



Board Charter

Version 1.0

January 2020

1. Introduction

- 1.1 This is the charter of the board of directors of Electro Optic Systems Holdings Limited ACN 092 708 364 (Company and, together with its controlled entities, the Group).
- (a) The board of the Company (Board) is responsible for the corporate governance of the Group.
- 1.2 The purpose of this charter is to:
- (a) promote high standards of corporate governance;
- (b) clarify the role and responsibilities of the Board; and
- (c) enable the Board to provide strategic guidance for the Group and effective oversight of the management of the Group (Management).
- 1.3 This charter is supported by the Group's code of conduct, the charters for the Board's nomination and remuneration committee and its audit and risk committee, and the Group's policies in respect of securities trading, risk management, continuous disclosure and diversity, among other things.
- 1.4 To the extent that there is any inconsistency between this charter and the Company's constitution, the constitution will prevail to the extent of that inconsistency.

2. Board size, composition and independence

- 2.1 There must be a minimum of three directors and the current maximum of directors is ten.
- 2.2 An independent non-executive director is one who:
- (a) is independent of Management;
- (b) is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their unfettered and independent judgment; and
- (c) otherwise meets the criteria for 'independence' as set out in the *ASX Corporate Governance Principles and Recommendations* (as amended from time to time) published by the ASX Corporate Governance Council.
- 2.3 The Board should ideally comprise:
- (a) a majority of independent non-executive directors, who can effectively review and challenge the performance of Management and exercise independent judgment;
- (b) directors with an appropriate range of skills, experience and expertise; and
- (c) directors who can understand and competently deal with current and emerging business issues.
- 2.4 The Board will regularly assess whether each non-executive director is independent and each non-executive director must provide to the Board all information relevant to his or her assessment in this regard. If a director's independent status changes, it will be immediately disclosed and explained to the market by way of release to ASX.
- 2.5 Each director is appointed by way of a formal letter of appointment.

3. Board composition and skills matrix

Skills such as leadership and previous experience as a chief executive, chair or board member of a similarly sized organisation to that of the Company are traditionally prerequisites to appointment as a director. In addition to the desirable qualities of a director set out in **paragraph 2.3** above, the Board recognises that other skills gained from experience in the following areas are key skills and experience that the Board as a whole should comprise:

- (a) understanding of the industry in which the Group operates;
- (b) business acquisition and integration skills;
- (c) stakeholder management skills;
- (d) public listed company skills;
- (e) knowledge of the space and defence industries including risks and opportunities associated with those industries;
- (f) financial literacy and legal and regulatory knowledge;
- (g) diversity;
- (h) understanding the regulatory environment in which the Group operates including knowledge of relevant licensing requirements;
- (i) health, safety and environment and social responsibility; and
- (j) organisational development and human resources.

4. The Board's role and responsibilities

- 4.1 The Board must act in the best interests of the Company as a whole and is accountable to the Company's shareholders for the overall direction, management and corporate governance of the Group.
- 4.2 The Board must monitor the operational and financial position and performance of the Company and oversee its business strategy. In conducting business with these objectives in mind, it is the role of the Board to seek to ensure that the Company is properly managed to protect and enhance shareholder interests, and that the Company, its directors, officers and personnel operate in an appropriate environment of corporate governance.
- 4.3 The Board must adopt relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.
- 4.4 The Board's responsibilities include:
 - (a) overseeing the Group, including providing leadership, defining the Group's purpose and setting its strategic objectives, and overseeing Management's implementation of such strategic objectives and its performance generally;
 - (b) approving the Company's statement of core values and code of conduct which underpin the desired culture within the Group;
 - (c) appointing the chairperson;
 - (d) appointing and removing the chief executive officer of the Group (**CEO**) and ratifying the appointment of other senior executives of the Group, such as the chief financial officer (**CFO**) following approval being given by the CEO for the appointment of such individuals;

