

# ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

## CORPORATE GOVERNANCE STATEMENT

### INTRODUCTION

Electro Optic Systems Holdings Limited ("**Company**" or "**EOS**") and its board of directors ("**Directors**") ("**Board**") are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review its corporate governance framework and practices to ensure they meet the interests of shareholders.

The Company and its controlled entities together are referred to as the "**Group**" in this statement.

Reference is made to the ASX Corporate Governance Principles and Recommendations issued and revised from time to time by the ASX Corporate Governance Council ("**Council**") ("**Recommendations**").

The Recommendations of the Council articulate nine core principles of good corporate governance ("**Principles**") and, for each of those Principles, recommendations as to their implementation.

The fourth edition of the Recommendations was issued by the Council in February 2019.

The Board believes that the Recommendations have been satisfied and implemented to the extent possible having regard to the relative size and nature of the Company. The Company endeavours to ensure that, where it does not follow a Recommendation, this does not have a negative impact on the best interests of shareholders of the Company.

While in most respects the Company complies with the Recommendations, it is recognised that the development and implementation of policies and practices is an ongoing process that evolves with the needs of the business and its stakeholders.

The following corporate governance policies (as defined in the body of this statement) have been adopted by the Board:

- Board Charter;
- Audit and Risk Committee Charter;
- Risk Management Policy;
- Nomination and Remuneration Committee Charter;
- Remuneration Policy;
- Diversity Policy;
- Code of Conduct;
- Continuous Disclosure Policy;
- Fraud and Corruption Policy;
- Shareholder Communications Policy;
- Securities Trading Policy; and
- Whistleblower Policy.

This statement for the financial year ended 31 December 2020, which has been approved by the Board and is current as at 31 March 2021 and discloses against the fourth edition of the Recommendations.

Various references are made below to the Company's website <https://www.eos-aus.com/> and the ASX's website <https://www.asx.com.au/> as sources of information on corporate governance practices and relevant documentation. Shareholders who do not have internet access but wish to read that material should telephone 02 6222 7900 and ask for a copy of the relevant material to be sent to them.

## **ASX PRINCIPLES AND RECOMMENDATIONS**

### **Principle 1: Lay solid foundations for management and oversight**

The relationship between the Board and members of the Company's senior management team is critical to the Group's success. The Directors are responsible to the shareholders for the performance of the Group in both the short and longer terms and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

#### **Recommendation 1.1: A listed entity should have and disclose a board charter setting out:**

- a) the respective roles and responsibilities of its board and management; and**
- b) those matters expressly reserved to the board and those delegated to management.**

The Company's board charter ("**Board Charter**") sets out the roles and responsibilities of the Board and is available on the Company's website at <http://www.eos-aus.com/corporate-governance/>.

Section 4 of the Board Charter sets out the Board's roles and responsibilities, which include those responsibilities listed in the Council's commentary on Recommendation 1.1.

Section 6 of the Board Charter sets out the roles and responsibilities of the chairperson of the Board ("**Chairperson**"), which includes the responsibilities listed in the Council's commentary on Recommendation 1.1.

Section 7 of the Board Charter sets out the roles and responsibilities of the Company's executive team, which includes those responsibilities listed in the Council's commentary on Recommendation 1.1.

Section 11 of the Board Charter sets out the Company's policy on when and how Directors may seek independent professional advice at the expense of the Company.

Day-to-day management of the Group's affairs and the implementation of the Group's corporate strategy and policy initiatives are formally delegated by the Board to the chief executive officer of the Company ("**CEO**") and the senior executives as set out in the Group's delegations policies. These delegations are reviewed by the Board from time to time.

#### **Recommendation 1.2: A listed entity should:**

- a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and**
- b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.**

The Company's nomination and remuneration committee charter ("**Nomination and Remuneration Committee Charter**") is available on the Company's website at <http://www.eos-aus.com/corporate-governance/>.

In accordance with section 4 of the Nomination and Remuneration Committee Charter, the responsibilities of the Company's nomination and remuneration committee ("**Nomination and Remuneration Committee**") include

ensuring that the Company:

- (a) undertakes appropriate checks before appointing a person, or putting forward to its shareholders a candidate for election, as a Director; and
- (b) provides shareholders with all material information relevant to a decision about whether or not to elect or re-elect a Director.

The Company will also provide its shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director (including information relating to independence and a recommendation regarding whether to support the candidate's appointment or election), in its annual report each year as well as its notice of annual general meeting ("AGM") each year.

