

CAPITOLHEALTH
LIMITED

ABN 84 117 391 812

2021 CORPORATE GOVERNANCE STATEMENT

2021 Corporate Governance Statement

The Board and management of Capitol Health Limited (“Capitol Health” or the “Company”) recognise their duties and obligations to shareholders and other stakeholders to implement and maintain a proper system of corporate governance. Capitol Health believes that good corporate governance helps ensure the future sustainability of the Company, adds value to stakeholders and enhances investor confidence.

The ASX Listing Rules require listed companies to prepare a statement disclosing the extent to which they have complied with the recommendations of the ASX Corporate Governance Council (“ASX Recommendations”) in the reporting period. The Recommendations are guidelines designed to improve the efficiency, quality, and integrity of the Company. They are not prescriptive, so that if a company considers a recommendation to be inappropriate having regard to its own circumstances, it has the flexibility not to follow it. Where a company has not followed all the Recommendations, it must identify which Recommendations have not been followed and give reasons for not following them.

This Corporate Governance Statement (“Statement”) sets out a description of the Company’s main corporate practices and provides details of the Company’s compliance with the Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation.

This Statement is current as at 25 August 2021 and has been approved by the Board of Directors of Capitol Health Limited.

CAPITOLHEALTH LIMITED

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

RECOMMENDATION 1.1 - ROLE OF THE BOARD AND MANAGEMENT

The role of the Board is to approve the strategic direction of the Company, guide and monitor the management of the Company and its businesses and oversee the implementation of appropriate corporate governance with respect to the Company's affairs. The Board aims to protect and enhance the interests of its shareholders, while considering the interests of other stakeholders, including employees and the wider community.

The Board has a formal Board Charter which is available on the Company's website at <http://www.capitolhealth.com.au/corporate-governance>. The Charter clearly sets out those matters expressly reserved for the Board's determination and those matters delegated to management. The Board acts in the best interests of the Company as a whole and its responsibilities are also set out in the Board Charter.

The Board has delegated to the Managing Director ("MD") responsibility for the day-to-day management of the Company, including the overall operational and business management and profit performance of Capitol Health, whilst also managing the Company in accordance with the strategy, plans and policies approved by the Board to achieve agreed goals. The scope of, and limitations to, these delegations are clearly documented and balance oversight with appropriate empowerment and accountability of senior executives.

RECOMMENDATION 1.2 - APPOINTMENT OF DIRECTORS

The Company has guidelines for the appointment and selection of the Board which require the Board to undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election, as a Director.

All selected candidates for Board positions undergo appropriate background checks before being appointed to the Board. Any Director appointed during the year to fill a casual vacancy or as an addition to the existing Directors must stand for election at the next Annual General Meeting ("AGM").

A regular assessment is made of the current qualifications, skills, and experience of the directors, as well as the skills, experience and expertise needed to deal with current and emerging issues of the business and to effectively review and challenge the performance of management and exercise independent judgement.

Board support for Directors retiring and seeking re-election is not automatic and is reviewed against criteria based on the Board's current skills and qualities and the current and future needs of the Company. The Company provides its shareholders with all material information relevant to a decision on whether or not to elect or re-elect a Director and they are provided to security holders through a number of channels, including via the Notice of Meeting.

RECOMMENDATION 1.3 - APPOINTMENT TERMS

Each director and senior executive are party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment, including the remuneration entitlement and performance requirements. Directors also receive a deed of indemnity, insurance, and access.

Details of executive contracts in place are detailed in the Company's Annual Remuneration Report in the 2021 Annual Report.

RECOMMENDATION 1.4 - COMPANY SECRETARY

The Company Secretary is accountable directly to the Board, though the Chair, on all matters to do with the proper functioning of the Board. The Company Secretary's role includes advising the Board and its Committees on governance matters, monitoring that Board and Committee policies and procedures are followed, coordinating the timely completion and despatch of Board and Committee papers, ensuring that the business at Board and Committee meetings is accurately captured in the minutes, and helping to organise and facilitate the induction and professional development of directors.

