

Dated 22 September 2020

Risk Committee Charter

Virtus Health Limited (ABN 80 129 643 492) ("Virtus")

Adopted by the Board on 22 September 2020

Risk Committee charter

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Risk Committee Charter

1 Purpose and authority

1.1 Purpose

The purpose of this Risk Committee Charter is to specify the authority delegated to the Risk Committee (“**Committee**”) by the Board of Directors of Virtus (“**Board**”) and to set out the role, responsibilities, membership and operation of the Committee.

1.2 Authority

The Board of Directors has ultimate responsibility for risk oversight and risk management. The Risk Committee is a committee of the Board established in accordance with Virtus’ constitution and is authorised by the Board to assist it in fulfilling its statutory and regulatory responsibilities. It has the authority and power to exercise the responsibilities set out in this charter and under any separate resolutions of the Board granted to it from time to time.

2 Role of the Committee

The role of the Committee is to assist the Board in carrying out and meeting its obligations for risk management and risk oversight (excluding accounting, auditing and financial reporting) responsibilities but including:

- (a) Oversight and approval of the risk appetite and risk management strategy in view of the Board approved strategy;
- (b) Oversight and review of a risk management framework;
- (c) Oversight and review of a Risk Appetite Statement;
- (d) Reviewing the effectiveness of the risk management framework in identifying, managing and controlling internal risk management processes;
- (e) Review of non-financial risk management activities and reports and the organisations subsequent compliance;
- (f) Monitoring Virtus’ systems and procedures for compliance with applicable global legal and regulatory requirements;
- (g) Oversight of the Internal Audit work plan relative to risk management and non-financial internal controls; and
- (h) Oversight of regular risk management reporting;

3 Risk responsibilities

In order to fulfill its responsibilities to the Board, the Committee will be responsible for:

- (a) The effective identification and management of the Company’s material business risks including but not limited to;

- business risks, including people and culture, clinical and strategic;
 - operational risks, including business continuity and practice management risks;
 - digital disruption and cybersecurity;
 - privacy and data breaches;
 - insurable risks, including legal liability claims and property losses;
 - hazard risks, including environmental and WHS risks;
 - environment, ethical and social sustainability risks;
 - Government health funding risks; and
 - other government and territory legislation risks specific to ART activity.
- (b) Overseeing and approving the risk management, internal compliance and policies and procedures for control of risk within the organisation;
- (c) Overseeing the risk management processes and systems (including reporting and internal audit systems);
- (d) Overseeing guidelines for management reporting to the Risk Committee on the effectiveness of the management of material business risks;
- (e) Ensuring that the Company has identified and regularly updates the organisations material risk profile and maintains an Enterprise risk register that classifies and monitors risk which is reported to the Risk Committee bi-annually to:
- identify potential emerging or new risks;
 - review and assess current controls in place and effectiveness of these controls in mitigating the risks; and
 - document remedial plans.
- (f) Reviewing management's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the management and reporting of material business risk;
- (g) Assessing (before publication) whether external risk management reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs;
- (h) Ensuring that an annual corporate governance questionnaire is completed and reviewed.
- (i) Reviewing compliance with laws, regulations, standards and best practice guidelines including industrial relations, occupational health and safety, environmental and trade practices laws.
- (i) Review and oversee Virtus Business Continuity Plans, any material outsourcing arrangements and Disaster Recovery Plans;
- (j) Review and oversee Virtus Information Security Control framework and understanding of emerging threats; and
- (k) Oversight of regulatory and legal compliance framework.

3.1 External audit – (non-financial)

The Committee is responsible for:

- 3.1.1 Ratifying the appointment of risk consultants as required (not including standard territory regulators such as ISO, NATA or RTAC audits);
- 3.1.2 Agreeing the terms of engagement of consultants before the start of any external risk audit (not including standard territory regulators such as ISO, NATA or RTAC audits);
- 3.1.3 Monitoring the effectiveness and independence of the risk consultant and periodically assessing their performance;
- 3.1.4 Reviewing the risk consultants independence based on their relationships and services with Virtus and other organisations;
- 3.1.5 Inviting the risk consultant to attend committee meetings to review the audit plan, discuss audit results and consider the implications of external audit findings as required;
- 3.1.6 Reviewing the scope of any external quality audit, including identified risk areas and any additional procedures;
- 3.1.7 Raising with the external quality risk consultant any specific points of divergence with Virtus' management;
- 3.1.8 Monitoring and examining management's response to the external quality and compliance auditor's or risk consultants findings and recommendations;
- 3.1.9 Reviewing management's communications regarding areas of non-conformance with external quality and compliance auditor bodies and ensuring all information provided is complete and appropriate; and
- 3.1.10 Meeting with external auditors or risk consultant without management present as deemed necessary.