The commitments of non-executive Directors are considered by the Nomination and Remuneration Committee prior to their appointment to the Board and are reviewed regularly by the Nomination and Remuneration Committee. Prior to appointment or being submitted for re-election, each non-executive Director is required to specifically acknowledge that they have, and will continue to have, the time available to discharge their responsibilities to the Company.

When a need to appoint a new Director is to be considered, the Nomination and Remuneration Committee considers the range and breadth of skills, experience and expertise on the Board, and compares that to the Board's anticipated future needs. From this, a short-list of candidates with appropriate skills and experience gets considered.

A number of channels are used to source candidates to ensure the Company benefits from a diverse range of individuals in the selection process. Where necessary, advice is sought from independent search consultants.

The full Board then appoints the most suitable candidate who must stand for election at the Company's next AGM. The nomination of existing Directors for reappointment is not automatic and is partly contingent on their past performance, their contribution to the effective operation of the Board and the current and future needs of both the Board and Company. The Board is aware of the advantages of Board renewal and succession planning.

**Recommendation 1.3: A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.**

In accordance with section 4 of the Nomination and Remuneration Committee Charter, the responsibilities of the Nomination and Remuneration Committee include ensuring that the Company has a written agreement with each Director and senior executive setting out the terms of his or her employment.

Section 2.5 of the Board Charter also requires the written agreement for each Director to take the form of a formal letter of appointment.

The Company has seven senior executives, being Ben Greene, Michael Lock, Craig Smith, Grant Sanderson, Neil Carter, Glen Tindall and Mr Peter Short, with whom it has in place executive employment agreements. The Company has put these arrangements in place and has had regard to section 2.5 of the Board Charter when doing so.

New non-executive Directors receive a letter of appointment, which outlines the Company's expectations in relation to participation, time commitments and compliance with policies and regulatory requirements. As with all employees, senior executives are required to sign employment agreements setting out the key terms of employment. Non-executive Directors are expected to spend adequate time preparing for and attending Board

and committee meetings and associated activities. The number of meetings of the Board and of each committee held are disclosed in the Company's annual report each year

The commitments of all non-executive Directors are considered by the Nomination and Remuneration Committee prior to each Director's appointment to the Board and are reviewed each year as part of the Company's annual Board, committee and Director performance assessments.

Prior to appointment or being submitted for re-election, each non-executive Director is required to specifically acknowledge that they have, and will continue to have, the time available to discharge their responsibilities to the Company.

**Recommendation 1.4: The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.**

In accordance with section 4 of the Board Charter, the responsibilities of the Board include appointing and replacing the company secretary of the Company ("Company Secretary").

Section 9 of the Board Charter sets out the responsibilities of the Company Secretary and states that the Company Secretary is accountable directly to the Board, through the Chairperson, on all matters to do with the proper functioning of the Board.

**Recommendation 1.5: A listed entity should:**

- a) **have and disclose a diversity policy;**
- b) **through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and**
- c) **disclose in relation to each reporting period:**
  - 1) **the measurable objectives set for that period to achieve gender diversity;**
  - 2) **the entity's progress towards achieving those objectives; and**
  - 3) **either:**
    - A. **the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or**
    - B. **if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.**

**If the entity was in the S&P / ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.**

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly, the Company's diversity policy ("**Diversity Policy**") outlines its diversity objectives in relation to gender, age, cultural background, ethnicity and other factors. A copy of the Company's Diversity Policy is available on the Company's website

Section 6 of the Diversity Policy sets out the Company's objectives for achieving gender diversity, including an appropriate and meaningful benchmark of seeking to ensure that where, at the commencement of the financial year, the Company is included in the S&P / ASX 300, at least 30% of the Directors of the Company are female. The Company joined the S&P / ASX 300 on 22 June 2020 and is seeking to appoint at least one additional female director over the next 12 months.

Section 8 of the Diversity Policy requires the Company to disclose in each of its annual reports a summary of the Diversity Policy and the Company's achievement of the objectives of its Diversity Policy.

The Company is aware of the benefits of diversity, which is achieved not only through gender diversity but through diversity of background, culture, experience and ethnicity, to leverage the widest possible pool of available talent.

As at the most recent year end reporting date, being 31 December 2020, the Group's gender diversity mix is, as disclosed in the Company's Annual Report:

	Number	Female	Male
Total staff	476	103	373
Senior Management	7	0	7
Board	6	1	5

"Senior Management" is defined as a manager who has a relatively high leadership role in the day-to-day responsibilities of managing the Company.

It is noted that the Company currently has a moderate level of both gender and general diversity, however given the relatively small number of total employees, a change of one or a few employees may have a significant impact on the measurable diversity objectives.

