

AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

Advent Health Limited ACN 133 453 531

Dated: 12 March 2020

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AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

1. PURPOSE

The Audit and Risk Management Committee (**Committee**) is a committee appointed by the Board of Directors (**Board**) of Advent Health Limited (**Company**). The purpose of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities, and exercising due care, diligence and skill in relation to:

- 1.1 the integrity of the Company's financial reporting;
- 1.2 the application of accounting policies;
- 1.3 the effectiveness of the Company's systems of financial risk management and internal control;
- 1.4 the external audit functions;
- 1.5 the Company's risk profile, risk policy and risk management systems;
- 1.6 compliance with applicable laws, regulations, standards and best practice guides;
- 1.7 the Company's business policies and practices;
- 1.8 the protection of Company assets; and
- 1.9 the effectiveness of the Company's risk management framework and supporting risk management systems.

The purpose of this Charter is to stipulate the roles, responsibilities (which are detailed in section 2 and 3 below), administration and governance of the Committee.

2. DUTIES AND RESPONSIBILITIES – AUDIT

2.1 Financial reporting

The Committee will:

- (a) Review with management and the external auditors, the financial statements released to Shareholders.
- (b) Ensure that the financial statements comply with the accounting standards, reflect the understanding of the Committee members of, and otherwise provide a true and fair view of, the financial position and performance of the Company and are not misleading.
- (c) Require management to inform the Committee as to:
 - (i) the compliance with current Australian Accounting Standards and other regulatory requirements;
 - (ii) changes in accounting policies during the period; and
 - (iii) outline the methods used in accounting for specific transactions where there is no definitive accounting standard.

- (d) Require external auditors to inform the Committee of their views in relation to the above.
- (e) Review management's representations in respect of the accounts and make recommendations to the Board in connection with adoption of the accounts.

2.2 Assessment of systems of financial risk management and internal control

The Committee will:

- (a) Discuss with management and the external auditor the Company's accounting and financial controls, including the policies and procedures to assess, monitor and supervise financial risk, business risk, legal and ethical compliance programs for the purpose of forming a view as to the effectiveness of these controls, policies, procedures and programs;
- (b) Discuss with management and the external auditor the Company's accounting policies and methods for the purpose of forming a view as to the appropriateness (as opposed to the acceptability) and objectivity of these policies and methods;
- (c) Review all reports produced by the external auditor and management's response to the matters raised in them and become satisfied that accounting records are properly maintained in accordance with statutory requirements;
- (d) Obtain reports from time to time from the external auditor on the critical policies and practices of the Company and on all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management;
- (e) Make any recommendations to the Board, as appropriate, in connection with the items listed in (a) to (d);
- (f) Make recommendations for the appointment or, if necessary, dismissal of the head of internal audit; and
- (g) Review all related party transactions involving the Company.

2.3 External audit

The Committee shall:

- (a) Recommend to the Board the appointment and remuneration (and, where appropriate, replacement) of the external auditor and the terms of their engagement;
- (b) Agree with the external auditor the overall scope of the external audit, including identified risk areas and any additional procedures considered necessary;
- (c) Review external audit plans and progress reports prepared by the external auditor and determine whether all matters raised are receiving appropriate attention; and
- (d) Monitor and periodically evaluate the effectiveness and adequacy of the external auditor.

2.4 Independence of the external auditor and provision of non-audit services

The Committee will:

- (a) Periodically (at least once per annum) assess the independence of the external auditor by considering the relationships and services provided by the external auditor that may lead to an actual or perceived lack of independence;
- (b) Require the external auditor to confirm in writing that they have complied with all professional and regulatory requirements relating to auditor independence prior to the completion of each year's accounts. The report will also delineate all relationships between the external auditor and the Company and describe the external auditor's internal quality control procedures. The report is in addition to any other declaration that the external auditor must provide pursuant to the *Corporations Act 2001* (Cth) (**Act**);
- (c) Approve and review the External Auditor Independence Policy (Schedule 1) and monitor compliance with that Policy;
- (d) Recommend to the Board the appropriate disclosure in each year's accounts of the full details of fees paid to the external auditor, including an analysis of non-audit services, and provide written advice to the Board as to whether the provision of non-audit services by the external auditor is compatible with the general standard of independence for auditors imposed by the Act, and has not compromised that independence, together with reasons upon which that advice is based;
- (e) Recommend that the external audit service be out to tender on a tri-annual basis. Further, in the event the external auditor is retained post three years require that the lead external audit engagement partner be rotated every five years or more frequently if the Committee considers it desirable to maintain the external auditor's independence; and
- (f) Require, in addition to normal recruitment due diligence processes, that the appointment of any present or former employee of the external auditor to a senior position within the Company be approved in advance by the Chairman of the Committee.