3.2 Internal control and risk management

The Committee is responsible for:

- 3.2.1 Monitoring, reviewing and updating a risk profile which describes the material risks facing Virtus specifically relating to non-financial matters;
- 3.2.2 Ensuring that Virtus has an effective risk management system;
- 3.2.3 Assessing and ensuring that there are internal processes for determining and managing key risk areas, such as:
 - 3.2.3.1 non-compliance with laws, regulations, accreditation, standards and best practice guidelines including industrial relations, occupational health and safety, environmental and trade practices laws;
 - 3.2.3.2 business licence requirements in conjunction with the Audit Committee;
 - 3.2.3.3 litigation and claims in conjunction with the Audit Committee;
 - 3.2.3.4 clinical matters;
 - 3.2.3.5 equipment maintenance and supplier and product evaluation;

- 3.2.3.6 people and culture matters;
 - 3.2.3.7 relevant business risks and judgements not dealt with by other Board committees;
 - 3.2.3.8 business continuity planning and disaster recovery plans; and
 - 3.2.3.9 information security.
- 3.2.4 Receiving reports concerning material and actual incidents within the risk areas above and ensuring that macro risks are reported to the Board at least annually;
- 3.2.5 Conducting investigations of breaches or potential breaches of internal controls, and incidents within the risk areas above;
- 3.2.6 Examining and evaluating the effectiveness of the internal risk management system with management and external auditors and making improvements; and
- 3.2.7 Encouraging voluntary reporting by employees to the Committee of breaches of internal controls and Virtus policies, and incidents within the risk areas above.

4 Membership

4.1 Composition and size

The Committee will consist of:

- 4.1.1 Two non-executive directors with at least one being a member of the Audit Committee;
- 4.1.2 The Chief Executive Officer.

A State Medical Director and the Group General Manager of Risk will also be invited to attend committee meetings but are not entitled to vote.

Other members of senior management may attend meetings by invitation. Membership is reviewed periodically and re-appointment to the Committee is not automatic. The Board will appoint one of the non-executive Directors as the Chairman of the committee and appointments and resignations are decided by the Board.

4.2 Chairperson

The chairperson of the Committee must be an independent non-executive director who is not the chairperson of the Board.

If, for a particular Committee meeting, the Committee chairperson is not present within ten minutes of the nominated starting time of the meeting, the Committee may elect a chairperson for the meeting.

4.3 Technical expertise

The Committee must be structured so that committee members must have experience in:

- Clinical governance;
- Enterprise risk management;
- Healthcare service delivery;
- Health and safety; and
- Enterprise quality management.

Where committee members do not have the necessary experience:

4.3.1 The Board may appoint to the committee an external member who has specialist risk management experience;

4.3.2 Where specific technical or clinical expertise is required other members of the Virtus senior management team may attend by invitation.

4.4 Skills development

If the Committee chairperson approves, a Committee member may attend seminars or training related to the functions and responsibilities of the Committee at Virtus' expense.

4.5 Commitment of Committee members

Committee members must devote the necessary time and attention for the Committee to carry out its responsibilities.

4.6 Secretary

The Company Secretary is appointed by the Committee.

5 Committee meetings and processes

5.1 Meetings

Meetings and proceedings of the Committee are governed by the provisions in Virtus' constitution regulating meetings and proceedings of the Board and committees of the Board in so far as they are applicable and not inconsistent with this charter.

5.2 Frequency and calling of meetings

The Committee will meet at least four times per year or as frequently as required to undertake its role effectively. The chairperson must call a meeting of the Committee if requested by any member of the Committee or the chairperson of the Board.

5.3 Quorum

Two independent directors constitute a quorum for meetings of the Committee.

5.4 Attendance by management and advisors

The Chief Executive Officer and the Group Quality, Compliance and Risk Manager should attend each Risk Committee meeting.

The Committee chairperson may also invite directors who are not members of the Committee, other senior managers and external advisors to attend meetings of the Committee. The Committee may request management and/or others to provide such input and advice as is required.

5.5 Agenda and documents

The chairperson of the Committee determines the meeting agenda after appropriate consultation.

Unless otherwise agreed or considered necessary by the chairperson, notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting documentation, will be circulated by the secretary to each Committee member and any other individual invited to attend, not less than three business days before the meeting.

5.6 Access to information and advisors

The Committee receives all quality and compliance auditor reports.

The Committee has the authority to:

- 5.6.1** require management or others to attend meetings and to provide any information or advice that the Committee requires;
- 5.6.2** access Virtus' documents and records;
- 5.6.3** obtain the advice of special or independent counsel or other experts, without seeking approval of the Board or management; and
- 5.6.4** access management and Virtus external quality and compliance auditors.

5.7 Minutes

The Secretary will keep minutes to record the proceedings and resolutions of its meetings.

The chairperson of the Committee, or delegate, will report to the Board after each Committee meeting. Minutes of Committee meetings once available will be included in the papers for the next Board meeting after each Committee meeting.

6 Committee's performance evaluation

The Committee will review its performance from time to time and whenever there are major changes to the management structure of Virtus.

The performance evaluation will have regard to the extent to which Virtus has met its responsibilities in terms of this charter.

7 Review and publication of charter

The Board will review this charter to ensure it remains relevant to the current needs of Virtus. The charter may be amended by resolution of the Board.

The charter is available on Virtus' website and the key features are published in the corporate governance statement.