**Recommendation 1.6: A listed entity should:**

- a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and**
- b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.**

The performance of the Board, its committees and individual Directors is considered each year by the full Board in an open format. This process is led by the Chairperson (other than when the performance of the Chairperson is being considered, in which case another Director leads the process), may be formal or informal and was last done for the 2019 financial year on an informal basis.

In accordance with sections 4 and 5 of the Nomination and Remuneration Committee Charter, the responsibilities of the Company's Nomination and Remuneration Committee include:

- (a) annually reviewing the performance of the Company's CEO;
- (b) reviewing the performance of the Board, both collectively and individually and reporting to the Board on the same;
- (c) 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; and
- (e) ensuring that the Company:

- For personal use only
- (i) has a process for periodically evaluating the performance of the Board, its committees and individual Directors; and
  - (ii) discloses, in relation to each reporting period, whether a performance evaluation of Directors has been undertaken during that reporting period.

While, the Directors have the ability to use external facilitators to conduct their performance reviews pursuant to ASX Recommendation 1.6, the Company has not used external facilitators for performance reviews during the 2020 financial year and has no immediate plans to engage such facilitators.

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

The Company's Nomination and Remuneration Committee will, after consulting with the other Directors, arrange for a suitable non-executive Director to conduct a performance evaluation of the Chairperson. No formal performance review of the Chairman was undertaken during 2019 as the Directors felt it was not necessary.

The Remuneration and Nomination Committee also considers annually, or when a new director is appointed, the adequacy of the Company's induction and continuing education processes, access to information and the support provided by the Company Secretary.

Members of the executive team may be invited to contribute to the appraisal process of the Board, its committees and individual Directors, at the discretion of the CEO.

**Recommendation 1.7: A listed entity should:**

- a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and**
- b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.**

In accordance with section 4 of the Nomination and Remuneration Committee Charter, the responsibilities of the Company's Nomination and Remuneration Committee include ensuring that the Company:

- (a) has and discloses a process for periodically evaluating the performance of its senior executives on an annual basis.
- (b) discloses, in relation to each reporting period, whether a performance evaluation of senior executives has been undertaken during that reporting period.

The appraisal of senior executives is an ongoing process throughout the year with an annual appraisal considered by the CEO or the Nomination and Remuneration Committee during the annual remuneration review. A performance evaluation was undertaken in accordance with the above process for the financial year ended 31 December 2020. The process for periodically evaluating the performance of senior executives is initially carried out by the CEO who makes a recommendation to the Nominations and Remuneration Committee

**Principle 2: Structure the board to be effective and add value**

The Board operates in accordance with the broad principles set out in the Board Charter which provides details of the Board's composition and responsibilities.

**Conflict of interests**

In accordance with good governance practices, all Directors are required to declare all interests in dealings with the Company and are required to take no part in decisions relating to them. In addition, those Directors are not entitled to receive any papers from the Group pertaining to those dealings. No declarations were received from any Directors during the most recent financial year.

### **Independent professional advice**

All Directors and members of the Board's committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval from the Chairperson is required, but such approval will not be unreasonably withheld.

### **Board committees**

The Board has established committees to assist in the execution of its duties and to allow detailed consideration of complex issues. The current committees of the Board are the audit and risk committee ("**Audit and Risk Committee**") and the Nomination and Remuneration Committee. The Audit and Risk Committee and the Nomination and Remuneration Committee are comprised entirely of non-executive Directors.

The structure and membership of the Audit and Risk Committee and Nomination and Remuneration Committee (each a "**Committee**" and together, the "**Committees**") is reviewed on an annual basis.

Each Committee has its own written charter setting out its role and responsibilities and that of its members, its composition, structure, membership requirements and the manner in which the relevant Committee is to operate. All matters determined by the Committees are submitted to the full Board as recommendations for Board decisions.

Minutes of Committee meetings are tabled at the subsequent Board meeting. Additional requirements for specific reporting by the Committees to the Board are addressed in the respective charter of the individual Committees.

### **Recommendation 2.1 Remuneration: The board of a listed entity should:**

- a) **have a nomination committee which:**
  - 1) **has at least three members, a majority of whom are independent directors; and**
  - 2) **is chaired by an independent director,**  
**and disclose:**
    - 3) **the charter of the committee;**
    - 4) **the members of the committee; and**
    - 5) **as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**
- b) **if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.**

Section 3 of the Nomination and Remuneration Committee Charter requires the Company's Nomination and Remuneration Committee to be comprised of at least three Directors, a majority of whom are independent.

