment and, if required, the removal of the Finance Director and the Company Secretary;
- monitoring performance of Executive Directors, and ensuring appropriate resources are available; and
- approving, monitoring the progress of, and reviewing outcomes relating to major capital expenditure, capital management, and acquisitions and divestment activities.

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

4.1.6 The Board has constituted a number of Committees in order to support its review and decision making practices.

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 relating to its stewardship of the Company on behalf of the shareholders.

4.2 Conflicts of interest of directors

4.2.1 The Board has prepared and distributed to Directors guidelines dealing with disclosure of interests by directors and participation and voting at Board meetings where any matters of such interest 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, including Directors, are prohibited from buying or selling Sonic shares at any time after they are aware of any price sensitive information, which is material and has not been made public. In addition employees are reminded of the laws relating to "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 In circumstances relating to financial hardship exemption to this prohibition can be approved by the Chairman (for other Directors), or the Managing Director (for all other employees).
- 4.3.4 Prohibitions also apply to financial instruments related to Sonic's shares and to trading in the shares of other entities, where such trading uses information obtained as a consequence of 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 promptly notified to the ASX.

5. Evaluating Performance

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

- 5.1 The Chairperson will assess each director separately and will 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.