



Risk Appetite Statement

Adopted by the eternalHealth (eH) Board of Directors on May 21, 2025 with entry into force as of May 21, 2025

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Introduction

The eternalHealth Inc. and eternalHealth of Arizona, Inc. (collectively referred to as “eH Boards of Directors or eH Boards”) are responsible for overseeing eh’s Esecutlive Leadership Team regarding critical risks to the business. The eH Boards recognize their oversight responsibility of the eH Executive Leadership Team’s management of risk mitigation steps so to continue providing high quality, cot- effective healthcare while maintaining regulatory compliance, financial stability, and operational resilience.

The eH Board is committed to supporting the Executive Leadership Team’s identification, assessment, and mitigation of risks in the following key areas:

1. **Regulatory Compliance & Legal Risk.** The eH Boards (eternalHealth, Inc. and eternalHealth of Arizona, Inc.) ensure adherence to all applicable federal and state healthcare laws, including HIPAA and Medicare to avoid penalties, reputation harm, and legal liability.
2. **Financial Risk.** The eH Boards monitor financial performance, reserve adequacy, and reimbursement structures to safeguard the organization’s fiscal health to ensure long-term sustainability.
3. **Operational & IT Risk.** The eH Boards manage risks related to medical and pharmacy claims processing, network management, cybersecurity threats, and data privacy to maintain service continuity and member trust.
4. **Quality & Patient Safety Risk.** The eH Boards are responsible for overseeing programs that promote- high quality care, patient safety, and health outcomes while addressing disparities and improving the member experience.
5. **Strategic & Market Risk.** The eH Boards are accountable for evaluating risks associated with industry trends, policy changes, competitive dynamics, and business expansion to ensure continued market relevance and growth.

The eH Boards, led by the eH Executive Leadership, and key external consultants, regularly review risk management strategies, ensure effective internal controls, and foster a culture of accountability and risk awareness throughout the organization.

The eH organizational structure is reinforced by a risk culture that supports accountability in risk-based decision making. eH Executive Leadership in collaboration with the Boards establishes risk limits and oversees their implementation throughout the organization's operations and control functions.

Organizational Structure

eH risks are managed as part of eH enterprise risk management functions, including risk assessment, compliance, internal control, and outsourced actuarial functions (collectively, “control functions”).

eH conducts objective, independent, and regular internal reviews of the functions and procedures for managing risks, reporting the findings of the reviews to the board, and adapting policies, functions, procedures, roles, and resources for managing risks as necessary.

eH ensures the development of skill sets and knowledge required for adequate risk assessment processes at the level of the Boards and the eH Leadership Team.

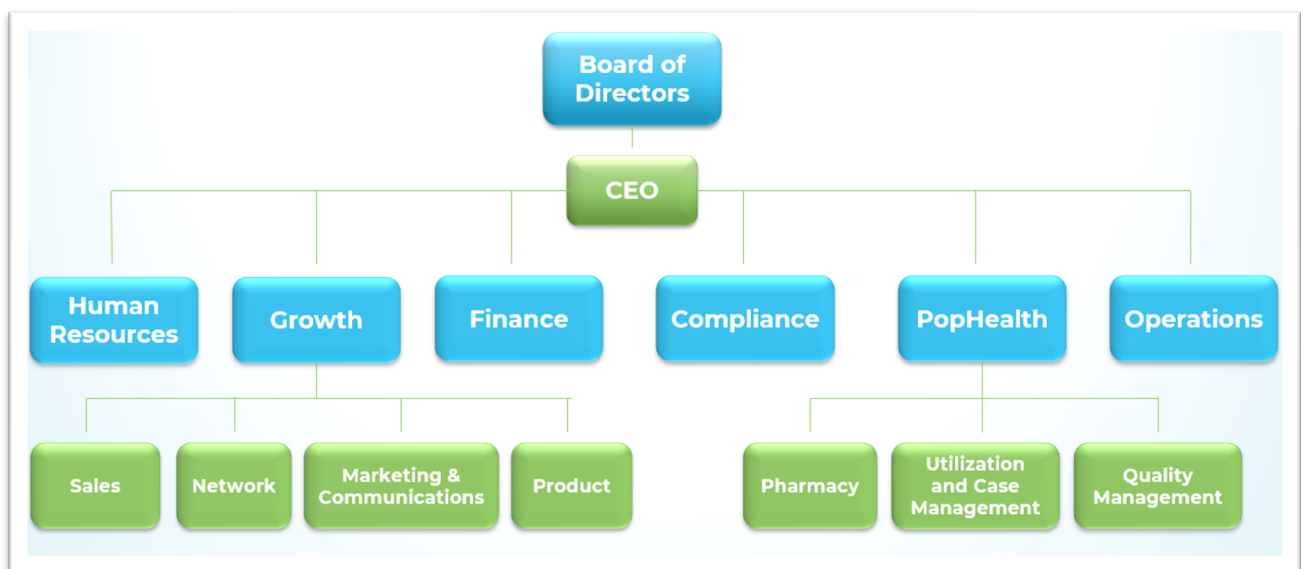
eH Corporate Governance and Accountability

