



# **Audit & Risk Committee Charter**

## 1. Introduction

The Audit and Risk 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**) (**Committee**).

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

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

## 2. Role of the Committee

The role of the Committee is to:

- (a) assist the Board to achieve its governance oversight in relation to:
  - (i) financial reporting;
  - (ii) the application of accounting policies;
  - (iii) financial policies and practices;
  - (iv) legal and regulatory compliance; and
  - (v) internal control and risk management systems;
- (b) maintain and improve the quality, credibility and objectivity of the financial accountability process (including financial reporting on a consolidated basis);
- (c) promote a culture of compliance across the Group;
- (d) provide a forum for communication between the Board and the Company's management (**Management**) in relation to audit, risk and compliance matters affecting the Group;
- (e) ensure effective internal audit (if any) and external audit functions and communication between the Board and the internal auditor (if any) and external auditor; and
- (f) review and comment on Management's plans for managing the material financial and reporting risks faced by the Group.

## 3. Membership

### 3.1 Composition and size

The Committee should (and, if the Company is included in the S&P ASX 300 Index, must) comprise:

- (a) at least three directors;
- (b) all non-executive directors; and
- (c) a majority of independent directors.

The Committee must be of sufficient size, independence and technical expertise to effectively discharge its mandate.

Membership is reviewed periodically having regard to the ASX Listing Rules, the *ASX Corporate Governance Principles and Recommendations* (as amended from time to time) and re-

appointment to the Committee is not automatic. The members of the Committee are appointed and removed by the Board.

### 3.2 **Chairperson**

The Chairperson of the Committee must be an independent Non-executive Director who is not the Chairperson of the Board.

The Chairperson of the Committee is appointed by the Board. If, for a particular Committee meeting, the Committee Chairperson is not present within 10 minutes of the nominated starting time of the meeting, the Committee may elect a Chairperson for the meeting.

### 3.3 **Technical Expertise**

Each member of the Committee must be able to read and understand financial statements and at least one member must be a qualified accountant or other financial professional with appropriate experience of financial and accounting matters.

The Company will disclose the relevant qualifications and experience of the members of the Committee in the Annual Report.

Each member of the Audit and Risk Committee should have an understanding of the industry in which the Group operates.

### 3.4 **Commitment of Committee Members**

Committee members must devote the necessary time and attention for the Committee to carry out its responsibilities.

### 3.5 **Secretary**

The company secretary is the secretary of the Committee.

## **4. External financial reporting**

The responsibilities of the Committee are:

- (a) engaging in the proactive oversight of, and assessing the adequacy of, the Company's financial reporting and disclosure processes and financial controls, overseeing and reviewing the outputs of that process and making recommendations to the Board in relation to those matters;
- (b) assessing the appropriateness and application of the Group's accounting policies and principles and any changes to them, so that they accord with the applicable financial reporting framework;
- (c) obtaining an independent judgment from the external auditor about:
  - (i) the acceptability and appropriateness of accounting policies and principles put forward by Management; and
  - (ii) the clarity of current or proposed financial disclosure practices as put forward by Management;
- (d) assessing information from the external auditor that may affect the quality of the Company's financial reports;
- (e) reviewing all half-yearly and annual financial reports with Management, advisers and the external auditors (as appropriate) prior to filing with the ASX and recommending the applicable accounts' adoption by the Board if those financial reports reflect the understanding of the members of the Audit and Risk Committee of, and otherwise provide

- a true and fair view of, the financial position and performance of the Group;
- (f) discussing any draft audit opinion letter and Management letter with the external auditors before it is finalised;
- (g) assessing the appropriateness of any significant accounting estimates, judgments or choices in the financial reports of the Company;
- (h) reviewing and approving as required, documents and reports to regulators;
- (i) following up on any matter raised by the Board regarding financial reports, audit opinions and Management letters;
- (j) establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters, and procedures for the confidential, anonymous submission of concerns by employees regarding accounting and auditing matters;
- (k) reviewing Management processes supporting external reporting and any complaints or concerns raised internally regarding financial or accounting processes and practices;
- (l) ensuring that procedures are in place which are designed to verify the existence and effectiveness of accounting and financial systems and other systems of internal control which relate to financial risk management; and
- (m) any other responsibilities as determined by the Committee or the Board from time to time, and making recommendations to the Board in respect of these matters.

