

CHARTER OF THE ENVIRONMENT, HEALTH & SAFETY COMMITTEE OF THE BOARD OF DIRECTORS OF MDS INC.

Environment, Health and Safety Vision and Commitment

The Board of Directors (the "Board") of MDS Inc. ("MDS") is committed to supporting policies, practices and programs that will make MDS a leader in the management of its environmental affairs and in the management of the health and safety of its employees. The Board entrusts MDS' Management to both develop and implement programs that meet all requisite regulatory requirements and take all appropriate steps to continually improve both environmental and health and safety performance throughout MDS.

Purpose

The Environment, Health & Safety Committee of the Board (the "EHS Committee") is established with the mandate to review and report regularly to the Board as to whether MDS has appropriate Environment, Health and Safety management systems and controls and personnel in place with adequate resources to meet the Board's Vision and Commitment as stated above.

The EHS Committee shall provide oversight to Management in establishing all necessary policies, programs and practices to meet the Board's Vision and Commitment. Such policies and practices are intended, in part, to demonstrate to employees, customers and shareholders of MDS as well as the communities in which MDS carries on business the performance expectations of the EHS Committee in the area of environment, health and safety.

Approval of Charter

This EHS Committee charter requires approval by the Board.

Future changes to this charter require approval by the Board based on the recommendation of the EHS Committee.

Structure and Composition

The EHS Committee shall be composed of not less than three Independent Directors. The Members of the EHS Committee shall be appointed by the Board annually on the recommendations of the Corporate Governance & Nominating Committee or until successors are duly appointed.

The Board shall normally designate the Chair of the EHS Committee. In the event that a Board designation is not made, the members of the EHS Committee shall elect a Chair by majority vote of the full EHS Committee. The duties and responsibilities of the Chair are attached as Appendix "A".

In the event that the Chair of the EHS Committee is unable to attend a meeting of the EHS Committee, the members of the EHS Committee, in attendance at the meeting, shall elect a temporary Chair for such meeting by majority vote of the members.

The CEO, Senior Vice-President, Quality & Regulatory Affairs, the General Counsel, the head of Environment, Health and Safety and the Corporate Secretary of MDS shall normally attend meetings of the EHS Committee. The EHS Committee shall invite such other members of management, as it deems appropriate from time to time to attend, report to and participate in meetings of the EHS Committee.

The EHS Committee may request any officer or employee of MDS or any of MDS' outside advisors to attend a meeting of the EHS Committee or to meet or provide consultation to the EHS Committee or any member thereof.

Once appointed, EHS Committee members shall cease to be a member of the EHS Committee only upon:

- (i) resignation from the Board,
- (ii) death,
- (iii) disability, as determined by an independent physician retained by the Board,
- (iv) not being re-appointed pursuant to the annual appointment process described above, or
- (v) at the discretion of the Board, upon recommendation of the Corporate Governance & Nominating Committee.

Meetings

The EHS Committee shall meet a minimum of two times a year and may meet more frequently as circumstances require.

At least a majority of the EHS Committee members present in person and/or by phone shall constitute a quorum for any meeting of the EHS Committee.

Meetings shall, when practicable, be held in conjunction with meetings of the Board.

Notice of all meetings of the EHS Committee shall be sent to the EHS Committee members.

Resolutions

Resolutions of the EHS Committee shall require approval by a simple majority of members voting on such resolution.

Responsibilities and Duties of the Committee

(i) Minutes

The EHS Committee shall prepare written minutes of all of its meetings.

(ii) Reporting to the Board

The Chair of the Committee, or designate, shall report to the Board after each meeting the significant matters addressed by the EHS Committee at such meeting and a copy of the minutes shall be made available to all members of the Board.

(iii) ***EH&S Strategic Plan***

The EHS Committee shall review, provide assistance with the development of and approve on an annual basis an over-all Environment, Health and Safety three-year strategic plan and shall monitor its implementation.

(iv) ***EH&S Programs***

The head of Environment, Health and Safety of MDS (the " Head of EHS") shall, with the assistance of the heads of EHS in the Business Units, develop and oversee programs for the effective management of environmental and health and safety across MDS and the Head of EHS shall review such programs and update the EHS Committee on their effectiveness on a regular basis.

(v) ***Reporting of Significant EH&S Events***

The Head of EHS shall advise the Chair of the EHS Committee on a timely basis, of any Significant EHS Event and shall report to each meeting of the EHS Committee all environment, and health and safety incidents or occurrences which constitute a Significant EHS Event as defined in the Charter, such other incidents or occurrences as the Head of EHS believes should be drawn to the Committee's attention and the steps taken to address such incidents or occurrences. The Head of EHS shall also report to each meeting of the Committee and the overall environmental and health and safety performance of MDS.