eternalHealth Leadership Team

<https://www.eternalhealth.com/about-us/our-team/>

eternalHealth Board of Directors

<https://www.eternalhealth.com/about-us/board-of-directors/>



Purpose

The management of risks is an essential component of the eH governance framework. Effective risk management increases the likelihood of successful outcomes, protecting the reputation and sustainability of the organization.

The eH executive leadership team and the eH Boards operate within the approved risk appetite levels at all times, including avoiding any actions that could result in exceeding the approved risk appetite levels.

The eH Chief Executive Officer (CEO), Chief Finance Officer and the Chief Compliance Officer must be informed as soon as practicable upon awareness of any risks that arise or issues that eventuate which have caused or could cause the approved risk appetite to be breached.

Key Definitions

eH Executive Leadership Team includes the officers of the organization: Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operating Officer (COO), Chief Medical Officer (CMO), and Chief Compliance Officer (CCO).

eH Leadership Team includes the various levels of leadership in the organization including Managers, Directors, Vice Presidents, and the eH Executive Leadership Team.

Risk is defined as the effect of uncertainty on objectives. Risk is neither inherently good, nor bad. A level of risk is required to change and grow, and to survive as an organization.

Risk Appetite is defined as the degree of risk that is acceptable in day-to-day activities and the pursuit of strategic objectives, considering the interests of all key stakeholders including the Board, employees, members, providers, vendor and first tier, downstream and related entities. Risk appetite is set by the Board and directs eH executive leadership in the execution of its day-to-day operations and the achievement of its strategic objectives

Risk Appetite Statements

A key challenge in determining risk appetite includes an appropriate balance amongst ethical and effective governance and practices including responsible stewardship of eH resources, pursuit and realization of opportunities, allowing innovation and avoiding unnecessary bureaucracy; and avoiding risk averse organizational culture, which could stifle innovation rather than support growth.

The eH strategic approach to managing risks considers both current and future risks and has identified actions necessary to manage risks in a manner proportionate to the nature, scale, and complexity of eH business operations. eH core elements of risk oversight include governance, strategy, risk management, metrics and targets.

The eH board and eH leadership stay abreast of evolving risks, and regularly assess the assumptions and materiality of, and the company's exposures to, those risks. The eH Chief Financial Officer and Chief Compliance Officer maintain overall responsibility for the insurer's management of risks. The following are eH risk statements for key areas of risk as identified by eH executive leadership and the eH Board.

1.0 Strategic Growth Risk

These are the risks from acting on strategic growth objectives. The risk might materialize and become an issue following the pursuit of an unsuccessful business plan, including due to poor strategic decisions, substandard execution of decisions, inadequate or excessive resource allocation and/or failure to respond to changes in the internal and/or external environment. A certain level of strategic growth risk is considered necessary to grow, remain innovative (e.g. cost-effective high quality care programs for members) and ensure ongoing engagement and impact.

1.1 Operating Risks

The risks of financial loss and/or non-compliance with laws due to inadequate or failed processes, people and/or systems, or from external events. It includes

legal risk. Subcategories of operating risk that are particularly important for eH include delegation, financial, compliance, safety & health, service disruptions, climate risks, technology and reputational risks.

1.2 Delegation Risks

eH operates under a delegated model for core Part C and Part D processes. Inherent risks associated with delegated functions include adequate oversight and monitoring mechanisms and resources to ensure full compliance with CMS and state Medicare program and licensure requirements. eH maintains overall responsibility for maintaining compliance with all Federal and State regulations for Medicare program operations and health maintenance organization licensure.

1.3 Financial Risks

The risk to our short, medium and long-term financial viability and overall financial strength. Financial risks can result from expenditure decisions, failure to retain key staff and/or effectively manage change. This includes the risk of being unable to meet payment obligations as they fall due and/or the ability to fund programs and services on an ongoing basis.

1.4 Compliance Risks

The risk of failure to act in accordance with the laws, regulations, CMS contract requirements, industry standards and codes, internal policies and procedures and general principles of good governance. This includes risks relating to ethical decision making and prevention of bribery and fraud. Managing the risk is a requirement of the CMS contract and the Department/ Division of Insurance.

1.5 Safety & Health Risks

The risk of illness, injury or loss due to the wellness of staff, consultants, vendors, delegated entities, and other visitors and includes relevant physical safety standards.