The Company's Nomination and Remuneration Committee is currently comprised of five members (being Geoffrey Brown (chairperson), Peter Leahy, Kate Lundy, Ian Dennis and David Black. All of whom are considered by the Board to be independent apart from Ian Dennis who is also the Company Secretary.

The relevant qualifications and experience of the members of the Company's Nomination and Remuneration Committee are disclosed in the Company's Annual Report.

In accordance with section 9 of the Nomination and Remuneration Committee Charter, the Company's Annual Report discloses the number of times the Nomination and Remuneration Committee met during the relevant reporting period and the individual attendances of members at those meetings.

A copy of the Nomination and Remuneration Committee Charter is available on the Company's website at <https://www.eos-aus.com/corporate-governance/>.

**Recommendation 2.2: A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.**

The Company has disclosed the skills, expertise and diversity of the current Board in the Directors' Report of its Annual Report for the financial year ended 31 December 2020.

Section 3 of the Board Charter outlines the key skills that the Board recognises should be achieved in its membership.

**Recommendation 2.3: A listed entity should disclose:**

- a) the names of the directors considered by the board to be independent directors;
- b) if a director has an interest, position, affiliation or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and
- c) the length of service of each director.

Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5 percent of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10 percent of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Company's loyalty. In accordance with the definition of independence above, and the materiality thresholds set, the following Directors are considered to be independent:

Name	Position
Mr. David Black	non-executive Director
Mr Peter Leahy	non-executive Director
Mr Geoffrey Brown	non-executive Director
Ms Kate Lundy	non-executive Director

The Board assesses independence each year. To enable this process, each Director must provide all information that may be relevant to the assessment of their independence.

The Company's constitution ("**Constitution**") specifies that all non-executive Directors must retire from office no later than the third AGM following his or her last election. Where eligible, a Director may stand for re-election.



The length of service of each Director is set out in the Company's annual report each year.

**Recommendation 2.4: A majority of the board of a listed entity should be independent directors.**

The Board is comprised of seven Directors, four of whom are considered to be independent, as set out in the commentary in respect of Recommendation 2.3 above. As such, the Board comprises a majority of independent directors.

**Recommendation 2.5: The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.**

The Chairperson is responsible for leading the Board, ensuring that Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's senior leadership team. In accepting the position, the Chairperson acknowledges that they will be required to commit a significant amount of time to the role and confirms that other positions that they hold will not hinder his or her effective performance in their role as Chairperson.

The Chairperson, Mr Fred Bart, is not an independent chairperson. The Board acknowledges Recommendation 2.5 that the chairperson should be an independent director, however, the Board believes that non-compliance in this respect is in the best interests of the Company. The Board is confident that Mr Bart brings deep understanding of the Group and the industry in which it operates and will make invaluable contributions to the Company by virtue of his alignment.

**Recommendation 2.6: A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.**

In accordance with section 4 of the Nomination and Remuneration Committee Charter, the responsibilities of the Company's Nomination and Remuneration Committee include ensuring that the Company 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.

No formal process exists for existing Directors to undertake professional training however, the Company will consider implementing such processes if and when the need arises and the Company considers that such professional training would add value to Directors and the Board as a whole.

The induction provided to new Directors enables them to actively participate in Board decision-making as soon as possible. It ensures that they have a full understanding of the Company's financial position, strategies, operations, culture, values and risk management policies. The induction ensures new Directors understand the respective rights, duties, responsibilities, roles of and interactions between the Board and the senior leadership team and the Company's meeting arrangements.

**Principle 3: Instil a culture of acting lawfully, ethically and responsibly**

**Recommendation 3.1: A listed entity should articulate and disclose its values.**

The Company's values are articulated in its code of conduct ("**Code of Conduct**"), a copy of which is available on the Company's website at <https://www.eos-aus.com/corporate-governance/>. Section 15 of the Code of Conduct requires the Company to provide to its employees and managers appropriate training on the values contained in the Code of Conduct.

**Recommendation 3.2: A listed entity should:**

- a) **have and disclose a code of conduct for its directors, senior executives and employees; and**
- b) **ensure that the board or a committee of the board is informed of any material breaches of that code.**

The Company has a formal Code of Conduct. Section 1 of the Code of Conduct states that the Code of Conduct applies to the Directors and all employees, officers, contractors and consultants of the Company and its controlled entities. A copy of the Code of Conduct is available on the Company's website at <https://www.eos-aus.com/corporate-governance/>.

Section 16 of the Code of Conduct requires the Company's employees to inform the Board of any material breaches of the Code of Conduct.