All Directors have unfettered access to the Company Secretary and the appointment and removal of the Company Secretary must be made or approved by the Board.

Details regarding our Company Secretary, including experience and qualifications, are set out in the Directors' Report in our 2021 Annual Report.

RECOMMENDATION 1.5 - DIVERSITY

Capitol Health recognises the benefits of diversity of gender, age, experience, relationships, and background and is proud to have a strong representation of both genders in its workforce. The Company's Diversity and Inclusion Policy is available on the Capitol Health website (<http://www.capitolhealth.com.au/corporate-governance>).

In accordance with its Diversity and Inclusion Policy the Board has established the following diversity and inclusion objectives for the 2021 financial year:

- Maintain female representation across the Company at or above 50%.
- Develop the leadership capabilities of our female and male talent to drive equal representation at all levels of seniority.
- Continue to embed a strong culture of inclusion where employees with diverse backgrounds, experience and personal attributes thrive and can be their best.

The Company delivered on its objective of maintaining female representation at or above 50% across the Company. The Company develops the leadership capabilities of both female and male talent, has a strong focus on equity at all times, and is committed to embed a culture of inclusion. The Company will maintain the same objectives for the 2022 financial year.

CAPITOLHEALTH LIMITED

The proportion of women on the Board, in senior executive positions and women across the entire organisation as at 30 June 2021 was as follows:

- Women on the Board – 25%
- Women in senior executive positions (CEO-2 and above) – 38%
- Women across the entire organisation – 71%

The Company has reported against a set of standardised gender equality indicators provided by the Workplace Gender Equality Agency. The 2021 full WGEA Report can be found at <https://www.capitolhealth.com.au/corporate-governance>.

RECOMMENDATION 1.6 – BOARD, COMMITTEES, AND INDIVIDUAL DIRECTORS PERFORMANCE ASSESSMENT

The evaluation of the performance of the Board, its Committees and individual directors is undertaken in accordance with the Performance Evaluation Process set out in the Nomination and Remuneration Charter available on the Company's website (<http://www.capitolhealth.com.au/corporate-governance>).

The Board's and Committees' performances are assessed through the completion of a questionnaire / survey. Individual Directors' performance is also assessed through the completion of a questionnaire / survey by the individual Director and by fellow Board members. Both processes are facilitated by the Company Secretary who prepares a report to the Nomination and Remuneration Committee. Based on this report, the Nomination and Remuneration Committee considers and discusses any areas and actions for improvement and recommends them to the Board (if necessary).

The Company undertook an internal Board, Committees, and individual Directors' assessment for the reporting period 2021. An analysis of the data collected indicated that the Board and Committees are functioning effectively against all criteria. The Board and Committees are committed to their roles and each Board member is dedicated to proactively support the Company and its stakeholders.

RECOMMENDATION 1.7 - SENIOR EXECUTIVE PERFORMANCE ASSESSMENT

The performance of the MD was evaluated in February 2021 and August 2021 in accordance with the Company's Performance Evaluation Process. Details on the MD's remuneration can be found in the 2021 Annual Report.

During the 2021 financial year, Capitol Health also conducted formal senior executive staff reviews. The performance review of senior executive staff is conducted by the MD.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

RECOMMENDATION 2.1 – NOMINATION COMMITTEE

The Company's Nomination and Remuneration Committee Charter provides for the establishment of a Committee with at least three members, a majority of whom are independent Directors, and which must be chaired by an independent Director. The Nomination and Remuneration Committee Charter is available on the Company's website (<http://www.capitolhealth.com.au/corporate-governance>).

CAPITOL HEALTH LIMITED

The Board has appointed a Nomination and Remuneration Committee, which consists of three members, all of whom are independent directors, being Mr Demetriou, Ms Sheffield, and Mr Loveridge. The Committee is chaired by Mr Demetriou, who is also Chair of the Board. All directors have relevant experience as shown in their biographies in the Directors Report.