3. DUTIES AND RESPONSIBILITIES – RISK

3.1 Risk assessment and risk management

The Committee shall:

- (a) Review the Company's assessment of material risks and form an opinion on the adequacy and effectiveness of the risk assessment;
- (b) Consider the effectiveness of the Company's internal controls, and relevant reports from the internal auditor;
- (c) Review the Company's risk profile as developed by management and monitor emerging risks and changes in the Company's risk profile;
- (d) Report any material changes in risk profile to the Board; and

- (e) Where the Committee identifies opportunities to create value by taking on further or different risks, make recommendations to the Board on the strategies that could be undertaken to capitalise on the identified opportunities.

3.2 Effectiveness of the risk management framework

The Committee shall:

- (a) Review, recommend to the Board, and oversee the operation of, risk management policies and procedures. This will include the development and publication of a formal Risk Management Policy to provide guidance to executive management of the Company;
- (b) Review and monitor the Company's risk management performance, including conducting specific investigations where necessary (including any incident involving fraud or other breakdown of the Company's internal controls);
- (c) Evaluate the structure and adequacy of the Company's insurances having regard to the Company's business and the insurable risks associated with its business; and
- (d) Recommend to the Board any corrective action resulting from its review and assessment.

4. MEMBERSHIP

- 4.1 The Board shall appoint the Committee annually.
- 4.2 The Committee shall consist of at least three Members of the Board, the majority of whom are independent directors, to be expanded to three members of the Board when the company has the resources.
- 4.3 Each member will be financially literate (that is, able to read and understand financial statements), have familiarity with financial management and an understanding of the industries in which the Company operates. At least one member should have relevant qualifications and experience (that is, a qualified accountant or other finance professional with experience of financial and accounting matters).
- 4.4 The Chief Executive Officer, Chief Financial Officer, external auditor and other management as required, will normally attend all Committee meetings.
- 4.5 The Board will appoint a member of the Committee as Chair, who shall not be the Chairman of the Board and must be an independent Director. The Chair will preside over the meetings of the Committee and may call regular or special meetings, must provide the Committee with a written agenda and report to the Board the actions and recommendations of the Committee.
- 4.6 The Company Secretary, or his or her appointee, will be the secretary of Committee and will circulate minutes of the meeting.
- 4.7 If a member ceases to be a Director of the Board of the Company, that member will cease to be a member of the Committee.

5. ADMINISTRATIVE MATTERS

5.1 Meetings

- (a) Any member of the Committee may call a meeting of the Committee.
- (b) The Committee will meet at least two times per annum, preferably once in each calendar half year.
- (c) Additional Committee meetings may be convened as the Chair of the Committee considers necessary, taking into account requests from any member, the Chief Executive Officer, the Chief Financial Officer or the external auditor.
- (d) Committee meetings may be held or participated in by conference call or similar means, and decisions may be made by circular or written resolution. A circular or written resolution signed by a majority of all members will be effective as a resolution duly passed at a Committee meeting and may consist of several documents in like form, each signed by one or more members. The expression "written" includes fax or other electronic means.
- (e) A quorum of the Committee will comprise any two members.
- (f) If the Chair of the Committee is unable to attend a Committee meeting, the Chair, or the members present, will appoint another member who is an independent Director to act as Chair at that meeting. However, all members are expected to participate in all Committee meetings.
- (g) All Directors who are not members of the Committee are entitled to attend any meetings of the Committee.
- (h) The Committee may invite any key executive or other individuals to attend meetings of the Committee, as they consider appropriate.
- (i) The external auditor will be required to meet separately with the Committee, without management, at least once a year or upon the request of the Chair of the Committee.

5.2 Voting

- (a) Each member shall have one vote on matters considered by the Committee.
- (b) The Chairman of the Committee will not have a second or casting vote.

5.3 Minutes

- (a) Minutes of Committee meetings will be prepared by the Secretary, approved by the Chair of the Committee in draft and circulated to all Committee members.
- (b) Minutes of any private sessions of the Committee (for example, with the external auditor and without management) will be prepared, approved by the Chair of the Committee in draft and circulated to all members.

- (c) The minutes of a Committee meeting and of any private session will be confirmed at the next Committee meeting and then signed by the Chair of the Committee.

5.4 Reporting

- (a) The minutes of each Committee meeting will be included in the papers for the next Board meeting after the Committee meeting.
- (b) The Chair of the Committee will, if requested at the next Board meeting after a Committee meeting, provide a brief oral report as to any material matters arising out of the Committee meeting. All Directors may, within the Board meeting, request information of members of the Committee.