All Directors and employees are expected to act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

The purchase and sale of Company securities by Directors and employees is governed by the Company's securities trading policy ("**Securities Trading Policy**") which is available on the Company's website and includes closed periods. Any transactions undertaken by Directors outside of these closed periods must be notified to the Chairperson in advance.

**Recommendation 3.3: A listed entity should:**

- a) **have and disclose a whistleblower policy; and**
- b) **ensure that the board or a committee of the board is informed of any material incidents reported under that policy.**

The Company has a whistleblower policy ("**Whistleblower Policy**"), a copy of which is available on the Company's website at <https://www.eos-aus.com/corporate-governance/>.

The Whistleblower Policy sets out to whom within the Company relevant disclosures should be made. Section 9 of the Whistleblower Policy states (among other things) that where appropriate, findings of an investigation will be reported to the Company's Audit and Risk Committee.

**Recommendation 3.4: A listed entity should:**

- a) **have and disclose an anti-bribery and corruption policy; and**
- b) **ensure that the board or committee of the board is informed of any material breaches of that policy.**

The Company has a fraud and corruption policy ("**Fraud and Corruption Policy**"), a copy of which is available on the Company's website at <https://www.eos-aus.com/corporate-governance/>.

The Fraud and Corruption Policy sets out the escalation requirements upon receipt of a report of suspected fraud or corruption, which includes discussion with the Board where appropriate.

**Principle 4: Safeguard the integrity of corporate reports**

**Recommendation 4.1: The board of a listed entity should:**

- a) **have an audit committee which:**
  - 1) **has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and**
  - 2) **is chaired by an independent director, who is not the chair of the board, and disclose:**
    - 3) **the charter of the committee;**
    - 4) **the relevant qualifications and experience of the members of the committee; and**

- 5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

Section 3 of the Audit and Risk Committee Charter requires the Company's Audit and Risk Committee to be comprised of at least three non-executive Directors, a majority of whom are independent.

The Company's Audit and Risk committee is currently comprised of five members (being Peter Leahy, Ian Dennis, Kate Lundy, Geoffrey Brown and David Black), all of whom are considered by the Board to be independent apart from Ian Dennis who is the Company Secretary. The Company's Audit and Risk Committee is chaired by Mr Leahy, who is not the Chairperson of the Board.

The relevant qualifications and experience of the members of the Company's Audit and Risk Committee are disclosed in the Company's Annual Report.

In accordance with section 8 of the Audit and Risk Committee Charter, the Company's Annual Report discloses the number of times the audit and risk committee met during that year together with the individual attendances of members at those meetings.

In accordance with the Audit and Risk Committee Charter, all members of the Audit and Risk Committee must be financially literate and have an appropriate understanding of the industry in which the Group operates.

The main responsibilities of the Audit and Risk Committee are set out in sections 4 to 7 of the Audit and Risk Committee Charter, a copy of which is available on the Company's website at <https://www.eos-aus.com/corporate-governance/>. Such responsibilities include:

- reviewing, assessing and approving the annual reports, the half-year financial reports and all other financial information published by the Company or released to the market;
- assisting the Board in reviewing the effectiveness of the organisation's internal control environment covering:
  - overseeing the effectiveness and efficiency of operations;
  - ensuring the reliability of financial reporting; and
  - overseeing compliance with applicable laws and regulations;
- overseeing the effective operation of the Company's risk management framework;
- recommending to the Board the appointment, removal and remuneration of the external auditors, and reviewing the terms of their engagement, the scope and quality of the audit and assessing external auditors' performance;
- considering the independence and competence of the external auditor on an ongoing basis;
- reviewing and approving the level of non-audit services provided by the Group's external auditors and ensuring that they do not adversely impact on the auditors' independence;
- reviewing and monitoring all related party transactions and assessing their propriety; and
- reporting to the Board on matters relevant to the Audit and Risk Committee's role and responsibilities.

In fulfilling its responsibilities, the Audit and Risk Committee:

- receives regular reports from management and the Company's external auditors;
- meets with the external auditors at least twice a year, or more frequently if necessary, and may hold in-camera discussions with the external auditors without the presence of management;
- reviews the processes the CEO and chief financial officer ("CFO") have in place to support their annual

certifications to the Board;

- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved; and

provides the external auditors with a clear line of direct communication at any time to either the chairperson of the Audit and Risk Committee or, if necessary, the Chairperson of the Board.

The Audit and Risk Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

**Recommendation 4.2: The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.**

In accordance with section 5 of the Audit and Risk Committee Charter, the responsibilities of the Company's Audit and Risk Committee include assisting the Company's CFO with providing declarations of the kind required by Recommendation 4.2.