Details of meetings held by the Committee during the year and member attendances are set out in the 2021 Directors' Report.

The primary function of the Nomination and Remuneration Committee is to assist the Board to carry out the following:

- review director competence standards;
- review Board succession plans;
- evaluate the Board's performance;
- make recommendations for the appointment and removal of directors to the Board; and
- make recommendations to the Board on recruitment, retention, and termination policies for senior management.

RECOMMENDATION 2.2 – BOARD SKILLS MATRIX

The Company's objective is to have an appropriate mix of expertise and experience at Board level so that it can effectively discharge its corporate governance and oversight responsibilities. It is the Board's view that the current directors possess an appropriate mix of relevant skills, experience, expertise, and diversity to enable the Board to discharge its responsibilities and deliver the Company's strategic objectives. This mix is subject to review on a regular basis as part of the Board's performance review process.

Skills	Board Representation*	Skills	Board Representation*
Professional Director Skills		Interpersonal Skills	
Risk & Compliance	High	Leadership	High
Financial & Audit	High	Ethics and Integrity	High
ASX Governance	High	Contribution	High
Strategy	High	Negotiation	High
Business Operations	High	Critical Thinker	High
Policy Development	High	Crisis Management	High
Capital Markets	High		
Technology	High		
People and Performance	High		
Executive Management	High		
Industry Specific Skills		Other Aspects to Assess	
Healthcare management experience	Medium	Previous Board Experience	High
Sales and Marketing	High	Experienced CEO	High
Stakeholder Engagement	High	Corporate History	High
Client Engagement	High		
Industry Relations	Medium		

CAPITOLHEALTH LIMITED

To the extent that any skills are not directly represented on the Board, they are augmented through senior management and external advisors. Full details of each Directors' relevant skills and experience are set out in the Company's 2021 Annual Report.

RECOMMENDATION 2.3 – INDEPENDENT DIRECTORS

An independent director is a Non-Executive Director who is not a member of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of judgement.

The Board regularly assesses the independence of each Non-Executive Director in light of the information which each Director is required to disclose in relation to any material contract or other relationship with the Company in accordance with the Director's terms of appointment, the Corporations Act 2001, and the Board Charter.

In assessing independence, the Board had regard to the "Factors relevant to assessing the independence of a director" in Box 2.3 of the ASX Recommendations. Having individually reviewed the position and associations of each of the three non-executive directors, the Board has concluded that all three of them are independent.

The Board's assessment of each current Director is set out below.

Name	Position	Appointment Date	Status
Andrew Demetriou	Non-Executive Chairman	17 November 2014	Independent
Justin Walter	MD & CEO	1 July 2019	Non-Independent
Nicole Sheffield	Non-Executive Director	23 December 2015	Independent
Richard Loveridge	Non-Executive Director	5 September 2017	Independent
Laura McBain	Non-Executive Director	1 July 2021	Independent

The Board considers that Mr Demetriou, Ms Sheffield, Mr Loveridge and Ms McBain are free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the exercise of their unfettered and independent judgement and is able to fulfil the role of independent director for the purpose of the Recommendations.

RECOMMENDATION 2.4 – MAJORITY INDEPENDENCE

The Board comprises a majority of independent directors being Mr Demetriou, Ms Sheffield, Mr Loveridge, and Ms McBain. As set out in the ASX Recommendations, the Board acknowledges that having a majority of independent directors makes it harder for any individual or small group of individuals to dominate the Board's decision-making and maximises the likelihood that the decisions of the Board will reflect the best interests of the Company and its security holders generally and not be biased towards the interests of management or any other person or group with whom a non-independent director may be associated.

