AUSTRALIAN SHAREHOLDERS' ASSOCIATION

Sonic Healthcare FY2026 ASA Voting Intentions

Company/ASX Code	Sonic Healthcare / SHL
AGM time and date	Thursday, 19 November 2026, 9.00 am Brisbane (AEST) / 10.00 am Sydney (AEDT)
Location	Sullivan Nicolaides Pathology, 24 Hurworth Street, Bowen Hills, Brisbane, and https://meetnow.global/MATJGZ2
Registry	Computershare
Type of meeting	Hybrid
Monitors	Mark Bassett and Michael Batchelor
Pre-AGM Meeting	11 November 2026 with the Chair, Remuneration Committee Chair and Company Secretary

Monitor shareholding: One or more of the individuals (or their associates) involved in preparing this report has an interest in shares in Sonic Healthcare.

1. How we intend to vote

No.	Resolution description	Voting
1	**Re-election of Professor Mark Compton as a director**	For
2	**Re-election of Neville Mitchell as a director**	For
3	**Re-election of Professor Suzanne Crowe as a director**	For
4	**Re-election of Chris Wilks as a director**	For
5	**Adoption of the Remuneration Report**	Against
6	**Approval of the Employee Option Plan**	Against
7	**Approval of the Performance Rights Plan**	For
8	**Approval of long-term incentives to Dr Jim Newcombe, CEO**	Against
9	**Approval of long-term incentives to Chris Wilks, CFO**	Against
10	**Renewal of proportional takeover provisions**	For

ASA intends to vote undirected proxies as shown above. Resolution 5 is advisory; Resolution 10 requires at least 75% of votes cast. Resolutions 1–9 are ordinary resolutions. The financial and sustainability reports are considered without an adoption vote.

2. Summary of Issues and Voting Intentions for AGM

FY2026 overview

Sonic Healthcare reported improving earnings and cash flow in FY2026. Revenue was A$10.867 billion and statutory net profit A$608 million. Our priority remains sustained returns on the capital committed to expansion. The 11 November engagement provided useful reassurance on execution, but delivery must be demonstrated in future results. We support the director re-elections, the Performance Rights Plan and proportional takeover provisions; we oppose the remuneration report, Option Plan and executive LTI grants.

Group return on invested capital (ROIC) reached 6.5%, up on the prior year but below 8.8% in FY2023. Rolling three-year total shareholder return was negative 35.0%. The 108-cent FY2026 dividend represented a payout ratio of 87.7%, improved from 101.8% in FY2025 but still above Sonic's medium-term target of 70–80%. The earnings recovery has not offset the poor shareholder experience.

The company described regional and specialist strengths in the US and a willingness to grow or centralise subscale operations. This sharpens the strategic question: which businesses can earn satisfactory returns, what capital do they require, and where should resources be redeployed? Board renewal and remuneration should reinforce these choices.

Financial performance

(As at FYE)	**2026**	**2025**	**2024**	**2023**	**2022**
Net profit after tax ($m)	608	514	511	685	1,461
Operating cash flow ($m)	1,405	1,297	1,072	1,471	2,226
Revenue ($m)	10,867	9,645	8,967	8,169	9,340
Dividend declared (cents)	108	107	106	104	100
ROIC (%)	6.5	5.9	6.5	8.8	19.7
Diluted EPS (cents)	123.0	106.7	107.2	145.0	302.5
Net debt ($m)	3,069	2,818	2,349	886	812
Year-end share price ($)	20.81	26.79	26.30	35.57	33.01
Simple one-year TSR (%)	(18.3)	5.9	(23.1)	10.8	(11.6)
CEO total remuneration, statutory ($m)	4.413*	6.400	5.162	5.969	7.685

Sources: Sonic Annual Reports 2023, 2024 and 2026 (financial history and statutory remuneration); Market Index and Yahoo Finance (unadjusted closing share prices); Sonic dividend history. ROIC is Sonic's adjusted pre-AASB 16 measure; net debt excludes leases. *FY2026 CEO remuneration totals A$4.413m: Newcombe A$2.566m (from 20 November 2025) and Goldschmidt A$1.848m (to 19 November 2025), summed before rounding. Earlier years relate to Goldschmidt. These are statutory accounting amounts, not cash received. Simple TSR = (closing price − opening price + cash dividends paid during the year) / opening price, excluding franking and reinvestment. Dividends declared are shown separately. Simple one-year TSR differs from Sonic's rolling three-year TSR cited above, which assumes dividend reinvestment.

3. Matters Considered

US strategy, scale and returns

The Annual Report discloses US revenue of A$2.048 billion, approximately 19% of group revenue. US constant-currency organic growth was flat, compared with 5% for the group, or 2% excluding the

Alabama contract loss and anatomical pathology restructuring. US margins weakened. Sonic forecasts A$25–30 million of FY2027 earnings benefits from rationalisation and cost reductions. These are prospective benefits, not achieved returns. [AR pp. 4–5, 15–17]

At the 11 November meeting, company representatives acknowledged that Sonic is smaller nationally than its main US competitors but cited scale in Texas, Long Island in New York and Hawaii, and in selected specialties. They recognised that some regions remain subscale and described growth or centralisation as possible responses.

