



# **Nomination and Remuneration Committee Charter**

**Version 1.0**

**January 2020**

## 1. Introduction

The nomination and remuneration committee is a committee of the board of directors of Electro Optic Systems Holdings Limited ACN 092 708 364 (**Company** and, together with its controlled entities, the **Group**) (**Nomination and Remuneration Committee**).

The Company's board of directors (**Board**) established the Nomination and Remuneration Committee under the Company's constitution.

This charter sets out the scope of the Nomination and Remuneration Committee's responsibilities in relation to the Group.

## 2. Objective

The objective of the Nomination and Remuneration Committee is to help the Board achieve its objective to ensure that the Company:

- (a) has a Board of an effective composition, size, commitment and knowledge of the Group and the industry in which it operates to adequately discharge its responsibilities and duties effectively to bring transparency, focus and independent judgment to decisions regarding the composition of the Board and to add value to the Board;
- (b) has a formal, rigorous and transparent process for the appointment and reappointment of directors to the Board to facilitate the effective functioning of the Board and to promote investor confidence;
- (c) has a formal, rigorous and transparent process for the development of coherent remuneration policies, practices and packages to attract and retain executives and directors who will create value for shareholders;
- (d) observes its remuneration policies and practices; and
- (e) fairly and responsibly rewards executives having regard to the performance of the Group, the performance of the executives and the general external pay environment.

## 3. Committee Composition

- (a) The Nomination and Remuneration Committee must comprise:
  - (i) at least three directors; and
  - (ii) a majority of independent directors,

and regard to diversity should be had in constituting the Nomination and Remuneration Committee.

- (b) If the Company is included in the S&P ASX 300 Index at the beginning of a financial year, the Nomination and Remuneration Committee must be comprised solely of non-executive directors.
- (c) The Nomination and Remuneration Committee will appoint its chairperson. The chairperson of the Nomination and Remuneration Committee must be an independent director.

The Board decides appointments, rotations and resignations within the Nomination and Remuneration Committee having regard to the ASX Listing Rules, the ASX *Corporate Governance*

*Principles and Recommendations* (as amended from time to time) and the Company's constitution.

(d) Nomination and Remuneration Committee members may act by their alternate.

#### **4. Nominations – Responsibilities**

The responsibilities of the Nomination and Remuneration Committee are:

- (a) identifying and recommending to the Board, nominees for membership of the Board including the Chief Executive Officer (**CEO**) of the Company;
- (b) determining the mix of skills and diversity that the Board currently has or is looking to achieve in its membership;
- (c) identifying and assessing the necessary and desirable competencies and characteristics for Board membership, including:
  - (i) skills, expertise and background that add to and complement the range of skills, expertise and background of the existing directors;
  - (ii) diversity; and
  - (iii) the extent to which the candidate would fill a present need on the Board;
- (d) establishing processes for identifying suitable candidates for appointment to the Board to ensure an appropriate mix of expertise, experience and succession, including evaluating the balance of skills, knowledge, experience, independence and diversity on the board and, in the light of this evaluation, preparing a description of the role and capabilities required for a particular appointment;
- (e) ensuring that the Company:
  - (i) develops and discloses a Board appointment process, which includes selection criteria having regard to the skills and experience outlined in the Group's diversity policy and the selection process for senior management positions;
  - (ii) undertakes appropriate checks before appointing a person, or putting forward to its shareholders a candidate for election, as a director, including checks as to a candidate's character, expertise, education, criminal record and bankruptcy history;
  - (iii) provides its shareholders with all material information relevant to a decision about whether or not to elect or re-elect a director (including information regarding independence);
  - (iv) has a written agreement with each director and senior executive setting out the terms of his or her employment;
  - (v) has a process for periodically evaluating the performance of the Board, its committees and individual directors;
  - (vi) discloses in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with the process set out in clause 1.1(e)(v);
  - (vii) has a process for periodically evaluating the performance of its senior executives;

- (viii) discloses in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with the process set out in clause 1.1(e)(vii); and
- (ix) has a process for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively;
- (f) ensuring succession plans for Board and senior executives are in place;
- (g) recommending to the Board the appointment of directors to, and removal of directors from, the Board;
- (h) liaising with the head of the Human Resources department on all material employee issues relating to conflicts of interest, related party dealings, termination of employees on a "with cause" basis and legal action against the Company by an employee (past or present); and
- (i) any other responsibilities as determined by the Nomination and Remuneration Committee or the Board from time to time.

## **5. Performance of directors – Responsibilities**

5.1 The responsibilities of the Nomination and Remuneration Committee are:

- (a) annually reviewing the performance of the CEO;
- (b) establishing processes for evaluating the performance of the Board, both collectively and individually;
- (c) reviewing the performance of the Board, both collectively and individually and reporting to the Board on the same;
- (d) reviewing whether the directors as a group have the skills, knowledge and familiarity with the Company and its operating environment required to fulfil their role on the Board and on Board committees effectively and, where any gaps are identified, considering what training or development could be undertaken to fill those gaps;
- (e) reviewing the performance of directors before they stand for re-election and reporting to the Board on the same; and
- (f) any other responsibilities as determined by the Nomination and Remuneration Committee or the Board from time to time.

5.2 Members of the Nomination and Remuneration Committee must not participate in any review or assessment of their own performance.

5.3 After consulting with the other directors, the Nomination and Remuneration Committee will arrange for a suitable non-executive director to conduct a performance evaluation of the chairperson.

5.4 The Nomination and Remuneration Committee will regularly review the time required from non-executive directors and whether the non-executive directors are meeting that requirement.

5.5 A non-executive director should inform the chairperson of the Nomination and Remuneration Committee before accepting any new appointment as a director of another listed entity, any other material directorship or any other position with a significant time commitment attached.