The Company's CEO is Ben Greene, who is a non-independent Director. Michael Lock is the CFO of the group and was appointed on 1 March 2021. Before the Audit and Risk Committee recommends, and the Board approves, the Company's financial statements for the half year or full year, the CEO and CFO are required to provide a declaration pursuant to section 295A of the *Corporations Act 2001* (Cth) ("**Corporations Act**") that, in their opinion, the financial records of the Group have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. Such a declaration has been provided in respect of the 2020 full year financial statements.

The Company maintains sound systems of risk management and internal controls and ensures that the systems are operating effectively in all material respects in relation to financial reporting risks. The Company has also adopted a risk management policy ("**Risk Management Policy**") to manage risks which it may face.

The Company policy is to appoint external auditors who clearly demonstrate quality of service and independence.

The performance of the external auditor is reviewed annually. Deloitte Touche Tohmatsu ("**Deloitte**") was appointed as the external auditor in 2002. It is Deloitte's policy to rotate audit lead engagement partners on listed companies at least every five years

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Annual Report both in the Directors' Reports and in the notes to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit and Risk Committee which is reproduced in the Company's Annual Report.

The Audit and Risk Committee Charter [and the Company's Risk Management Policy] are available on the Company's website at <https://www.eos-aus.com/corporate-governance/>.

**Recommendation 4.3: A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.**

Any periodic report is drafted under the supervision of the CEO and Company Secretary. These draft reports are circulated to senior executives for review and then finally approved by the Board for release. All such periodic reports are finally reviewed by senior staff not directly involved in the drafting process.

#### **Principle 5: Make timely and balanced disclosure**

The Company is committed to disseminating information to shareholders in a fair, timely and cost efficient manner to ensure compliance with the listing rules of the Australian Securities Exchange ("**ASX Listing Rules**") and to facilitate effective communication with shareholders.

#### **Recommendation 5.1: A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.**

The Company will operate under the continuous disclosure requirements of the ASX Listing Rules as set out in its continuous disclosure policy ("**Continuous Disclosure Policy**").

In accordance with the objectives set out in section 3 of the Continuous Disclosure Policy, the Company will ensure that all price-sensitive information which may be expected to affect the value of the Company's securities or influence investment decisions is released to the market in a way that ensures that all investors have equal and timely access to this information.

In accordance with section 3.2 of the Continuous Disclosure Policy, the Company Secretary has the responsibility for (among other things) ensuring that all relevant information is released to the market in a timely manner in consultation with the Board.

A copy of the Continuous Disclosure Policy is available on the Company's website at <https://www.eos-aus.com/corporate-governance/>.

#### **Recommendation 5.2: A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.**

In accordance with section 3.2 of the Continuous Disclosure Policy, the Company Secretary is responsible for ensuring that the Board receives a copy of all announcements released by the Company on ASX promptly after release of such announcements.

#### **Recommendation 5.3: A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.**

In accordance with section 5.1 of the Continuous Disclosure Policy, the Company will ensure that any investor presentation or other briefing materials which are to be used for open investor meetings are released to ASX ahead of such investor presentation or briefing being given.

#### **Principle 6: Respect the rights of security holders**

#### **Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.**

The Company provides ready access to its shareholders and members of the public to information about the

Company and its governance on its website <https://www.eos-aus.com/> which is regularly updated with the latest information. Price sensitive information is only loaded to the website after it is duly released to the ASX announcements platform.

**Recommendation 6.2: A listed entity should have an investor relations program that facilitates effective two-way communication with investors.**

The Company has a shareholder communications policy ("**Shareholder Communications Policy**") which seeks to promote effective communication with shareholders and encourage effective participation at general meetings of the Company. The Company will do this by ensuring (among other things) that the materials detailed in the Shareholder Communications Policy are maintained and updated on the Company's website.

In addition, the Company publishes regular shareholder communications, such as half yearly reports, annual reports and investor letters and provides shareholders with the opportunity to access such reports and other releases electronically via the Company's website. Shareholders can communicate with the Company via electronic methods such as email.

A copy of the Shareholder Communications Policy is available on the Company's website at: <https://www.eos-aus.com/corporate-governance/>.

**Recommendation 6.3: A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.**

The Board will encourage full participation of shareholders at the Company's AGMs and any other general meetings to ensure a high level of accountability and identification with the Company's strategy.

The external auditor will also be invited to attend AGMs and will be available to answer any questions concerning the conduct, preparation and content of the auditor's report.