CAPITOLHEALTH LIMITED

RECOMMENDATION 2.5 – INDEPENDENT CHAIR

The Chair, Mr Demetriou, is considered an independent Director. The Chair provides leadership to the Board in relation to all Board matters and is responsible for ensuring that the Board meets its responsibilities under the Board Charter. His role is set out in more detail in the Board Charter, which is available on the Company's website (<http://www.capitolhealth.com.au/corporate-governance>).

The roles of Chair and MD are exercised by different individuals, being Mr Demetriou and Mr Walter.

RECOMMENDATION 2.6 – INDUCTION, EDUCATION AND TRAINING

New directors are provided with copies of all relevant documents and policies governing the Company's business, operations, and management, at the time of joining the Board. The Company can provide appropriate professional development opportunities for directors to assist in their roles. Directors are also encouraged to personally undertake appropriate training and refresher courses conducted by the Australian Institute of Company Directors.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

RECOMMENDATION 3.1 – STATEMENT OF VALUES

The Company's values are the guiding principles and norms that define what type of organisation Capitol Health aspires to be and what it requires from its Directors, employees, and related parties. The Company's core values are outlined below and are also available on the Company's website on (www.capitolhealth.com.au).

- Patient-Centred: We create positive patient experiences. We listen with respect, inform with empathy, and involve patients in their care.
- One Team: Our people are our best asset. Our outcomes are better when we work together. We treat each other with respect and nurture a culture of recognition, empathy, and inclusion.
- Integrity: We are open and honest. We take pride in the way we work. Our patients and partners trust us because we are accountable and reliable.
- Excellence: Together we pursue excellence – in outcomes and experience for our patients, referrers, and community. We utilise the best technology to deliver timely, precise results.
- Community-Focused: We are more than a network; we are a community. We create meaningful connections with our patients, referrers and colleagues built on trust, support, and shared goals.

The MD and his executive team are responsible for instilling these values across the organisation.

CAPITOLHEALTH LIMITED

RECOMMENDATION 3.2 – CODE OF CONDUCT

As part of the Board's commitment to corporate governance, the Company has adopted a Code of Conduct to guide Directors and Officers in carrying out their duties and responsibilities. The Code of Conduct outlines the obligations incumbent upon each director and officer, including compliance with all corporate governance practices and documents approved by the Board from time to time.

The Code of Conduct also encourages and permits Directors and Officers to report to the Chair any behaviour, practice, or activity which they believe in good faith is:

- unethical or improper conduct;
- financial malpractice, impropriety or fraud;
- breach of laws or regulations; or
- auditing non-disclosure or manipulation of the external audit process.

The Company will ensure that any Director or Officer making such a complaint in good faith will not be mistreated, intimidated, or disadvantaged in their position with the Company. The Code of Conduct is available on the Company's website (<http://www.capitolhealth.com.au/corporate-governance>).

RECOMMENDATION 3.3 – WHISTLEBLOWER POLICY

The Whistleblower Policy demonstrates that the Company is committed to the highest standards of conduct and ethical behaviour in all its business activities. The Company supports a culture of honest and ethical behaviour in ensuring good corporate compliance and governance. The Policy sets out, amongst other things, instances of suspected misconduct which can be reported to the internal and external parties and summarises the protections offered to whistleblowers.

Any material breach of the Company's policies, including any breach of the Whistleblower Policy, is raised at each Board Meeting.

The Whistleblower Policy is available on the Company's website (<http://www.capitolhealth.com.au/corporate-governance>).

RECOMMENDATION 3.4 – ANTI-BRIBERY AND CORRUPTION POLICY

The Anti-Bribery and Corruption Policy demonstrates that the Company is committed to maintain high standards of integrity and accountability in conducting its business. The policy provides a framework of guidelines and principles to encourage ethical behaviour in the conduct of business.

Any material breach of the Company's policies, including any breach of the Anti-Bribery and Corruption Policy, is raised, and reviewed at each Board Meeting.