1.6 Service Disruption Risk

The risk to the efficient and effective delivery of programs and services, including high operating standards. This also includes the risk of a loss in confidence by key stakeholders, including members, providers, delegates, CMS, Department/Division of Insurance.

1.7 Climate Risk

eH explicitly considers climate risk, if determined to be a material risk, in its risk management processes, including in enterprise risk reports, and in the decision-making processes of eH senior management. Climate risks include the impact of rising temperatures, climate-related regulations and emerging technologies (e.g., artificial intelligence). Because of the evolving nature of climate risks, the eH Board Finance & Audit Committee is designated as being responsible for the oversight of the eH management of climate risk.

1.8 Technology Risk

The risk specifically is due to inadequate, unavailable or failed technology and data systems that can directly cause financial loss, non-compliance or service disruption, including impacts on member privacy/confidentiality due to any data breach or other unauthorized access to information.

Data is an asset and eH has two normal exposures associated with assets including property itself and net income exposure. eH stored data has a value consisting of the costs to collect, manage, analyze and store as well as the costs to respond to unauthorized breaches of data security. The eH risk management process consists of risk financing (insurance) and risk control.

1.9 Reputation Risk

The risk to our reputation of making healthcare simple and understandable for our members and their families. Our reputation is reflected in our core values including delivering with excellence, doing right by our members, acting with urgency, bringing our best selves, and being curious.

Risk Appetite Levels

The following levels are used to describe eH risk appetite levels:

Averse: Conscientious avoidance of risk and uncertainty. Not willing to accept any negative impact on pursuing strategy. Risks that cannot be treated are actively avoided.

Minimal (Conservative): A cautious approach to risks. Only willing to accept a small negative impact to pursue a strategic goal. Costs to maintain minimal risk can be high.

Neutral (balanced): A balanced approach to accept potential negative impact to achieve strategy. Balanced, objective and explicit assessment of cost/benefit and importance/urgency is important in this category.

Tolerant: Willing to consider all options and choose the one that is most likely to result in a successful strategy, whilst being mindful of risk/benefit outcomes.

Seeking: Eager to be innovative and aggressively take risks because of the potential reward or the even higher risk of doing nothing. willing to accept the possibility of large negative impacts to achieve strategic goals.

To ensure an up-to-date assessment of risk appetite, the following are reassessed on an annual basis:

- Risk Appetite
- Likely Risk Impact of Current Strategy
- Current Risk Level
- Alignment of Current Risk Levels with Risk Appetite (Actions)
- Documented Outcomes of the Assessment and Actions
- Review and Approval by the Board

A reassessment is completed to coincide with any proposed change in strategy and reviewed and approved by the eH Board Audit & Finance Committee. The outcome of each reassessment is included in the minutes of the next available Board meeting and includes clear details of any actions or outcomes required,

responsible part(ies) and milestone. Actions are reviewed during the following risk assessment.

Risk Governance

eH is required to always comply with the Board's risk appetite. If a relevant legal, regulatory or compliance requirement imposes a more stringent standard, then that legal, regulatory or compliance requirement must be met and would take precedence.

Compliance with this Risk Appetite Statement is the responsibility of the eH Executive Leadership Team and the eH Board of Directors.

The Risk Appetite does not supersede any legally valid obligation to any party in relation to any contract or commitment, including those that may relate to funding. The eH Executive Leadership Team must highlight to the Board any identified or known discrepancies between the Risk Appetite assessment outcomes and any legal, regulatory, compliance or policy requirement.

The eH Chief Compliance Officer is responsible for the development and maintenance of a Risk Register of the business risks faced in the day-to-day operations and the control framework which is in place to mitigate these risks. The register considers risks from within the organization and external sources and is reviewed throughout the year as part of regular management oversight processes. The eH Risk Register is updated when there are key changes in regulations, policies, structures or functions.

eH Executive Leadership considers changes to risk levels on an ongoing basis as likely/ possible risks emerge and as actual issues occur. Based on those changes, or more frequently as needed, eH Executive Leadership updates the eH Finance and Audit Board Committee as to any/all approved risk appetite levels that may have been breached or are likely to be exceeded.

Authority to formally approve and amend the eH Risk Appetite rests with the eH Board, based on recommendation from management to the Finance and Audit Committee of the Board

References

Task Force on Climate-Related Financial Disclosures

[Task Force on Climate-Related Financial Disclosures | TCFD](#)

NAIC's Own Risk and Solvency Assessment ("ORSA") Guidance Manual

[Insurance Topics | Own Risk and Solvency Assessment | NAIC](#)

The NAIC Financial Condition Examiners Handbook 2024 ("Handbook")

[exf-cp-24.pdf](#)

The NAIC Climate Risk Disclosure Survey (not applicable to eternalHealth)

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