## **5. Risk management and internal control**

The responsibilities of the Committee are:

### **5.1 Risk management and internal compliance and control systems**

- (a) overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring that there is a mechanism for assessing the ongoing efficiency and effectiveness of those systems;
- (b) reviewing (at least annually) and approving policies and procedures on risk oversight and management to establish an effective and efficient system for:
  - (i) identifying, assessing, monitoring and managing risk; and
  - (ii) disclosing any material change to the Group's risk profile;
- (c) reviewing any material incident involving fraud or a breakdown of the Group's risk controls and considering the implications for the Group of such incidents;
- (d) receiving reports from Management concerning the Group's material risks and the risk controls and mitigation measures that Management has put in place, in order to assess the internal processes for determining, monitoring and managing these risks and to monitor the risk profile of the Group;
- (e) providing an objective review of the effectiveness of the Company's internal control environment, both from an accounting and tax perspective;
- (f) overseeing the resolution of reported internal control deficiencies;
- (g) evaluating the structure and adequacy of the Company's insurance program, having regard to the Company's business and the insurable risks associated with its business;

- (h) recommending to the Board the annual insurance renewal program;
- (i) overseeing the preparation of summaries and making recommendations to the Board:
  - (i) of main internal and external risk sources that could adversely affect the Company's prospects for future financial years, for inclusion in the operating and financial review section of the Directors' report; and
  - (ii) for the Company's Corporate Governance Statement in the Company's annual report or on its website, including in relation to each reporting period:
    - (A) whether the review of the Company's risk management framework has taken place and, if appropriate, insights gained from the review and changes made as a result; and
    - (B) whether the Company has any material exposure to environmental or social sustainability risks, and if so, how they intend to manage those risks.
- (j) if the Group has established an internal audit function:
  - (i) appointing or removing the head of internal audit;
  - (ii) determining the scope and adequacy of the internal audit work plan;
  - (iii) receiving reports from internal audit on its reviews of the adequacy of the Group's processes for managing risk; and
  - (iv) ensuring the independence, objectivity and performance of the internal audit function.

## 5.2 Disclosure and financial reporting

- (a) ensuring that Management establishes a comprehensive process to capture all financial information that must be disclosed to ASX; and
- (b) reviewing overseeing that appropriate risk management and internal control processes are in place to form the basis upon which the Group's the Chief Executive Officer and Chief Financial Officer make their declarations in relation to each of the Group's financial reports required under section 295A or the *Corporations Act 2001* (Cth) and Principle 4 of the ASX Corporate Governance Principles and Recommendations.

## 5.3 Other responsibilities

- (a) any other responsibilities as determined by the Committee or the Board from time to time, and making recommendations to the Board in respect of the above matters.

## 6. External audit

The responsibilities of the Committee are, among other things:

- (a) approving the terms of engagement with the external auditor at the beginning of each financial year;
- (b) regularly reviewing with the external auditor:
  - (i) the scope of, plan for and adequacy of the external audit;
  - (ii) identified risk areas; and
  - (iii) any other agreed procedures;
- (c) approving policies and procedures for appointing or removing an external auditor and for

- external audit engagement partner rotation;
- (d) recommending to the Board for approval, the appointment, reappointment or removal of an external auditor;
  - (e) approving the remuneration of the external auditor;
  - (f) regularly reviewing the performance, effectiveness and independence of the external auditor, including annual receipt of an independence report from the external auditor;
  - (g) approving the types of non-audit services that the external auditor may provide without impairing or appearing to impair the external auditor's independence;
  - (h) meeting periodically with the external auditor and inviting them to attend Committee meetings to:
    - (i) review their plans for carrying out internal control reviews; and
    - (ii) consider any comments made in the external auditor's letter, and in particular, any comments about material weaknesses in internal controls and Management's response to those matters;
  - (i) reviewing all representation letters signed by Management and assessing the management processes which support external reporting;
  - (j) considering significant matters raised during the audit process and receiving and reviewing the reports of the external auditor;
  - (k) ensuring that the external auditor attends the annual general meeting of the Company and is available to answer questions from shareholders of the Company relevant to the audit;
  - (l) establishing a policy for the approval of non-audit services carried out by the external auditor; and
  - (m) any other responsibilities as determined by the Committee or the directors from time to time.

## **7. Tax**

The Committee is responsible for:

- (a) overseeing tax risk management;
- (b) monitoring compliance to key taxation changes;
- (c) reviewing and recommending to the Board the Company Tax Policy (if applicable);
- (d) assessing and making recommendations to the Board in relation to appropriate tax risk tolerance; and
- (e) reviewing the adequacy and effectiveness of the Company's Group Tax Risk Framework, including policies, processes and procedures, and making recommendations to the Board.