The Anti-Bribery and Corruption Policy is available on the Company's website (<http://www.capitolhealth.com.au/corporate-governance>).

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

RECOMMENDATION 4.1 – AUDIT COMMITTEE

The Company's Audit and Risk Committee Charter provides for the establishment of an Audit and Risk Committee, with at least three members, a majority of whom are independent Directors, and which must be chaired by an independent Director who is not the Board Chair. The Audit and Risk Committee Charter is available on the Company's website (<http://www.capitolhealth.com.au/corporate-governance>).

The Company has an Audit and Risk Committee comprising three independent Non-Executive Directors. As at 30 June 2021, the Committee was comprised of Mr Loveridge, Mr Demetriou and Ms Sheffield. Following the appointment of Ms Laura McBain on 1 July 2021, the Committee's composition was reviewed, with the Committee now comprising of Mr Loveridge, Ms Sheffield, and Ms McBain. The Committee is chaired by Mr Loveridge, an independent director who is not the Chair of the Board in accordance with the ASX Recommendations. All directors have relevant experience as shown in their biographies in the Directors Report.

In accordance with the Company's Audit and Risk Committee Charter the primary function of the Committee is to assist the Board to carry out the following:

- review and monitor the integrity of the Company's financial reports and statements;
- monitor the performance and independence of the external auditor; and
- reviewing the consolidated accounts of the company.

It also has risk management and internal control functions as set out under Recommendation 6.1.

The number of meetings held and the individual attendances of Committee members at those meetings are disclosed in the 2021 Directors' Report.

RECOMMENDATION 4.2 - ASSURANCES

The MD and Chief Financial Officer (CFO) provide an annual declaration to the Board prior to the Board's approval of the Company's full year financial results. This process was followed for the 2021 full year financial results, where the MD and CFO provided a declaration to the Board that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Group, and their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. On this basis, the 2021 full year financial results were approved by the Board.

RECOMMENDATION 4.3 – VERIFICATION OF INTEGRITY OF PERIODIC CORPORATE REPORTS

The Company's external auditor attends every AGM as required by the Corporations Act, and members are allowed a reasonable opportunity at the meeting to ask the auditor questions relevant to the audit, their report and independence, and the accounting policies adopted by the Company. The external auditor's independence declaration is contained in the Directors' Report in our 2021 Annual Report.

CAPITOLHEALTH LIMITED

Any periodic corporate report the Company releases to the market that is not audited or reviewed by an external auditor is reviewed and approved by the Board so that it is satisfied the report in question is materially correct, balanced and provides investors with appropriate information to make an informed investment decision. Following review by the Board of Directors the report is formally approved prior to release.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

RECOMMENDATION 5.1 – CONTINUOUS DISCLOSURE POLICY

The Company is committed to providing information to shareholders and to the market in a manner that is consistent with the meaning and intention of the ASX Listing Rules and the Corporations Act. To comply with these obligations, the Company has in place a Continuous Disclosure Policy and it is available on the Company's website (<http://www.capitolhealth.com.au/corporate-governance>).

The Policy sets out the key obligations of directors and employees in relation to continuous disclosure as well as the Company's obligations under the ASX Listing Rules and the Corporations Act. The Policy also provides procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements.

The Board has overarching responsibility for compliance with Capitol Health's continuous disclosure obligations and Board approval is required for certain key matters (as set out in the Policy) and matters may be referred to the Board for approval by the MD, the CFO, or the Company Secretary.

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive, and informed market. In accordance with continuous disclosure obligations under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management, and disclosed to the ASX in a timely manner. The Company website includes a link to all information disclosed to the ASX.

RECOMMENDATION 5.2 – PROVIDE BOARD WITH COPIES OF ALL MATERIAL MARKET ANNOUNCEMENTS

The Company ensures that its Board receives copies of all material market announcements prior to release to the market followed by immediate notification including announcement following each release to the market.

