

CAPITOLHEALTH  
LIMITED

ABN 84 117 391 812

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**2023 CORPORATE GOVERNANCE STATEMENT**

## 2023 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 23 August 2023 and has been approved by the Board of Directors of Capitol Health 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 <https://www.capitolhealth.com.au/investors/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") and Chief Executive Officer ("CEO") the 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 various channels, including via the Notice of AGM.

### **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 2023 Annual Report.

#### **RECOMMENDATION 1.4 - COMPANY SECRETARY**

The Company Secretary is accountable directly to the Board, through 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 2023 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 genders in its workforce. The Company's Diversity and Inclusion Policy is available on the Capitol Health website (<https://www.capitolhealth.com.au/investors/corporate-governance>).

In accordance with its Diversity and Inclusion Policy the Board established the following diversity and inclusion objectives for the 2023 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 2024 financial year.

The proportion of women on the Board, in senior executive positions and women across the entire organisation as of 30 June 2023 was :

- Women on the Board – 20%
- Women in senior executive positions (CEO-2 and above) – 40%
- Women across the entire organisation – 77%

The Company has reported against a set of standardised gender equality indicators provided by the Workplace Gender Equality Agency. The 2023 full WGEA Report, once published, will be available at <https://www.capitolhealth.com.au/investors/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 by the People, Culture & Sustainability Committee (“PCSC”).

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. If so required, the PCSC Chair and the ARC Chair have been authorised by the Board to have one-on-one discussion with fellow directors to address any points arising from or as part of the Individual Directors’ performance review.

The performance review processes are facilitated by the Company Secretary who prepares a report to the PCSC. Based on this report, the PCSC considers and discusses any areas or 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 2023. 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**

Senior Executives are appointed by the MD and CEO and their key performance indicators (“KPIs”) contain specific financial and non-financial objectives. These KPIs are reviewed annually by the MD and CEO and their performance reviewed against those KPIs. Performance evaluations were undertaken during the reporting period in accordance with the Company’s internal review process.

The performance of the MD and CEO was evaluated in February 2023 and August 2023 in accordance with the performance evaluation process set out by the PCSC. Results of the CEO’s performance review are reported to the Board.

## **PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE**

### **RECOMMENDATION 2.1 – NOMINATION COMMITTEE**

The Company’s PCSC 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 PCSC Charter is available on the Company’s website (<https://www.capitolhealth.com.au/investors/corporate-governance>).

The Board has established a PCSC, which consists of three members, all of whom are independent directors, being Mr Demetriou, Ms McBain, and Mr Loveridge. The PCSC 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 PCSC during the year and member attendances are set out in the 2023 Directors’ Report.

The primary function of the PCSC, regarding its nomination function, is to assist the Board to conduct 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, with the diagram below outlining the skills level on the Board. This mix is subject to review on a regular basis as part of the Board’s performance review process.

<b>Skills</b>	<b>Level of representation on the Board</b>
Governance & Board Experience	High
Capital, Finance & Accounting	High
Strategic Thinking / Commercial & Business Acumen	High
Industry & Business Expertise	High
People	High

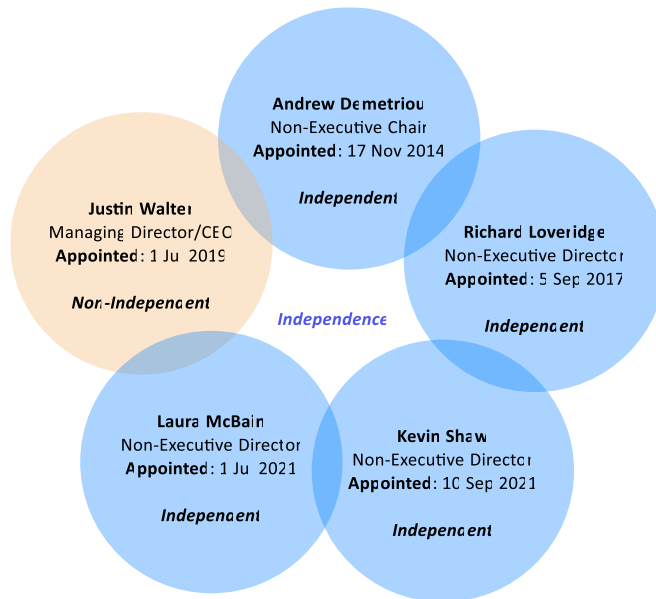
To the extent that any skills are not directly represented on the Board, they are augmented through senior management and external advisors. Full details of each Directors’ relevant skills and experience are set out in the Company’s 2023 Annual Report.

#### **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 (Cth)* (“Corporations Act”), 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 four Non-Executive Directors, the Board has concluded that four of them are independent. The Board’s assessment of each current Director is set out below.



Reviews of each Director and their relationships with the Company were conducted in FY23, with the Board concluding that Mr Demetriou, Mr Loveridge, Ms McBain, and Dr Shaw 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.

Mr Walter was deemed to be a non-independent Director by virtue of his executive position in the Company.

#### **RECOMMENDATION 2.4 – MAJORITY INDEPENDENCE**

The Board comprises a majority of independent directors being Mr Demetriou, Mr Loveridge, Ms McBain and Dr Shaw. 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.

#### **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 (<https://www.capitolhealth.com.au/investors/corporate-governance>).

The roles of Chair and MD/CEO 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](http://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 / CEO and his executive team are responsible for instilling these values across the organisation.