In addition, the CEO regularly meets major investors to understand their issues and concerns. No new material price sensitive information is provided at such meetings. Other non-executive Directors or the CFO may attend such meetings if requested. The CEO reports to the Board on the matters discussed at meetings with major investors.

The Shareholder Communications Policy provides further details as to how the Company facilitates and encourages participation at meetings of shareholders.

**Recommendation 6.4: A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.**

In accordance with section 7 of the Shareholder Communications Policy, the Company will seek to ensure that all resolutions at meetings of its shareholders are decided by a poll rather than a show of hands.

The Company's Constitution states that a resolution put to the vote of a general meeting is decided on a show of hands unless a poll is demanded in accordance with clause 75 of the Constitution.

A copy of the Constitution is available on the Company's website at <https://www.eos-aus.com/corporate-governance/>.

**Recommendation 6.5: A listed entity should give security holders the option to receive communications**

**from, and send communications to, the entity and its security registry electronically.**

Section 3 of the Shareholder Communications Policy gives shareholders the option to receive and send communications to the Company and its share registry electronically.

The Company's website enables users to provide feedback and has an option for shareholders to register their email address for direct email updates on Company matters.

All shareholders are entitled to receive a hard copy of the Company's annual reports which are also available for download on the Company's website.

#### **Principle 7: Recognise and manage risk**

##### **Recommendation 7.1: The board of a listed entity should:**

- a) have a committee or committees to oversee risk, each of which:**
  - 1) has at least three members, a majority of whom are independent directors; and**
  - 2) is chaired by an independent director, and disclose:**
    - 3) the charter of the committee;**
    - 4) the members of the committee; and**
    - 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**
- b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.**

Section 3 of the Audit and Risk Committee Charter requires the Company's Audit and Risk Committee to be comprised of at least three non-executive Directors, a majority of whom are independent.

The Company's Audit and Risk Committee is currently comprised of five members (being Peter Leahy, Ian Dennis, Kate Lundy, Geoffrey Brown and David Black), all of whom are considered by the Board to be independent apart from Ian Dennis who is the Company Secretary. The Company's Audit and Risk Committee is chaired by Mr Leahy, who is not the Chairperson of the Board.

The relevant qualifications and experience of the members of the Company's Audit and Risk Committee are disclosed in the Company's Annual Report.

In accordance with section 8 of the Audit and Risk Committee Charter, the Company's Annual Report discloses the number of times the Audit and Risk Committee met during the relevant reporting period and the individual attendances of members at those meetings

A copy of the Audit and Risk Committee Charter is available on the Company's website at <https://www.eos-aus.com/corporate-governance/>.

##### **Recommendation 7.2: The board or a committee of the board should:**

- a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and**
- b) disclose, in relation to each reporting period, whether such a review has taken place.**

Section 11 of the Audit and Risk Committee Charter requires the Company's Audit and Risk Committee to review the Audit and Risk Committee Charter at least annually or as often as it considers necessary.

The same review obligation is imposed by section 2 of the Risk Management Policy.

In accordance with section 7 of the Audit and Risk Committee Charter, the responsibilities of the Company's Audit and Risk Committee include ensuring that the Company discloses in relation to each reporting period whether a review of the Company's risk management framework has taken place, as well as any insights gained and any changes made to the risk management framework as a result.

The Company takes a proactive approach to risk management which is managed by the COO under guidance provided by the Board and the Audit and Risk Committee.

The Audit and Risk Committee monitors the Company's risk management by overseeing management's actions in the evaluation, management, monitoring and reporting of material operational, financial, compliance and strategic risks. The Audit and Risk Committee recommends any actions it deems appropriate to the Board for its consideration.

Management is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system and has to report to the Audit and Risk Committee on the effectiveness of:

- the risk management and internal control system during the year; and
- the Company's management of its material business risks.

Copies of the Company's Audit and Risk Committee Charter [and Risk Management Policy] are available on the Company's website at <https://www.eos-aus.com/corporate-governance/>.

**Recommendation 7.3: A listed entity should disclose:**

- a) if it has an internal audit function, how the function is structured and what role it performs; or**
- b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.**

The Company does not have a separate internal audit function. Risk assessments are carried out as required with risk mitigation strategies utilised to minimise the chance of the risks occurring and to ameliorate any negative impact.

The Company also engages an independent professional service provider to carry out an annual review of the Company's internal controls on a targeted basis where risks are identified or additional assurance of controls is desirable. The results of the review are reported directly to the Audit and Risk Committee.

The Audit and Risk Committee Charter [and Risk Management Policy] set out the responsibilities of the Company's Audit and Risk Committee in relation to the assessment, review and improvement of internal controls and risk management.