- (e) approving the appointment and replacement of the company secretary of the Company (**Company Secretary**);
 - (f) where appropriate, ratifying organisational changes and approving Management remuneration policies and practices in order to ensure that they are aligned with the Group's purpose, values, strategic objectives and risk appetite;
 - (g) approving succession plans for Management;
 - (h) monitoring senior executives' performance and implementation of strategy, and ensuring that appropriate resources are available;
 - (i) approving the Group's proposed annual budget;
 - (j) determining dividend payments and the financing of the same;
 - (k) approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures;
 - (l) approving and monitoring corporate, financial and other reporting systems, including external audit, and overseeing their integrity;
 - (m) reviewing and monitoring any related party transaction and determining whether to recommend its approval;
 - (n) approving and monitoring systems of risk management (for both financial and non-financial risks), accountability, internal compliance and control, and legal compliance to ensure that appropriate compliance frameworks and controls are in place;
 - (o) setting the risk appetite within which the Board expects Management to operate;
 - (p) reviewing performance, operations and compliance reports from the CEO and CFO, including reports and updates on strategic issues and risk management matters;
 - (q) reviewing and overseeing compliance with the Company's continuous disclosure policy together with the other policies which are put in place by the Company with respect to the management of the Group's operations;
 - (r) evaluating the performance of the Board and Management collectively and individually and, when required, challenging Management and holding it to account;
 - (s) reviewing and overseeing the implementation of the Company's code of conduct for directors and all other employees of the Group;
 - (t) approving the charters of the various Board committees;
 - (u) monitoring and ensuring compliance with all legal and regulatory requirements and ethical standards and policies and otherwise monitoring the effectiveness of the Group's governance practices; and
 - (v) any other responsibilities as prescribed by law or are determined by the Board from time to time.
- 4.5 In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, a director or other person, subject to ultimate responsibility residing with the directors. Notwithstanding **paragraph 7** below, the Board may at any time remove or modify any powers delegated to the CEO or the executive team.
- 4.6 The matters specifically reserved for the Board or its committees (as relevant) include:
- (a) appointment of a chairperson;
 - (b) appointment and removal of the CEO;

- (c) appointment of a director to fill a casual vacancy or as an additional director;
- (d) establishment of Board committees, their membership and delegated authorities;
- (e) approval of dividends;
- (f) issuance of securities;
- (g) review of corporate codes of conduct and other policies put in place by the Group;
- (h) approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to Management;
- (i) calling of meetings of directors or shareholders; and
- (j) any other specific matters nominated by the Board from time to time.

5. Board committees

- 5.1 The Board has established the following committees to assist it in carrying out its responsibilities, to share detailed work and to consider certain issues and functions in detail:
- (a) audit and risk committee; and
 - (b) nomination and remuneration committee.
- 5.2 The charter of each Board committee setting out matters relevant to the composition, responsibilities and administration of the relevant committee must be approved by resolution of the Board. Each committee will review its charter from time to time as appropriate.
- 5.3 The Board may also delegate, at its absolute discretion, specific functions to ad-hoc committees on an 'as needs' basis.

6. Chairperson

- 6.1 The Board will appoint one of its members to be chairperson.
- 6.2 The chairperson will generally be an independent non-executive director.
- 6.3 The chairperson represents the Board and is responsible for leading the Board, facilitating the effective contribution of all directors, promoting constructive and respectful relations between directors and between the Board and Management, approving board agendas and ensuring that adequate time is available for discussion of all agenda items (including, but not limited to, strategic issues), and communicating the Board's position to shareholders and the public.