RECOMMENDATION 5.3 – INVESTOR PRESENTATION

In accordance with the recommendation, the Company ensures that all substantive presentations are released to the market to enable security holders the opportunity to participate in the presentation.

The Company also maintains a separate investor page on its website to provide shareholders with links to annual and interim reports, ASX announcements, presentations, and other key information.

CAPITOLHEALTH LIMITED

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

RECOMMENDATION 6.1 – INFORMATION AND GOVERNANCE

Capitol Health's website at www.capitolhealth.com.au contains key information about the Company and its corporate governance practices and policies, as well as biographies of the Board members & Company Secretary.

The Company also maintains a separate investor page on its website to provide shareholders with links to annual and interim reports, ASX announcements, presentations and other key information.

RECOMMENDATION 6.2 – INVESTOR RELATIONS PROGRAM

The Company endeavours to communicate with shareholders and other stakeholders in an open, regular, and timely manner so that the market has sufficient information to make informed investment decisions.

The Company's Continuous Disclosure Policy which is available on its website (www.capitolhealth.com.au), sets out its processes regarding interaction with shareholders, media, analysts, investors and the public. Capitol Health commits to dealing fairly, transparently, and openly with both current and prospective shareholders and will ensure that it complies with the Continuous Disclosure Policy to ensure that there is no selective disclosure of information.

Shareholders are actively encouraged to take advantage of the benefits of electronic communications. Shareholders and investors can raise any issues or concerns at any time by contacting the Company by email at investors@capitolhealth.com.au or by writing to the MD or Company Secretary at Level 2, 288 Victoria Parade, East Melbourne, VIC 3002. Where possible, bearing in mind the Company's obligations under the Corporations Act, the ASX Listing Rules and the Continuous Disclosure Policy, responses will be provided.

RECOMMENDATION 6.3 – SHAREHOLDER MEETING PARTICIPATION

Shareholders are forwarded the Company's Annual Report, if requested (it is otherwise made available on the Capitol Health website www.capitolhealth.com.au), and documents relating to each General Meeting, being the Notice of Meeting, any Explanatory Memorandum and a Proxy Form, and shareholders are invited to attend these meetings. Shareholders may elect to receive communications electronically.

The Board regards the AGM as an important opportunity to communicate with shareholders and it provides a key forum for shareholders to ask questions about the Company, its strategy and performance. At shareholder meetings, the Company will provide an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management, and the external auditor of the Company.

CAPITOLHEALTH LIMITED

RECOMMENDATION 6.4 – ALL SUBSTANTIVE RESOLUTIONS AT A SECURITY HOLDER MEETING ARE DECIDED BY POLL

In order to ascertain the true will of Capitol Health's security holders attending and voting at its security holder meetings, whether they attend in person, electronically or by proxy or other representative, the Company will conduct the voting procedure by a poll.

RECOMMENDATION 6.5 – ELECTRONIC COMMUNICATION WITH SHAREHOLDERS

Shareholders are actively encouraged to take advantage of the benefits of electing to receive communication from the Company and its share registry electronically.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

RECOMMENDATION 7.1 – RISK COMMITTEE

The Company's Audit and Risk Committee Charter provides for the establishment of an Audit and Risk Committee, with at least three members, a majority of whom are independent Directors, and which must be chaired by an independent Director who is not the Board Chair. The Audit and Risk Committee Charter is available on our website at <http://www.capitolhealth.com.au/corporate-governance>.

The Company has an Audit and Risk Committee comprising three independent Non-Executive Directors. As at 30 June 2021, the Committee was comprised of Mr Loveridge, Mr Demetriou and Ms Sheffield. Following the appointment of Ms Laura McBain on 1 July 2021, the Committee's composition was reviewed, with the Committee now comprising of Mr Loveridge, Ms Sheffield, and Ms McBain. The Committee is chaired by Mr Loveridge, an independent director who is not the Chair of the Board in accordance with the ASX Recommendations. All directors have relevant experience as shown in their biographies in the Directors Report.