**Recommendation 7.4: A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.**

Pursuant to section 7 of the Audit and Risk Committee Charter, the Company's Audit and Risk Committee will be responsible for ensuring the Company discloses whether, and if so how, it has regard to, and manages, economic, environmental and social sustainability risks.

The Company's Annual Report details the way in which environmental, social and other risks may impact on the



value of the Company / The Directors and management have considered whether the Company has any material exposure to economic, environmental and social sustainability risks and determined that there are none.

In addition to the risk assessment and management strategies previously outlined, as required the Company utilises a number of risk mitigation strategies including, among other things, employing appropriately qualified staff, using external advisors and holding appropriate insurance.

#### **Principle 8: Remunerate fairly and responsibly**

##### **Recommendation 8.1: The board of a listed entity should:**

- a) have a remuneration committee which:**
  - 1) has at least three members, a majority of whom are independent directors; and**
  - 2) is chaired by an independent director, and disclose:**
    - 3) the charter of the committee;**
    - 4) the members of the committee; and**
    - 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**
- b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.**

Section 3 of the Nomination and Remuneration Charter requires the Company's Nomination and Remuneration Committee to be comprised of at least three Directors, a majority of whom are independent.

The Company's Nomination and Remuneration Committee is currently comprised of five members (being Geoffrey Brown (chairperson), Peter Leahy, Kate Lundy, Ian Dennis and David Black), all of whom are considered by the Board to be independent apart from Ian Dennis who is also the Company Secretary.

The relevant qualifications and experience of the members of the Company's Nomination and Remuneration Committee are disclosed in the Directors' Report of the Company's Annual Report.

The relevant qualifications and experience of the members of the Company's Nomination and Remuneration Committee are disclosed in Directors' Report of the Company's Annual Report.

In accordance with section 9 of the Nomination and Remuneration Committee Charter, the Company's Annual Report discloses in the Directors' Report the number of times the Nomination and Remuneration Committee met during the period and the individual attendances of members at those meetings.

A copy of the Nomination and Remuneration Committee Charter is available on the Company's website at <https://www.eos-aus.com/corporate-governance/>.

The Nomination and Remuneration Committee is empowered to investigate any matter brought to its attention and has direct access to any employee or any independent experts and advisers as it considers appropriate in order to ensure that its responsibilities can be carried out effectively.

##### **Recommendation 8.2: A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.**

The Company's policies and practices regarding the remuneration of executive and non-executive Directors are separately set out in section 3 of the Company's remuneration policy

In accordance with section 3 of the Remuneration Policy, remuneration will be reviewed on at least an annual basis with consideration given to individuals' performance and their contribution to the Company's success (against measurable key performance indicators), external market relativities, shareholders' interests and desired market positioning.

Each employee signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description. Job descriptions are reviewed by the CEO on a regular basis and, where necessary, are revised in consultation with the relevant employee and the Board.

Information on Directors' and executives' remuneration, including principles used to determine remuneration, is disclosed in the Company's Annual Report under the section titled "Remuneration Report".

Senior management may receive a mix of fixed and variable pay, comprising both cash and equity incentives. Non-executive Directors receive fees, statutory superannuation only and equity incentives. Ian Dennis receives additional consulting fees for his role as Company Secretary. Non-executive Directors do not receive bonus payments.

**Recommendation 8.3: A listed entity which has an equity-based remuneration scheme should:**

- a) have a 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; and
- b) disclose that policy or a summary of it.

The Company currently has in place an employee share option scheme and a loan funded share plan, details of which are available on the Company's website at the Investor Centre tab and the Annual Report. In addition, the Company's policy on equity-based remuneration is set out in the Remuneration Policy. In accordance with Company policy, participants in equity-based remuneration plans are not permitted to enter into transactions that would limit the economic risk of options or other unvested entitlements.

In addition, the Company's Securities Trading Policy sets out the Company's policy on the use of derivatives by Directors, employees, contractors and consultants.

A copy of the Securities Trading Policy is available on the Company's website at <https://www.eos-aus.com/corporate-governance/>.

**Recommendation 9.1: A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.**

The Company does not have a Director in this position and this recommendation is therefore not applicable to the Company.

**Recommendation 9.2: A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.**

The Company is established in Australia and this recommendation is therefore not applicable to the Company.

**Recommendation 9.3: A listed entity established outside Australia, and an externally managed listed entity that has an AGM, should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.**

The Company is established in Australia and this recommendation is therefore not applicable to the Company.

31 March 2021

Ian Dennis

Company Secretary

For personal use only