## Deaconess Health System, Inc.

Evansville, Indiana

# Charter of the Audit and Compliance Committee of the Board of Directors

#### **Organization**

This charter governs the operations of the Audit and Compliance Committee (Committee) of the Board of Directors (Board) of Deaconess Health System, Inc. (Deaconess or Company). The Committee shall review and reassess the charter at least annually and obtain the approval of the Board. The Committee shall be appointed by the Board and shall consist of five directors, each of whom is independent of management and Deaconess. Members of the Committee shall be considered independent if they are free from any relationship that, in the opinion of the Board, would interfere with the exercise of their independent judgment as a member of the Committee. All Committee members shall be required to complete a Questionnaire for Determining Independence and for supplementing the questionnaire as applicable. All Committee members shall be financially literate, or shall become financially literate within a reasonable period of time after appointment to the Committee, and at least one member shall have accounting or related financial management expertise.

### Statement of Policy

The Committee shall provide assistance to the Board in fulfilling their oversight responsibility to Deaconess' stakeholders, potential stakeholders, the investment community, and others relating to the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the annual independent audit of the Company's financial statements, and the corporate compliance program as established by management and the Board. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee, the independent auditors, the internal auditors, the corporate compliance officer, and the management of the Company. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and with the power to retain outside counsel, or other experts for this purpose.

#### Responsibilities and Processes

The primary responsibility of the Committee is to oversee the Company's financial reporting and compliance processes on behalf of the Board and report the results of their activities to the Board. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with accounting principles generally accepted in the United States. Management is responsible for preparing the Company's financial statements, and the independent auditors are responsible for auditing those financial statements. It is, however, the duty of the Committee to resolve disagreements, if any, between management and the independent auditors.

The Committee shall establish procedures: (i) for receiving and resolving complaints about accounting, internal controls and auditing matters; and (ii) for confidential and anonymous submissions by employees regarding auditing and accounting matters.

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The Committee, in carrying out its responsibilities, believes the company's policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Committee should take appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behavior.

The following shall be the principal recurring processes of the Committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the Committee may amend or supplement them as appropriate.

The Committee shall have a clear understanding with management and the independent auditors that the independent auditors are ultimately accountable to the Board and the Committee, as representatives of the Company's stakeholders. The Committee shall have the ultimate authority and responsibility to evaluate and, where appropriate, recommend the replacement of the independent auditors. The Committee shall discuss with the auditors their independence from management and the Company, including matters in the written disclosures required by standards and interpretations of the Independence Standards Board as are applicable to the Company. Annually, the Committee shall review and recommend to the Board the selection of the Company's independent auditors, subject to the Board's acceptance.

The Committee shall discuss with the internal audit and corporate compliance staffs, and the independent auditors the overall scope and plans for their respective audits, including the adequacy of staffing and compensation. Also, the Committee shall discuss with management, the internal audit and corporate compliance staffs, and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's system to monitor and manage business risks, and legal and ethical compliance programs, including the Company's Standards of Employee Conduct and Code of Business and Professional Ethics. Further, the Committee shall meet separately with the internal audit and corporate compliance staffs, and the independent auditors, with and without management present, to discuss the results of their examinations and will provide sufficient opportunity for the internal audit and corporate compliance staffs, and the independent auditors to meet privately with the members of the Committee.

The Committee shall review with management and the independent auditors the annual financial statements including their judgment about the quality, not just the acceptability, of accounting principles, the reasonableness of significant judgments and the clarity of the disclosures in the financial statements. Also, the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under auditing standards generally accepted in the United States.