5.5 Authority and access

- (a) Except where expressly stated in this Charter, the Committee discharges its responsibilities by making recommendations to the Board.
- (b) The Committee may engage separate independent counsel or advisors at the expense of the Company, in appropriate circumstances, with the approval of the Chairman or by resolution of the Board.
- (c) The Committee will have unrestricted access to management and rights to seek explanations and additional information from management. The Committee will also have unrestricted access to the external auditor (with or without the presence of management, at the Committee's discretion).
- (d) The Committee has authority to conduct or direct investigations into any matters within its Charter. The Committee is entitled to obtain external, independent legal or professional advice as considered necessary or desirable by the Committee to assist it in any investigation or to carry out its duties. As appropriate, the Committee will inform the Chairman of the Board of the Company, the Chief Executive Officer, the Chief Financial Officer and the Company Secretary of its decision to authorise such an investigation or obtain such external advice.

6. REVIEW

- 6.1 The Committee will, on a yearly basis, undertake an evaluation of its performance and effectiveness, review its membership and this Charter and make recommendations to the Board.
- 6.2 The Committee will consider and review the report of the Committee's membership, authority, responsibilities and discharge of those responsibilities for inclusion in the Company's annual report and oversee the preparation of any report or other disclosures to be included in the annual report or other communications to security holders relating to the external auditor and to risk and risk management. Specifically, the Committee will, on a yearly basis, review the Company's general risk management framework to satisfy itself that it continues to be sound, and disclose, in relation to each reporting period, whether such a review has taken place.

This Charter was adopted by the Audit and Risk Committee on the date set out below.

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Chair

Name: Wei Huang

Date: 12 March 2020

SCHEDULE 1 – EXTERNAL AUDITOR INDEPENDENCE POLICY

This External Auditor Independence Policy (**Policy**) is intended to support the independence of the external auditor by regulating the provision of services by the external auditor. The external auditor will not be engaged to perform any service that may impair or be perceived to impair the external auditor's judgement or independence.

This Policy is to be interpreted in light of the specific requirements of the *Corporations Act 2001* (Cth) and should be read in conjunction with the charter (**Charter**) of the Audit and Risk Management Committee (**Committee**).

1. Audit Services

The external audit engagement encompasses the external auditor's review of the half-yearly financial statements and the audit of the annual financial statements in accordance with annual external audit plans and the terms of engagement annually approved by the Committee pursuant to the Charter. Any services included in, or necessarily incidental to, the terms of that engagement are to be regulated as audit services.

2. Prohibited Services

The external auditor must not provide services that are in conflict with the external auditor's role as statutory auditor or that would otherwise impair or be perceived to impair the external auditor's independence. Generally, these services include services where the external auditor:

- 2.1 participates in activities that are normally undertaken by management;
- 2.2 is remunerated through a "success fee" structure;
- 2.3 acts in an advocacy role for the Company; or
- 2.4 may be required to audit or express an opinion on its own work.

Examples of services that may not be performed by the external auditor include:

- 2.5 management consulting;
- 2.6 IT systems design or implementation;
- 2.7 valuation services (except where related solely to tax affairs);
- 2.8 bookkeeping, accounting and payroll services;
- 2.9 broker, dealer or investment advisory services;
- 2.10 litigation or legal advocacy services;
- 2.11 recruitment and human resource services;
- 2.12 internal audit services;
- 2.13 actuarial services;
- 2.14 acquisition valuations or valuations for purchase price allocations;
- 2.15 fairness opinions; and
- 2.16 preparation of sale documentation.

3. Non-Audit Services and Pre-Approval

The external auditor will be permitted to provide non-audit services that are not perceived to be in conflict with the role of auditor. Examples of services that may be provided without Committee approval:

- 3.1 tax compliance services;
- 3.2 advice on application of appropriate accounting standards;
- 3.3 audits or verification of regulatory returns; and
- 3.4 other compliance-type activities.

Based on recommendations from management, the Chairman of the Committee may also approve performance of non-audit services by the external auditor, where such services require a detailed knowledge of the Company's activities in order to decrease costs and maximize output efficiencies.

This consultation process will occur where the individual service is estimated to cost in excess of 10% of the annual external audit fee.

The Chairman of the Committee will also consult with other members of the Committee, the external auditor, and management as appropriate. Examples of such services are:

- 3.5 Strategic tax advice;
- 3.6 Due diligence on potential acquisition/investments;
- 3.7 Investigating accounting assignments; and
- 3.8 Corporate finance advice (deal structuring and execution).

A report will be given at each Committee meeting of the services approved since the last meeting.

4. Reporting to Committee

The Chief Financial Officer will provide a report (verbal or written) to the Committee at each meeting which describes any non-audit services approved by the Chief Financial Officer (and endorsed by the Chair of the Committee) or approved by the Chair of the Committee since the last Committee meeting.

This Charter was adopted by the Nomination and Remuneration Committee on the date set out below.

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Chair

Name: Wei Huang

Date: 12 March 2020