



Sonic Healthcare Limited 2022 AGM report

ASX code	SHL
Meeting date	17 November 2022
Type of meeting	Hybrid
Monitor	Helen Manning and Richard Williams assisted by Gareth Eastwood
Pre AGM-meeting	With chair Prof. Mark Compton, Paul Alexander (Company Secretary) and Kate Spargo (Chair of remuneration and nomination committee and member of the audit committee)

Meeting Statistics

Number of holdings represented by ASA	308
Number of shares represented by ASA	704,371
Value of shares represented by ASA	\$23m
Total number attending meeting	Not available
Market capitalisation	\$15.2 billion
ASA open proxies voted	3,334,813 (over 5 agenda items)

Voting

The ASA voted in favour of the election of both Prof Christine Bennett and Dr Kathrine Giles (after hearing her responses to ASA's questions regarding her workload and how she will manage any conflict of interest between Sonic and OncoRes Medical where she is CEO/MD). Dr Giles advised that she had the approval of the OncoRes board and had adequate "surge capacity" to deal with any extra time commitments that her Sonic board role may entail. Any conflicts of interest will be dealt with appropriately via Sonic's guidelines. **Both directors received votes of 99.8% in favour.**

The ASA voted against the adoption of the remuneration report and the approval of LTI bonuses for the two executive directors. The **remuneration report** received a **9.24% overall vote against it**. The vote against the LTI bonuses was approx. 6% for each executive director.

Introduction

Circumstances meant the ASA representative was only available to participate online - congratulations to Sonic for enabling full shareholder participation through their inaugural hybrid AGM. In response to a question from another shareholder the chair advised that the company will look into the publication of an AGM webcast and transcript.

Most ASX listed companies these days, are providing an option to view a video of the AGM for those who couldn't attend, as standard practice. We really urge Sonic to make this available in the future.

Key items from Chair and CEO addresses

The chair, Professor Mark Compton highlighted Sonic's record year and the board's renewal and the diversity in its composition with the appointment of the above two new directors. Female directors now compose 44% of the board – up from 33% previously.

The chair also outlined the considerable amount of work that had gone into this year's Sustainability Report (formerly the Corporate Responsibility Report) which describes the formal sustainability, governance and management structures that have been established in the last year at board, executive and operational levels.

Both the ASA and another shareholder asked how the board was addressing "key man" risk with respect to the long and highly successful tenure of the CEO. The chair advised that the board does have succession planning "in hand" and continues to identify emergent leaders.

The CEO Dr Colin Goldschmidt importantly explained Sonic's "medical leadership" model which provides the company with a significant competitive advantage. Base business growth is expected to accelerate because of underlying industry drivers as well as the COVID-19 induced backlog of tests. COVID-19 testing will be on-going but at an unknown level.

The company is looking to both Germany and the USA for acquisition opportunities as well as other countries (but needs to exercise discipline in these cases). The company has the opportunity to grow in radiology especially (but only in Australia presently).

In a **1Q FY23 trading update** the CEO highlighted that total revenue was up 20.9% and EBITDA was up 32.7% versus the previous corresponding period. In addition, Sonic was awarded preferred bidder status for a large 15-year UK NHS laboratory contract.

The CEO also addressed the issue of **cyber security**, however he disappointingly neglected to address the ASA's questions specifically. He advised that that Sonic has a well-resourced IT division, including a dedicated and specialist cyber security group and that security controls are placed at multiple levels. Internal and external penetration testing is conducted continuously.

The results of the meeting and the chair's and CEO addresses [can be found here](#).

Remuneration

The ASA outlined why it would be voting against the remuneration report and Kate Spargo, the chair of the remuneration and nomination committee addressed each issue as follows:

Reason: The STI award comprises 40% equity – the ASA guidelines prefer that at least 50% should be in equity.

Response: 40% to equity is appropriate considering that to align with performance of the company, 80% of the LTI is based on an EBITDA growth condition.

Reason: Both STI and LTI performance hurdles are measured over three years – the ASA prefers hurdles that measure performance over at least four years.

Response: Sonic considers three years appropriate.

Reason: LTI awards were paid out despite simple TSR being negative (-10% this year). ASA prefers that no performance bonuses should be paid if TSR is negative whether absolute TSR or rTSR is the measure.

Response: rTSR is measured as an average over three years in Sonic's case.

Reason: There is no remuneration table for take home pay shown in the Annual Report.

Response: Because of the way performance options are valued it is impossible to do accurately.

Reason: There is no graphical representation of the company's TSR performance against the comparator group in the Annual Report – the ASA guidelines recommend this.

Response: Ms Spargo advised that the board would consider a graphical representation of the company's TSR performance against the comparator group in the next remuneration report.

Question: Will the Board resolve to improve the clarity of Sonic's remuneration report in future years?

Response: The board examines and reviews the remuneration report every year.

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