The Head of EHS shall present to the EHS Committee for review an annual summary of any Significant EHS Events as well as complaints, charges, prosecutions, convictions, investigations, orders and any other situations of non-compliance with environmental laws or health and safety legislation, regulations, industry standards or internal policies of MDS which have impacted or which might impact on the operations of MDS or its reputation. The EHS Committee shall present this annual summary to the full Board.

The EHS Committee, through the Committee Chair, or an alternate, shall regularly report to the Board on any Significant EHS Events. Where the circumstances warrant, the report shall be made to the Board between meetings.

Upon the occurrence of any such Significant EHS Event, the Head of EHS shall inform the EHS Committee of steps which have been taken or which are recommended to both correct the situation and mitigate recurrence. The determination of "Significant EHS Event" shall be based on criteria developed by the EHS Committee and the Head of EHS's judgment in the particular circumstances.

(vi) ***Executive Council Recommendations***

The Head of EHS shall present to the EHS Committee any recommendations of the Senior leadership team of MDS related to Environment, Health and Safety matters.

(vii) ***Review and Assessment of EH&S Systems***

The EHS Committee shall review and assess on an annual basis the Environment, Health and Safety Management System of MDS, shall report to the Board on any recommended action to maintain, strengthen or improve such System and monitor over-all performance with a view to sustainable continuous improvements in environment, health and safety.

(viii) ***EHS Due Diligence on Acquisitions, Mergers, etc.***

The Head of EHS shall conduct a thorough review of all environment, health and safety issues related to any acquisitions, mergers or other similar transactions and report thereon. This information will be provided to the EHS Committee for its review.

(ix) ***Site Visits***

The EHS Committee shall visit MDS sites as necessary or appropriate for the purposes of: meeting those site employees responsible for environment, health and safety; and conducting an environment and/or a health and safety related review of the site .

(x) ***Corporate Crisis Communications Team***

The EHS Committee shall receive a regular report on any environment, health and safety issues that are brought to or managed by the MDS Corporate Crisis Communications Team and shall, where appropriate, report them to the Board.

(xi) ***Review of Charter and Self Assessment***

The EHS Committee shall:

- Review and reassess annually the adequacy of this Charter;
- Review annually the EHS Committee's own performance.

(xii) ***Corporate Knowledge and Other Activities***

The EHS Committee shall:

- Strive to expand continually its knowledge of MDS' activities in the context of its specific duties and responsibilities hereunder;
- Carry out such other activities consistent with this Charter, MDS' by-laws and governing law, that the EHS Committee or the Board deem necessary or appropriate

Other Advisors

The EHS Committee shall have the authority to retain independent legal or other advisors. MDS shall provide for appropriate funding, as determined by the EHS Committee, for payment of compensation to any advisors employed by the EHS Committee.

Note:

The following types of occurrences constitute a "Significant EHS Event" and require prompt notification to the Chair of the EHS Committee:

- Any event within an MDS facility that results or could reasonably be expected to have resulted in a serious personal injury, fatality or significant property damage;
- Any event that causes a spill or release of a substance, from an MDS facility or during transport of MDS product, that is likely to, or could reasonably be expected to, result in a significant adverse impact to the outside environment or public safety;
- A visit to an MDS facility by government inspectors where material EHS related violations are noted;
- Situations of serious non-compliance with environment or safety laws, regulations or MDS' EHS policy;
- A serious fire or explosion on MDS facilities;
- Any media coverage related to environment, health and safety matters at MDS.

**POSITION DESCRIPTION****CHAIR OF ENVIRONMENT, HEALTH & SAFETY COMMITTEE**

In addition to the duties and responsibilities set out in the Board of Directors Charter and the Charter of the Environment, Health & Safety Committee, the chair (the "Chair") of the Environment, Health & Safety Committee (the "Committee") of MDS Inc. (the "Company") has the duties and responsibilities described below. The Committee Chair will:

1. Provide overall leadership to enhance the effectiveness of the Committee, including:
 - a. Recommend and oversee the appropriate structure, composition, membership and activities delegated to the Committee;
 - b. Chair all meetings of the Committee and manage agenda items so appropriate consideration can be given to agenda items;
 - c. Encourage Committee members to ask questions and express viewpoints during meetings;
 - d. Schedule and set the agenda for Committee meetings with input from other Committee members, the Chair of the Board of Directors and management as appropriate;
 - e. Facilitate the timely, accurate and proper flow of information to and from the Committee;
 - f. Arrange for management, internal personnel, external advisors and others to attend and present at Committee meetings as appropriate;
 - g. Arrange sufficient time during Committee meetings to fully discuss agenda items; and
 - h. Carry out the responsibilities and duties of the Committee, as outlined in its Charter and review the Charter and duties and responsibilities with Committee members on a regular basis.
2. Foster ethical and responsible decision-making by the Committee and its individual members.
3. Provide for in-camera sessions at all scheduled meetings of the Committee.
4. Following each meeting of the Committee, report to the Board of Directors on the activities, findings and any recommendations of the Committee.
5. Carry out such other duties as may reasonably be requested by the Board of Directors.