Company representatives said the US collections issue was resolved, with potential upside. The Annual Report records a A$33 million adjustment relating to revenue recognised in FY2024 and FY2025. The meeting assurance is encouraging but is not independent verification of remediation or a quantified forecast of recoveries. We will monitor collections, margins and returns, and seek evidence that the remedial controls are sustained. [AR p. 16; meeting notes]

Capital allocation and shareholder returns

Group ROIC of 6.5% is improving but remains below the FY2023 level. Net interest-bearing debt, excluding lease liabilities, was A$3.069 billion, with lease liabilities of A$2.121 billion separately reported. With substantial capital committed to acquisitions and the US business, the Board should be assessed on returns after capital costs, not earnings growth alone. The high dividend payout ratio also limits the scope to support reinvestment from retained earnings.

The Annual Report states that LADR's FY2026 return exceeded Sonic's cost of capital. At the meeting, company representatives said synergies were progressing well and on plan, and that capital discipline had been instilled across the leadership. ASA seeks measurable investment returns against acquisition cases and clear choices between organic growth, acquisitions, debt reduction and capital returns. The monitors also queried capacity to expand medical imaging operations in Australia, noting that the last major acquisition was approximately 5 years ago. The Chair stressed that acquisitions must fit strategically and be at the right price.

Board accountability and renewal

The Chair said recruitment of two directors was under way, seeking cyber and AI expertise and potential Chair succession capability. Company representatives described Colin Goldschmidt, previous CEO, as an unpaid adviser to the Board and mentor to a new business unit CE. The Chair stressed that there were no sacred cows for the new leadership. These are meeting representations, not formal appointments or evidence of a completed succession process. The Board should preserve the new CEO's authority and independent challenge.

Executive remuneration and incentives

FY2026 STI outcomes were 88.7% of pro-rated target for each CEO and 90.8% for the CFO. The CFO's A$1.420 million total includes the A$300,000 integration incentive. Qualitative measures were paid in full. No tested LTI awards vested in FY2026 or FY2025. These outcomes demonstrate some downside alignment. A further integration opportunity of up to A$300,000 is available to the CFO in FY2027. [AR pp. 35–38]

At the meeting, company representatives stressed that LTI is the wealth-building component and aligns executives with shareholders. They did not regard 40% versus 50% STI equity as a material difference, defended Black-Scholes for pricing options, and said performance rights were being introduced for non-KMP employees. We acknowledge those arguments and the direction of change for non-KMP staff. Black-Scholes is a recognised valuation method; the concern is the incentive instrument and grant sizing, not the validity of option accounting. The proposed CEO and CFO grants still use options for half their value.

4. Rationale for Voting Intentions

Our assessment gives weight to the transition case for the directors while maintaining scrutiny of investment returns. Support for a director does not imply support for that director's remuneration award. Public disclosures are cited below; statements attributed to the 11 November meeting are the company representatives' explanations as recorded by the monitors, not independently verified findings.

Resolution 1 Re-election of Professor Mark Compton (For)

Professor Compton joined the Board in October 2014 and became Chair in November 2015. ASA no longer regards him as independent after 12 years, although Sonic does. The monitors' record of the 11 November engagement includes an assurance that a defined Chair succession timetable will be developed within the next term. Together with the recruitment of potential Chair successors, this supports continuity through the CEO transition. On balance, we vote For as an exception to our tenure concerns. This is not a commitment to retire on a specified date: we expect a clear, timely handover plan. Company representatives attributed reduced director holding values to share-price falls. ASA's holding test also recognises amounts invested, so a market-value shortfall alone does not establish failure. Compton added 1,500 shares during FY2026, bringing his holding to 17,016. [N pp. 10–12; AR p. 49; G §§2.1, 3.05, 7]

Resolution 2: Re-election of Neville Mitchell as a director (For)

Mr Mitchell, appointed in September 2017, chairs the Audit Committee and serves on Risk. He brings valuable international healthcare and financial experience, including as Chair of Fisher & Paykel Healthcare and a director of Sigma Healthcare. His stated intention to retire by 2029 provides a reasonable timetable for succession. We support his re-election.

Resolution 3: Re-election of Professor Suzanne Crowe as a director (For)

Professor Crowe joined in April 2020 and chairs the Risk Management Committee. Her medical, scientific and healthcare leadership experience is well suited to Sonic's clinical and operational risks. She also sits on Remuneration and Nomination. We support her re-election.