In accordance with the Company's Audit and Risk Committee Charter the Committee also has delegated responsibilities in relation to risk management which include assisting the Board to:

- review and make recommendations regarding the adequacy and integrity of the Company's risk management framework and system of internal controls; and
- reviewing compliance with relevant laws and regulations

Details of meetings held by the Committee during the year and member attendance are set out in the 2021 Directors' Report.

RECOMMENDATION 7.2 – RISK MANAGEMENT FRAMEWORK

Capitol Health's risk management framework is supported by the Board of directors, management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the Company's risk management strategy and policy.

Management is responsible for monitoring that appropriate processes and controls are in place to manage risk effectively and efficiently. Management is also responsible for monitoring compliance with and the effectiveness of risk management systems and controls at a divisional level including financial and non-financial risks. Senior management regularly reports to the Board on the adequacy of its risk management systems, processes, and key matters for consideration.

CAPITOLHEALTH LIMITED

The Board has adopted a Risk Management Policy which sets out the Company's system of risk oversight, management of material business risks and internal control. The Risk Management Policy is available on the Company's website (<http://www.capitolhealth.com.au/corporate-governance>). The Company's risk management framework is reviewed on a periodic basis, and a review was undertaken during the past financial year.

RECOMMENDATION 7.3 – INTERNAL AUDIT

The internal audit function provides independent and objective assurance on the adequacy and effectiveness of the Company's systems for risk management, internal controls, and governance, along with recommendations to improve the efficiency and effectiveness of these systems and processes.

The Audit and Risk Committee oversees relevant financial and non-financial risks. During this past reporting period, the Company has employed the following process for evaluating and continually improving the effectiveness of its risk management and internal control processes:

- the Audit and Risk Committee monitors the need for an internal audit function having regard to the size, location and complexity of the Company's operations;
- senior management facilitates the periodic review of financial and non-financial systems and processes and presents to the relevant Committee the objectives and scope, proposed outcomes and any recommendations arising from the review; and
- the Board reviews risk management and internal compliance procedures at Board meetings and any risk matters raised for consideration by senior management.

RECOMMENDATION 7.4 – ECONOMIC, ENVIRONMENTAL AND SOCIAL RISKS

The management of Capitol Health actively considers economic, environmental, and social risks as they relate to our day-to-day operations and our longer-term growth strategy. The Company has adopted a dynamic approach to risk management, with major risks being continuously monitored by management, the Audit & Risk Committee, and the Board to ensure that systems are in place that can mitigate those risks. In support of this approach the Company is also implementing a risk management software that enables incident reporting and monitoring.

Economic Risks

The material economic risks as they relate to our strategic pillars:

- Operational Excellence includes risks associated with the day-to-day delivery of services and our ability to scale and extend service reach into the community we service. Risks associated with the compliance with regulations are included here as there is a risk of revenue exposure to Medicare billing and change to the regulatory environment.
 - Destination Employer includes risks associated with the organisation ability to attract and retain our talent to deliver services. This is at the clinic level especially pertinent and relates to Radiologist services as well as sonographers, radiographers, and other clinic staff. At a head office level, we actively manage those risks by ensuring that we have the right team to provide back of house activities, leadership, and long-term planning for the Group.
 - Next Generation technology includes risks associated with the technology and level of automation that we choose to employ to provide our services. As we store our records of the business electronically, risk concerns of data privacy and cyber security are considered.
-

CAPITOLHEALTH LIMITED

- First Choice Provider speaks to the quality of relationships we enjoy with our referrers and our patients. This is heavily influenced by the quality and timeliness of services for referrers and health and safety considerations for our patients.
- Values based communication captures the risks associated with having inadequate communication to our major stakeholder groups including external groups such as industry associations, government, referrers, patients and investors, and internal groups such as employees.