### RECOMMENDATION 3.2 – CODE OF CONDUCT

The Board recognises the need to observe the highest standards of corporate practices and business conduct. The Company has adopted a Code of Conduct designed to:

- provide a benchmark for professional behaviour throughout the Company;
- support the Company's business reputation and corporate image; and
- make Directors, officers, employees, and contractors of the Company aware of the consequences if they breach the Code of Conduct.

The Code of Conduct also encourages and permits Directors, officers, employees, and contractors to report 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.

Any material breach of the Company's policies, including any breach of the Code of Conduct, is raised at Board level.

The Company will ensure that any Director, officer, employee, or contractor 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 (<https://www.capitolhealth.com.au/investors/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 Whistleblower 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 Board level.

The Whistleblower Policy is available on the Company's website (<https://www.capitolhealth.com.au/investors/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 Board level.

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

## **PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING**

### **RECOMMENDATION 4.1 – AUDIT COMMITTEE**

The Company's Audit & Risk Committee Charter provides for the establishment of an Audit & Risk Committee ("ARC"), 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 ARC is available on the Company's website (<https://www.capitolhealth.com.au/investors/corporate-governance>).

The Company has an ARC comprising of three independent Non-Executive Directors, Mr Loveridge, Ms McBain and Dr Shaw. In accordance with the ASX Recommendations, the ARC is chaired by Mr Loveridge, an independent director who is not the Chair of the Board. All directors have relevant experience as shown in their biographies in the 2023 Annual Report.

In accordance with the Company's ARC Charter the primary function of the ARC is to assist the Board to conduct 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
- review 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 2023 Directors' Report.

#### **RECOMMENDATION 4.2 - ASSURANCES**

The MD/CEO 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 2023 full year financial results, where the MD/CEO 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 2023 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 2023 Annual Report.

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 (<https://www.capitolhealth.com.au/investors/corporate-governance>).

The Continuous Disclosure 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/CEO, 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.

## **PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS**

### **RECOMMENDATION 6.1 – INFORMATION AND GOVERNANCE**

Capitol Health's website at [www.capitolhealth.com.au](http://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](http://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](mailto:investors@capitolhealth.com.au) or by writing to the MD/CEO 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](http://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, and management, and where applicable, from the external auditor of the Company.

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

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 ARC Charter provides for the establishment of an ARC, 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 ARC Charter is available on our website at <https://www.capitolhealth.com.au/investors/corporate-governance>.

The Company has an ARC comprising of three independent Non-Executive Directors, Mr Loveridge, Ms McBain and Dr Shaw. In accordance with the ASX Recommendations, the ARC is chaired by Mr Loveridge, an independent director who is not the Chair of the Board. All Directors have relevant experience as shown in their biographies in the Directors Report.

The ARC has been 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
- review compliance with relevant laws and regulations

Details of meetings held by the Committee during the year and member attendance are set out in the 2023 Directors’ Report.

#### **RECOMMENDATION 7.2 – RISK MANAGEMENT FRAMEWORK**

Capitol Health’s risk management framework is supported by the Board of Directors, management, and the ARC. The Board is responsible for approving and reviewing the Company’s risk management strategy and policy.

Management is responsible for ensuring 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 and ARC on the adequacy of its risk management systems, processes, and key matters for consideration.

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 (<https://www.capitolhealth.com.au/investors/corporate-governance>). The Company's risk management framework is reviewed on a periodic basis, and a review was undertaken during FY23.

### **RECOMMENDATION 7.3 – INTERNAL AUDIT**

The Board acknowledges that an 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. However, in light of cost-benefit considerations, the size and scope of the Company's operations, the Board does not consider it necessary to have an internal audit function.

The ARC oversees relevant financial and non-financial risks. During FY23, the Company has employed the following process for evaluating and continually improving the effectiveness of its risk management and internal control processes:

- the ARC 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 ARC, and the Board to ensure that systems are in place that can mitigate those risks. In support of this approach the Company has implemented a risk management software system 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. There are risks associated with commercial decision making and execution of strategic initiatives including greenfield and brownfield investment opportunities especially in an inflationary environment which could reduce financial performance or returns on investments. Risks associated with compliance and regulations are also 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. People costs also represent the largest expense within the business. These costs may increase substantially in an inflationary environment or as a result of a change in contractual agreements with our employees and contractors. 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.
- 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. We also recognise the natural environment through impacts of climate change and climate related events could negatively impact clinic operations and the delivery of services to patients and referrers through a temporary or protracted lack of availability to necessary infrastructure, energy, communications, patient volumes and medical equipment.

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 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.

Further material on the Company's approach to Risk Management and certain risks mentioned above are available on our website <https://www.capitolhealth.com.au/investors/corporate-governance>.

## **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

### **RECOMMENDATION 8.1 – REMUNERATION COMMITTEE**

The Company's PCSC 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 PCSC Charter is available on the Company's website (<https://www.capitolhealth.com.au/investors/corporate-governance>).

The Board has established a PCSC, which consists of three members, all of whom are independent directors, being Mr Demetriou, Ms McBain, and Mr Loveridge. The PCSC 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 PCSC during the year and member attendances are set out in the 2023 Directors' Report.

Capitol Health's PCSC has been delegated responsibilities in relation to remuneration matters as set out in the PCSC 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 PCSC 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 2023 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 ("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

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