



# **Nomination and Remuneration Committee Charter**

## 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**) (**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. Role of the Committee

### 2.1 Nomination

The role of the Committee is to assist and advise the Board on:

- (a) Board succession planning generally;
- (b) effective composition and size conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills, add value to the Board and in the best interests of the Company as a whole;
- (c) the appointment and reappointment of directors;
- (d) people and culture matters; and
- (e) ensuring there are plans in place to manage the succession of the Chief Executive Officer (**CEO**) and other senior executives.

### 2.2 Remuneration

The Committee also assists and advises the Board on remuneration policies and practices for the Board, the CEO, the Chief Financial Officer (**CFO**), senior executives and other persons whose activities, individually or collectively, affect the financial soundness of the Company.

The policies and practices are designed to:

- (a) enable the Company to attract, retain and motivate Directors, executives and employees who will create value for shareholders within the Company's values and risk appetite, by providing remuneration packages that are equitable and externally competitive;
- (b) be fair and appropriate having regard to the performance of the Company and the relevant Director, executive or employee; and
- (c) comply with relevant legal requirements;

### 3. Membership

#### 3.1 Composition and size

The Committee must comprise:

- (a) at least three directors; and
- (b) a majority of independent directors, and
- (b) if the Company is included in the S&P ASX 300 Index at the beginning of a financial year, the Committee must be comprised solely of non- executive directors.

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 Commitment of Committee Members

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

#### 3.4 Secretary

The company secretary is the secretary of the Committee.

### 4. Nominations – Responsibilities

#### 4.1 General

The Committee is responsible for:

- (a) **(Board size)** making recommendations regarding the size of the Board, being a size that encourages efficient decision making;
- (b) **(Director competencies)** identifying and making recommendations regarding the necessary and desirable competencies of Directors;
- (c) **(Director recommendations)** developing and reviewing the process for the selection, appointment and re-election of Directors, and making recommendations to the Board by:
  - (i) evaluating the balance of skills, experience, independence, knowledge and diversity of Directors sitting on the Board;

- (ii) preparing a description of the role and capabilities required for a particular appointment in light of the evaluation in 3(c)(i);
  - (iii) reviewing the director rotation, re-election and election schedule and reporting this to the board; and
  - (iv) undertaking appropriate checks before putting forward a candidate for appointment or election as a Director.
- (d) **(skills matrix)** formulating a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership, ensuring the skills matrix is assessed on a regular basis to ensure it remains relevant to the Company, and ensuring the skills matrix is compliant with ASX Corporate Governance Principles and Recommendations
- (e) **(providing information)** ensuring security holders are provided with material information in the Committee's possession relevant to a decision as to whether or not to elect or re-elect a Director;
- (f) **(agreement)** ensuring there is a written agreement with each director and senior executive setting out the terms of their appointment / employment.
- (g) **(diversity policy)** overseeing the implementation of the Diversity Policy and assessing progress in achieving the objectives of the Diversity Policy;
- (h) **(diversity commitment)** coordinating with the Board to ensure that the Company meets its commitment to becoming a diverse and inclusive workplace;
- (i) **(gender diversity)** making recommendations to the Board in relation to measurable gender diversity targets for the Board, the senior executive team and the organisation as a whole, and ensuring a process exists to monitor the achievement of these targets;
- (j) **(gender diversity – Board)** if the Company is in the S&P/ASX 300 Index ensure that the measurable objective for achieving gender diversity in the composition of the Board is not less than 30% of its Directors of each gender within a specified period;
- (k) **(gender diversity KPIs)** consider setting key performance indicators for senior executives on gender participation within their areas of responsibility and linking part of their remuneration to the achievement of those KPIs;
- (l) **(induction)** implementing induction programs for new Directors, including ensuring that Directors have sufficient understanding of accounting matters to fulfil their responsibilities in relation to financial statements;
- (m) **(on-going programs)** implementing programs to enhance Director competencies so they can perform their roles as Directors effectively, and to update Directors' knowledge and skills, including:
- (i) key developments affecting the Company, industry and environment in which it operates; and
  - (ii) receipt of briefings on material developments in laws, regulations and accounting standards relevant to the Company;

- (n) **(assessing performance)** implementing a formal and rigorous process (including considering whether to use external facilitators) to evaluate the performance of the Board, Board committees, individual Directors and senior executives and addressing issues that may arise from the review;
- (o) **(disclosure of performance evaluation)** ensuring there is disclosure in relation to each reporting period as to whether a performance evaluation was undertaken in the reporting period in accordance with the process set out above;
- (p) **(assessing time commitment)** reviewing the time required to be committed by Non-executive Directors to properly fulfil their duties to the Company and whether Non-executive Directors are meeting these requirements;
- (q) **(assessing independence)** assisting the Board in assessing the independence of each Non-executive Director, with reference to the criteria outlined in the ASX Corporate Governance Principles and Recommendations (4<sup>th</sup> edition);
- (r) **(policy reviews)** review on an annual basis the Code of Conduct and Diversity Policy and make recommendations to the Board in relation to any changes to these;
- (s) **(departing employees)** 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
- (t) **(governance matters)** reviewing and making recommendations in relation to any corporate governance issues as requested by the Board from time to time.

#### 4.2 Talent and succession planning

- (a) **(appointments)** oversee the process of the appointment of the Chief Executive Officer (CEO);
- (b) **(succession plans – Board)** reviewing Board composition and being conscious of each Director's tenure, to maintain an appropriate balance of skills, experience, expertise and gender diversity;
- (c) **(succession plans - executives)** oversee the succession plans and processes for the CEO, direct reports to the CEO, and other key leadership roles, and review the pool of internal candidates to fill these positions; and
- (d) **(talent management)** review talent management within the Company generally.