Environmental and Social Risks

Capitol Health recognises that protecting the environment is a key responsibility of the business and the corporate community. As a health service provider to patients, the Company does not consider that it has material environmental and social risks.

The Company takes a responsible approach to the reduction and disposal of waste – both medical and administrative associated with our service delivery. Where possible we further minimise consumption of scarce resources and limit environmental impacts by using and encouraging the use of a paperless means of communication and record storage. We regularly review our energy usage and opportunities to reduce this.

Capitol Health has a Health and Safety framework tailored to our risk profile that supports employees, protects the safety of others who may be impacted by our operations and supports the organisation in meeting safety compliance obligations. Governance over our safety framework has been further strengthened with a national quality management system bringing online document management, learning management, audit capability and incident/feedback reporting across all areas of operations.

Capitol Health provides an Employee Assistance Program to staff and immediate family members with access to independent and confidential counselling and support across work and personal issues. A new staff performance and development framework has been implemented to bring greater structure around partnering with our staff to support them to achieve their individual career goals and objectives.

Capitol Health acknowledges that modern slavery practices are a violation of human rights and where appropriate, as informed by a risk assessment, the Company engages directly with suppliers to gain a proper understanding of the measures they have in place to ensure that modern slavery is not occurring within their business, and consequently, is not in our supply chain.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

RECOMMENDATION 8.1 – REMUNERATION COMMITTEE

The Company's Nomination and Remuneration Committee Charter provides for the establishment of a committee with at least three members, a majority of whom are independent Directors, and which must be chaired by an independent Director. The Nomination and Remuneration Committee Charter is available on the Company's website (<http://www.capitolhealth.com.au/corporate-governance>).

CAPITOL HEALTH LIMITED

The Board has appointed a Nomination and Remuneration Committee, which consists of three members, all of whom are independent directors, being Mr Demetriou, Ms Sheffield, and Mr Loveridge. The Committee is chaired by Mr Demetriou, who is also Chair of the Board. All directors have relevant experience as shown in their biographies in the Directors Report.

Capitol Health's Nomination and Remuneration Committee has been delegated responsibilities in relation to remuneration matters as set out in the Nomination and Remuneration Committee Charter. Its role includes assisting the Board to make recommendations to the Board on:

- executive remuneration and incentive policies;
- the remuneration packages of senior management;
- incentive schemes;
- superannuation arrangements; and
- the remuneration framework for directors.

RECOMMENDATION 8.2 – REMUNERATION POLICIES AND PRACTICES

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration policies for the Directors and senior executives. If necessary, it obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives of the Company.

Details of Capitol Health's remuneration practices for its directors and senior executives are disclosed in the Remuneration Report in the Company's 2021 Annual Report. The Remuneration Report highlights the balance between fixed pay, short term incentive and long-term incentives, and includes details of the remuneration paid and the relationship to the Company's performance.

RECOMMENDATION 8.3 – EQUITY BASED REMUNERATION SCHEME

The Company's Employee Incentive Plan prohibits participants from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. It provides that a participant must not enter into any scheme, arrangement or agreement (including options and derivative products) under which the participant, in respect of Awards that remain subject to the Plan Rules:

- may alter the economic benefit to be derived from any such Awards, irrespective of future changes in the market price of Shares; and / or
- purports to mortgage, pledge, assign, encumber or create security over any interest in any such Awards; and / or
- sell, transfer, dispose of, swap, option, alienate the rights or obligations attaching to or otherwise deal with any such Awards.

The Plan Rules further state that where a participant enters, or purports to enter, into any scheme, arrangement or agreement which breaches the above, the Award immediately lapses.

CAPITOLHEALTH LIMITED

Capitol Health Limited

Level 2, 288 Victoria Parade East Melbourne VIC 3002
All correspondence to: PO Box 551 Port Melbourne VIC 8002

Email: investors@capitolhealth.com.au

Tel: (03) 9348 3333

www.capitolhealth.com.au

ABN 84 117 391 812