## **6. Remuneration policies and practices**

- (a) Executive remuneration and incentive policies and practices must be performance-based and aligned with the Group's vision, values and overall business objectives.
- (b) Director remuneration and incentive policies and practices must not be performance-based, should reflect the time commitment and responsibilities of the role, and must be aligned with the Group's vision, values and overall business objectives.
- (c) Director and senior executive remuneration and incentive policies and practices must be designed to:
  - (i) motivate the directors and senior executives to pursue the Group's short-term and long-term growth and success without rewarding conduct that is contrary to the Company's values or risk appetite;
  - (ii) ensure that incentives for non-executive directors do not conflict with their obligation to bring independent judgement to matters before the Board;
  - (iii) demonstrate a clear relationship between the Group's overall performance and the performance of directors and executives;
  - (iv) align the interests of directors and executives with the creation of value for shareholders; and
  - (v) attract and retain high quality directors and executives.

## **7. Remuneration – responsibilities**

7.1 The responsibilities of the Nomination and Remuneration Committee are:

- (a) reviewing and approving Board, director and executive remuneration and incentive policies and practices in line with relevant legislation and corporate governance principles relating to remuneration practices and employment policies, including the process by which any pool of directors' fees approved by shareholders is allocated to directors;
- (b) considering and approving each executive director's total remuneration having regard to executive remuneration and incentive policies;
- (c) determining if shareholder approval is needed for any change to the remuneration of directors or executives;
- (d) reviewing and approving, on the recommendation of the CEO, the total remuneration and terms of employment, and any subsequent changes thereto, of the senior management team;
- (e) reviewing and approving on behalf of the Board any report on executive remuneration that may be required and reporting to the Board as appropriate;
- (f) reviewing and approving the design and total proposed payments under any executive or other employee incentive plan;
- (g) reviewing and approving the proposed award to each executive under the rules of any executive incentive plan;
- (h) reviewing and approving and regularly monitoring the performance hurdles for any executive incentive plan;

- (i) ensuring that if the Company has an equity-based incentive plan for executives and/or other employees, the Company:
  - (i) has a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) that limit the economic risk of participating in the plan; and
  - (ii) discloses that plan or a summary of it;
- (j) reviewing the remuneration of non-executive directors for serving on the Board and any committee (both individually and in total);
- (k) reviewing superannuation arrangements for directors, senior executives and other employees;
- (l) assessing whether there is any gender or other inappropriate bias with respect to the remuneration for directors, executives or other employees;
- (m) recommending to the Board the remuneration, retirement and termination policies for non-executive directors having regard to market trends and shareholder interests;
- (n) ensuring the disclosure of any relevant information required in each annual report of the Company; and
- (o) any other responsibilities as determined by the Nomination and Remuneration Committee or the Board from time to time,

and making recommendations to the Board in relation to the above matters.

## **8. Consultancy services**

The Nomination and Remuneration Committee will undertake such enquiries as are necessary to seek to ensure that the Company only enters into an agreement for the provision of consultancy or similar services by a director or senior executive or by a related party of a director or senior executive:

- (a) if it has independent advice that:
  - (i) the services being provided are outside the ordinary scope of their duties as a director or senior executive (as applicable);
  - (ii) the agreement is on arm's length terms; and
  - (iii) the remuneration payable under it is reasonable; and
- (b) with full disclosure of the material terms to shareholders.

## **9. Nomination and Remuneration Committee meetings**

- 9.1 The Nomination and Remuneration Committee will meet as often as it considers necessary.
- 9.2 The quorum for a Nomination and Remuneration Committee meeting is two Nomination and Remuneration Committee members.
- 9.3 The Nomination and Remuneration Committee will review the independence of all members at each Nomination and Remuneration Committee meeting.
- 9.4 Nomination and Remuneration Committee meetings may be held by any technological means allowing its members to participate in discussions even if all of them are not physically present

in the same place. A member who is not physically present but participating by technological means is taken to be present.

- 9.5 The Nomination and Remuneration Committee may invite anyone it considers appropriate to attend Nomination and Remuneration Committee meetings.
- 9.6 The Nomination and Remuneration Committee must keep minutes of its meetings and shall report these regularly to the Board.
- 9.7 The Nomination and Remuneration Committee must disclose at the end of each reporting period the number of times that it met during the period and the individual attendances of its members at those meetings.

## **10. Minutes of Committee meetings**

- 10.1 The Nomination and Remuneration Committee must keep minutes of its meetings.
- 10.2 Minutes of each Nomination and Remuneration Committee meeting must be included in the papers for the next full Board meeting after each meeting of the Nomination and Remuneration Committee, except if there is a conflict of interest.
- 10.3 Minutes must be distributed to all Nomination and Remuneration Committee members, after the Nomination and Remuneration Committee chairperson has approved them.
- 10.4 The agenda and supporting papers are available to all directors upon request to the Nomination and Remuneration Committee secretary, except if there is a conflict of interest.

## **11. Access to information and independent advice**

- 11.1 The Nomination and Remuneration Committee may seek any information that it considers necessary to fulfil its responsibilities.
- 11.2 The Nomination and Remuneration Committee has access to management to seek explanations and information from management, at the Company's cost.
- 11.3 The Nomination and Remuneration Committee may seek professional advice from appropriate external advisers, at the Company's cost. The Nomination and Remuneration Committee may meet with external advisers without management being present.

## **12. Review and changes to this charter**

- 12.1 The Nomination and Remuneration Committee will review this charter annually or as often as it considers necessary.
- 12.2 The Board may change this charter from time to time by resolution of the Board.

## **13. Approved and adopted**

This charter was approved and adopted by the Board on 30<sup>th</sup> January 2020.