



<b>Company</b>	Sonic Healthcare Limited
<b>Code</b>	SHL
<b>Meeting</b>	AGM
<b>Date</b>	18 November 2021
<b>Venue</b>	Online
<b>Monitor</b>	Patricia Beal assisted by Richard Williams

<b>Number attendees at meeting</b>	46 Shareholders – 524,825 votes 1 third party proxy holder (ASA) – 674,378 votes 48 guests (as provided by SHL)
<b>Number of holdings represented by ASA</b>	298
<b>Value of proxies</b>	\$26.8 m on the day of the meeting (\$39.75/share)
<b>Number of shares represented by ASA</b>	674,378
<b>Market capitalisation</b>	\$19.0 b – on day of the meeting
<b>Were proxies voted?</b>	Yes, on a poll
<b>Pre AGM Meeting?</b>	Yes, with chairman Mark Compton, Kate Spargo (rem chair, independent NED) and Paul Alexander (company secretary)

## Sonic continues with a COVID boom!

The meeting started on time and was well run, with business concluding after 1.5 hours.

The chairman highlighted the outstanding financial results that Sonic has achieved (profit up 149%, dividend up 7% and franking increasing to 65%, while gearing is the lowest in 20 years) during the year. This has been achieved through the hard work and dedication of Sonic staff worldwide in meeting the challenges that COVID has presented.

The company is, as a result, positioned for further growth, with one acquisition so far in FY22, with management currently working on further opportunities.

### Board renewal

Board renewal and diversity is a focus, with non-independent director, Dr Dubois announcing that he will retire at the FY22 AGM. As a result, the board is considering recruiting an additional independent director in 2022. The board has achieved its gender diversity target of 30% women directors.

## **Sustainability**

During the year a Sustainability Steering Committee was established, which serves as a quasi-board for Sonic's global sustainability/ESG program, and which reports to the Sonic board. This team will establish and communicate Sonic's ESG aspirations and goals, including Sonic's pathway to net-zero greenhouse gas emissions.

Sonic's very comprehensive Corporate Sustainability Report 2021 can be found [here](#).

## **CEO/MD's address**

The CEO/MD's [presentation](#) provided welcome clarity around how Sonic's federated governance model works as well as the effectiveness of Sonic's medical leadership principle leading to the company being trusted by medical practitioners. Dr Goldschmidt also detailed the huge amount of work involved in setting up Sonic's COVID response.

No guidance was given regarding future financial results because of the unpredictability of COVID, however it was noted that COVID testing in Germany is currently at record levels. Because of this, Dr Goldschmidt expects that ongoing COVID testing revenue will continue into the foreseeable future.

In answer to a question from the ASA, Sonic does not expect Rapid Antigen testing to significantly impact revenue from COVID PCR testing, because of Sonic's current experience in Germany where Rapid Antigen testing has been approved for some time.

Sonic's reputation has been enhanced in the eyes of both governments and the public through Sonic's ability to shine during the pandemic, becoming closer to governments as well as interacting with the public more directly during COVID testing. The CEO/MD sees this as a good thing for Sonic's business.

## **Re-election of Mr Panaccio as a director – voted against**

In Sonic's VIs we elected to wait for Mr Panaccio's responses to ASA's questions regarding his independence and the amount of time he has to devote to his Sonic directorship. Mr Panaccio answered the questions in the manner we expected, however to vote for him we would have expected examples of his independent thinking on issues and demonstrating why his other roles are not very time intensive.

## **Remuneration**

Our question regarding remuneration was rather glossed over, as the introduction to the question, outlining why the ASA was voting against the remuneration report was not read out. Hence the complexity of the arrangements and the use of "fair value" rather than face value for performance options were not addressed.

All resolutions were [passed](#), with the ASA joining a 7.3% vote against the remuneration report and a significant 16.6% vote against the re-election of Mr Panaccio.

## **Questions from other shareholders**

There were at least six questions from other shareholders, which revealed amongst other things:

- that the outlook for mergers and acquisitions were good in both the USA and Germany where the market is still fragmented and Sonic has a good reputation. Business level CEOs in each country identify and execute any acquisitions in consultation with head office.
- that Canada was not a fertile environment for acquisitions because of the nature of the market, however the company maintains a watching brief for any changes in that environment.

The company does not intend to publish a webcast of the AGM on their website which is unfortunate because the answers to shareholder's questions provide added insight into the company which is not necessarily reflected in the published chairman's and CEO/MD's addresses. Indeed, the chairman thanked both the ASA and other shareholders for their questions.