## **8. Debt Facilities**

The Committee is responsible for:

- (a) Reviewing management recommendations on debt portfolio construction and capital strategy, taking into consideration liquidity and financial risk management;
- (b) Reviewing management's recommendations in relation to existing debt facilities; and
- (c) Reviewing and assessing the appropriateness and independence of management's relationships with key financiers.

## **9. Other responsibilities**

The responsibilities of the Committee are:

- (a) assessing and recommending to the Board the adoption of the scope, cover and cost of insurance, including insurance relating to directors and officers' liability, company reimbursement and professional indemnity;
- (b) if it considers appropriate, investigating any complaint or allegation made to it;
- (c) reviewing and/or evaluating:
  - (i) the effectiveness of the Company's risk management and internal control processes;
  - (ii) the Group's risk management plan framework at least annually, and ensuring that the Company discloses in relation to each reporting period whether such a review has taken place, as well as any insights gained and any changes made to the risk management framework as a result;
- (d) verifying the information included in the Company's annual directors' report and other corporate reports to ensure that the information contained in such reports is, in the reasonable opinion of the Committee, accurate, balanced and understandable and provides investors with appropriate information to make informed investment decisions;
- (e) if the Company has an internal audit function, how the function is structured and what role it performs, or if it does not have an internal audit function, that fact and the process that it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes;
- (f) ensuring that the Company discloses whether, and if so how, it has regard to, and manages, economic, environmental (including climate risk) and social sustainability and governance risks;
- (g) overseeing the management of cyber risk of the Company;
- (h) reviewing and monitoring any related party transaction and recommending its approval; and
- (i) any other responsibilities as determined by the Committee or the Board from time to time.

## **10. Committee meetings and processes**

### **10.1 Meetings**

Meetings and proceedings of the Committee are governed by the provisions in the Company's constitution regulating meetings and proceedings of the Board and committees of the Board in so far as they are applicable and not inconsistent with this charter.

The Annual Report for a relevant financial year will disclose the number of times the Committee met throughout that financial year and the individual attendance of each member of the Committee at those meetings.

Committee meetings may be held by any technological means allowing its members to participate in discussions even if all of them are not physically in the same place. A member who is not physically present but participating by technological means is taken to be present.

#### **10.2 Frequency and calling of meetings**

The Committee will meet as frequently as required to undertake its role effectively. The Chairperson must call a meeting of the Committee if requested by any member of the Committee, the external auditor, the internal auditor (if applicable) or the Chairperson of the Board.

#### **10.3 Quorum**

Two members constitute a quorum for meetings of the Committee.

#### **10.4 Attendance by management and advisors**

The Committee may invite other persons it regards appropriate to attend and contribute to Committee meetings. The Chief Financial Officer is expected to attend each scheduled meeting of the Committee, and a standing invitation will be issued to the external auditors (and internal auditors if applicable).

Directors who are not members of the Committee are welcome to attend Committee meetings. The Committee Chairperson may also invite other senior managers and external advisors to attend meetings of the Committee. The Committee may request management and/or others to provide such input and advice as is required.

#### **10.5 Notice, agenda and documents**

The Chairperson of the Committee, together with the CFO and the Company Secretary, determines the meeting agenda.

The secretary will distribute the agenda, and any related documents to all Committee members and other attendees not less than five business days before each proposed meeting of the Committee, where possible.

#### **10.6 Access to information and independent advice**

The Committee has the authority to:

- (a) require management or others to attend meetings and to provide any information or advice the Committee requires;
- (b) access the Company's documents and records;
- (c) obtain the advice of special or independent counsel, accountants or other experts, without seeking approval of the Board or management (where the Committee considers that necessary or appropriate); and
- (d) access and interview management and internal and external auditors (with or without management present).

The Committee may request a special or specific investigation, either by its own accord, or via Board direction, in satisfying its responsibilities under this Charter.

#### **10.7 Minutes**

The secretary will keep minutes to record the proceedings and resolutions of Committee meetings.

The Chairperson of the Committee, or their delegate, will report to the Board after each meeting Committee meeting.

Minutes must be distributed to all Committee members, after the Committee Chairperson has approved them.

### **11. Review and publication of this charter**

The Committee will review this charter annually to ensure it remains relevant to the current needs of the Company. The charter may be amended by resolution of the Board.

The Charter is available on the Company's website and the key features are published in the Corporate Governance Statement.

### **12. Approved and adopted**

This charter was approved by the Board on 19 December 2022.