Resolution 4 Re-election of Chris Wilks (For)

Mr Wilks has served on the Board since 1989 and as CFO and Finance Director since 1993. ASA generally opposes more than one executive director, so retaining this seat requires a specific justification. The Chair described Wilks as the commercial architect of acquisitions, valuable to the Board, constructive with Jim Newcombe and receptive to challenge. The Chair also indicated that the Board would return to one executive director after Wilks retires. On balance, we vote For to support continuity during the leadership transition. His 648,666 shares provide alignment. This support does not remove the need for a CFO succession plan during the coming term; no retirement date was recorded. [N p. 13; AR p. 49; G §2.1; meeting notes]

Resolution 5: Remuneration Report (Against)

Consistent with last year, our Against vote rests on the framework's structure, rather than remuneration quantum or FY2026 outcomes alone. We vote Against primarily because the executive framework retains options and fair-value grant sizing, contrary to ASA's major guidelines §§12.4–12.5. The company's defence of LTI alignment does not resolve these design concerns. Approximately 39% of each CEO's actual FY2026 STI was equity-deferred, and 31% of the CFO's total including the integration incentive. The gap from the 50% guideline is secondary, not decisive by itself. The STI remains 80% EBITDA-based and does not directly charge for the capital employed; the integration incentive and qualitative awards warrant clear evidence of distinct outcomes. We acknowledge the earnings improvement, lower new-CEO fixed pay, zero LTI vesting, no retesting and malus/clawback. We seek a ROIC or capital-charge STI component, replacement of options with performance rights, disclosure of numerical ROIC hurdles and a longer LTI period. [AR pp. 34–46; G §§12–14]

Resolution 6: Employee Option Plan (Against)

We vote Against renewal of the Option Plan exemption from ASX Listing Rule 7.1 because it sustains the option-based approach discussed under Resolution 5. The three-year maximum is 24,711,898 shares, not expected issuance. Rejection would not terminate the plan: relevant issues would generally use placement capacity unless otherwise approved or exempt. Non-executive directors are excluded from this plan. [N pp. 14–16]

Resolution 7: Performance Rights Plan (For)

We vote For the Performance Rights Plan exemption. The proposed ceiling is 49,423,795 shares over three years; 430,495 rights were issued since the 2023 approval. The meeting statement that non-KMP staff are moving to rights supports the direction of travel. The rules permit service-only conditions and include non-executive directors within eligibility, although no NED award is proposed here; further director participation is subject to applicable shareholder approval requirements. We expect no performance-linked NED awards and will monitor conditions and dilution. The combined plan ceilings are approximately 15% of the Notice's share base, not forecast dilution. [N pp. 16–18, 21]

Resolution 8: Long-term incentives for CEO Dr Jim Newcombe (Against)

The proposed CEO award has a maximum value of A$3.5 million, half options and half rights. The Notice illustrates 604,073 options and 93,036 rights using a A$18.81 share price; final quantities depend on grant-date values. The performance period is FY2027–FY2029, with TSR, ROIC and aggregate EPS tests. Minimum ROIC and EPS vesting rises to 50% from 40% and 30%, respectively; that does not alone establish easier absolute targets. Separately, the annual ROIC target fell from 9.0% in FY2024 and FY2025 to 6.5% in FY2026, a reduction of 2.5 percentage points. This lowers the return required for the ROIC test, although the three-year award tested in FY2026 still vested at zero. Numerical ROIC targets for the proposed FY2027–FY2029 grant remain undisclosed. Three years meets ASA's minimum, but a longer period is preferable for Sonic's investment cycle. No retesting and malus/clawback are positives. We vote Against for the principal design reasons under Resolution 5. [N pp. 21–26; AR pp. 36, 40–41; G §13.2]

Resolution 9: Long-term incentives for CFO Chris Wilks (Against)

The CFO award has a maximum value of A$1,505,343 on the same design as the CEO award. The Notice illustrates 259,811 options and 40,014 rights, not fixed grant quantities. We vote Against for the same reasons as Resolution 8. The separate FY2027 integration STI opportunity should be justified without rewarding the same outcome twice. The Notice's illustrative valuation formula contains inconsistent base figures; we use its stated resolution amount rather than infer a different entitlement. [N pp. 21–26]

Resolution 10: Renewal of proportional takeover provisions (For)

We vote For renewal of clauses 113–115 for three years. They give eligible shareholders a separate decision on whether a proportional bid may proceed; the bidder and associates cannot vote on that approval. Although the provisions may deter some bids, we favour the safeguard against shareholders being left with a minority holding after a partial control transaction. They do not guarantee a control premium or a full exit. [N pp. 29–32]

Sources

AR: Sonic Healthcare Annual Report 2026, particularly printed pp. 3–7, 15–17, 34–46 and 49. N: Notice of AGM and Explanatory Memorandum, 20 October 2026, printed pp. 1–8, 10–18, 21–26 and 29–32. G: ASA Voting and Engagement Guidelines, updated May 2023 with Part B revised July 2026. Engagement: monitors' 11 November notes.

Sources online: Sonic Annual Report 2026 | 2026 AGM Notice | ASA voting guidelines July 2026 |

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