7. CEO and Executive team

- 7.1 Subject to **paragraph 4.5** above, responsibility for day-to-day management and administration of the Group is delegated by the Board to the CEO and the executive team.
- 7.2 The CEO manages the Group in accordance with the strategy, plans and policies approved by the Board.
- 7.3 The CEO is appointed by the Board.
- 7.4 The responsibilities of the CEO include, among other things:
- (a) developing and recommending to the Board strategies, business plans and annual budgets for the Group;

- (b) approving the appointment and replacement of senior management and the executive team;
- (c) implementing the strategies, business plans and budgets adopted by the Board;
- (d) providing effective leadership, direction and supervision of the executive team to achieve the strategies, business plans and budgets adopted by the Board;
- (e) ensuring compliance with all applicable laws and regulations;
- (f) ensuring that the Board is given sufficient information in a form, timeframe and quality that will allow it to be effective in performing its functions, setting strategies, monitoring performance and discharging its duties; and
- (g) acting within authority delegated by the Board.

7.5 The Board has in place procedures to regularly assess the performance of the CEO and the executive team.

8. Non-executive directors

The independent non-executive directors (unless such director is conflicted in regards to the matter) should consider the benefits of conferring regularly without Management present, including at scheduled sessions or as otherwise required by the circumstances.

9. Company Secretary

9.1 The Company Secretary is directly accountable to the Board through the chairperson on all matters to do with the proper functioning of the Board.

9.2 The responsibilities of the Company Secretary include, among other things:

- (a) advising the Board and the Board committees on governance matters;
- (b) monitoring that Board and Board committee policies and procedures are being followed;
- (c) coordinating the timely completion and despatch of Board and Board committee papers;
- (d) ensuring that business at Board and Board committee meetings is accurately captured in the minutes of such meetings; and
- (e) assisting with the organisation and facilitation of induction and professional development of the Company's directors.

10. Conflicts

10.1 Directors must:

- (a) disclose to the Board any actual or potential conflict of interest or duty, or matter that may bear on their independence, that might reasonably be thought to exist as soon as the situation arises;
- (b) take all necessary and reasonable action to resolve or avoid any actual or potential conflict of interest or duty; and
- (c) comply with all applicable laws and the Company's constitution in relation to disclosing material personal interests and restrictions on voting.

- 10.2 If a conflict exists, it is expected that any director to whom the conflict relates will recuse himself or herself when the Board is discussing any matter to which the conflict relates.
- 10.3 Directors are expected to inform the chairperson of the Board of any proposed appointment to the board or executive team of another company as soon as practicable. Directors are expected to seek the agreement of the Board before they accept any additional commitments that will affect the time required to be allocated to their role as directors of the Company. Such agreement by the Board will not be unreasonably withheld.

11. Access to information and independent advice by directors

- 11.1 Directors have access to any information that they consider necessary to fulfil their responsibilities and to exercise independent judgment when making decisions.
- 11.2 Directors have access to:
- (a) Management to seek explanations and information from Management; and
 - (b) auditors to seek explanations and information from them without Management being present.
- 11.3 At the expense of the Company, directors may seek any independent professional advice that they consider necessary to fulfil their responsibilities and to exercise independent judgment when making decisions in accordance with the procedure agreed by the directors.
- 11.4 If the chairperson of the Board consents, the Company will pay a director's costs of seeking independent professional advice. That consent may not be unreasonably withheld or delayed.
- 11.5 Any such advice received will be provided to the whole Board.

12. Size of the Board and Board vacancies

- 12.1 All directors are expected to continue as directors only for so long as they have the confidence of their fellow Board members and the confidence of the Company's shareholders.
- 12.2 In accordance with the ASX Listing Rules, no director except the CEO is permitted to hold office for a continuous period in excess of three years or past the third annual general meeting following that director's appointment, whichever is the longer, without submitting himself or herself for re-election.

13. Communication of information

The Board has adopted a communications strategy to facilitate and promote effective communication with all stakeholders and to encourage shareholder participation at general meetings.

14. Language of directors

If a director of the Company who is not fluent in the language in which Board meetings or general meetings of shareholders are held or in the language in which key documents of the Group are written, the Company will ensure such meetings and documents are translated into the language the relevant director understands so that the relevant director can contribute to the discussions at those meetings and is able to understand, and discharge, their obligations in relation to key documents of the Group.

15. Approved and adopted

This charter was approved and adopted by the Board on 30th January 2020.