#### 4.3 People and culture

- (a) **(culture)** review and oversee the Company's key people and organisational culture strategies and their alignment with the Group's overall strategy and vision; and
- (b) **(diversity culture)** identifying ways to promote a culture supportive of diversity including recruitment from a diverse pool of candidates and reviewing nomination practices against measurable objectives for achieving gender diversity.

## 5. Remuneration responsibilities

### 5.1 General

- (a) The Committee is responsible for developing, reviewing and making recommendations to the Board on:
- (i) **(Directors' fees)** the Company's remuneration framework for Directors, including, the process by which any pool of Directors' fees approved by shareholders is allocated to Directors;
  - (ii) **(minimum shareholding – if applicable)** periodically review the policy and practices regarding the minimum shareholding for Directors and senior executives, ensure the detail of the policy is disclosed in the remuneration report, and review the progress towards meeting the minimum shareholding requirement;
  - (iii) **(senior executives)** the remuneration packages to be awarded to the CEO and senior executives;
  - (iv) **(shareholder approval)** determining if shareholder approval is required for any change to the remuneration of directors or executives;
  - (v) **(disclosure)** separately disclosing its policies and practices regarding the remuneration of Non-executive Directors and the remuneration of executive Directors and other senior executives;
  - (vi) **(policies)** the Company's recruitment, retention and termination policies for the CEO and senior executives and any changes to those policies;
  - (vii) **(incentive schemes)** incentive schemes, if appropriate, for the CEO and senior executives;
  - (viii) **(equity based)** equity-based remuneration plans, if appropriate, for senior executives and other employees;
  - (ix) **(superannuation)** superannuation arrangements for Directors, senior executives and other employees;
  - (x) **(default superannuation fund)** outcomes of a regular review, at least annually, of the Company's default superannuation fund; and
  - (xi) **(termination payments)** termination payments where they are not in accordance with policies or employee contracts.
- (b) The Committee is also responsible for monitoring and providing input to the Board regarding:
- (i) **(updates)** legislative, regulatory or market developments likely to have a significant impact on the Company and legislative compliance in employment issues;
  - (ii) **(Company trends)** the remuneration trends across the Company, including:

- (A) the trends in base pay for senior management relative to that of all Company employees; and
- (B) remuneration by gender; and
- (iii) **(benefits)** material changes to employee benefits and reward structures in the Company.

## 5.2 Incentive schemes and equity-based remuneration

For any incentive schemes or equity-based plans which are adopted, the Committee is responsible for:

- (a) **(reviewing)** reviewing their terms (including any eligibility criteria and performance hurdles;
- (b) **(administration)** overseeing their administration (including compliance with applicable laws that restrict participants from hedging the economic risk of their security holdings) and disclosing its policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme;
- (c) **(shareholder approval)** considering whether shareholder approval is required or desirable for the schemes or plans and for any changes to them; and
- (d) **(payments and awards)** ensuring that payments and awards of equity are made in accordance with their terms and any shareholder approval.

## 5.3 Structure of remuneration

In fulfilling these responsibilities, the Committee will ensure that:

- (a) **(alignment)** the remuneration structure for senior executives and the organisation as a whole is aligned to the Company's purpose, values, risk appetite and strategic objectives;
- (b) **(distinguishing structures)** a clear distinction is maintained between the structure of non-executive Directors' remuneration and that of executive Directors and senior executives;
- (c) **(linking rewards)** a proportion of executive Directors' and senior executives' remuneration is structured in a manner designed to link rewards to corporate and individual performance (reflecting short and long-term performance objectives appropriate to the Company's circumstances and goals);
- (d) **(remuneration consultant)** any engagement of a remuneration consultant is approved by the Board or the Committee and the remuneration consultant must report its recommendation directly to either or both of the members of the Board (other than an executive Director) or members of this Committee;
- (e) **(no influence)** the Committee and the Board are satisfied with the arrangements put in place to ensure that any remuneration recommendation made by the remuneration consultant is made free from undue influence from any member of the key management personnel to whom the recommendation relates; and

- (f) **(providing information)** the Committee will provide the Board with information sufficient to ensure that the Board makes an informed decision in relation to the Committee's recommendations.

## 6. Consultancy services

The 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.

## 7. Reporting and disclosure

The Committee will liaise with the Audit & Risk Committee and the Board in relation to the Company's remuneration related reporting in the financial statements and remuneration report required by the Corporations Act.

The Committee will approve an annual remuneration report containing information on the Company's remuneration policy, practices, attendance at and frequency of Committee meetings and make recommendations to the Board for the inclusion of the remuneration report in the Company's annual report.

The Committee will ensure that all applicable governance, accounting and legal requirements regarding disclosure of remuneration, in all forms, are complied with.

The Committee Chair will attend the Company's annual general meetings prepared to respond to any shareholder questions on the Committee's activities.

## 8. Committee meetings and processes

### 8.1 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.

## 8.2 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, or the Chairperson of the Board.

## 8.3 Quorum

Two members constitute a quorum for meetings of the Committee.

## 8.4 Attendance by management and advisors

The Committee may invite other persons it regards appropriate to attend and contribute to Committee meetings.

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.

## 8.5 Notice, agenda and documents

The Chairperson of the Committee, together with the CEO and 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.

## 8.6 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.

## 8.7 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.

## **9. 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.

## **10. Approved and adopted**

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