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Global Business Practice Standards

Compensation of Directors

As at the date of this Circular, there are 11 directors of the Company. Nine directors are independent or unrelated and are remunerated by the Company in their capacity as directors. Their total remuneration, including director and committee fees, was \$369,750 in fiscal 2003. Commencing in 2004 the Company will pay its independent directors an annual retainer of \$25,000 (increased from \$20,000 in 2003), a meeting fee of \$1,500 for regular director meetings, \$750 for telephone meetings and \$1,500 for each committee meeting of the Board. In addition, the Chairs of the Audit and Human Resources & Compensation Committees will receive an annual retainer of \$7,000 (increased from \$5,000 in 2003). The Chairs of all other committees will receive an annual retainer of \$5,000 and members of committees will receive an annual retainer of \$3,000.

Meetings and Attendance

During fiscal 2003, the Board of Directors held 10 Board meetings, some by way of teleconference, six Audit Committee meetings, five Human Resources & Compensation Committee meetings, three Corporate Governance & Nominating Committee meetings and four Environment, Health & Safety Committee meetings. The information set out below reflects the number of Board meetings held and attendance by the Board members during the period November 1, 2002 to October 31, 2003. (Note: Mr. Mayberry joined the Board on January 1, 2004 and accordingly is not included in the summary.)

Summary of Attendance

Director	Board Meetings Attended	Committee Meetings Attended
Paul S. Anderson ¹	2/3	1/3
Clarence J. Chandran	9/10	6/8
Wendy K. Dobson	8/10	7/8
William A. Etherington	10/10	9/9
John R. Evans	9/10	8/8
Wilfred G. Lewitt	10/10	n/a
Robert W. Luba	10/10	9/9
Mary Mogford	10/10	12/12
John A. Rogers	10/10	n/a
Nelson M. Sims	10/10	13/13

¹ Dr. Anderson joined the Board on May 28, 2003. Accordingly, his attendance is reflected for the period June 1, 2003 to October 31, 2003.

Deferred Share Unit Plan

Since November 1, 1999, the directors have the option of receiving 100% of their total compensation, or 100% of their annual retainer, in the form of share units under the MDS Deferred Share Unit Plan for Non-Executive Directors. A majority of the independent directors have elected to receive all of their compensation under the plan.

Under the terms of the plan, on the last day of each fiscal quarter, a number of share units equal to the number of shares that could be purchased on the open market for a dollar amount equal to the elected deferral is credited to the account maintained by the Company for each outside director who has elected to participate in the plan. Periodically, on each MDS share dividend payment date, dividend-like credits in the form of share units are added to each participating director's account maintained under the plan, to reflect dividends on MDS shares. No shares are purchased on the open market under the plan until such time as a director leaves the Board of Directors. At such time, the director will receive, at his/her discretion, net of any applicable withholdings, either (i) a lump sum cash payment, or (ii) a number of shares purchased on the open market equal to their credit balance under the plan.

Stock Options Issued to Directors

During fiscal 2003, the independent directors were participants in the MDS Stock Option Plan. Subsequent to the fiscal year-end, the issuance of options to directors was discontinued and is to be replaced by the issuance of Deferred Share Units (see New Governance Practices and Policies). The following stock options for Common shares were issued to outside directors in fiscal 2003. (Note: Mr. Mayberry joined the Board on January 1, 2004 and accordingly is not included in the summary.)

	Number of Stock Options Granted	Number of Stock Options Exercised/Repurchased
Paul S. Anderson ¹	10,000 ¹	0
Clarence J. Chandran	2,500	0
Wendy K. Dobson	2,500	0
William A. Etherington	2,500	0
John R. Evans	2,500	0
Rorbert W. Luba	2,500	0
Mary Mogford	2,500	0
Nelson M. Sims	2,500	0

¹ Directors receive a grant of options for 10,000 shares of the Company upon joining the Board.

The maximum number of shares reserved for options granted to independent directors has been fixed at 0.6% (six tenths of one percent) of the issued and outstanding shares of the Company. Stock options issued to or exercised by directors who are Named Executive Officers of the Company in fiscal 2003 are set out in the tables Option Grants During Fiscal 2003 and Aggregated Option Exercises During Fiscal Year 2003 and Year-end Option Values. As noted under New Governance Practices and Policies, the Company discontinued director option grants under the plan effective November 1, 2004. In future, directors will be eligible, upon appointment and annually, for the issuance of Deferred Share Units.