

# XTEK LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

XTEK Limited and controlled entities is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve, the Company has turned to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The Company's approach to corporate governance is to have a set of values and behaviours that underpin everyday activities, ensure transparency and fair dealing and protect security holder interests. This approach includes a commitment to best practice governance standards, which XTEK sees as being in the best interests of investors whilst ensuring full compliance with legal requirements.

The framework for XTEK's Corporate Governance Statement follows the Australian Securities Exchange (ASX) Corporate Governance Council's eight principles and recommendations for Corporate Governance (4<sup>th</sup> Edition) of 27 February 2019.

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### **Council Recommendation 1.1: A listed entity should disclose the respective roles and responsibilities of Board and Management and those matters expressly reserved to the Board and those delegated to Management**

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board to carry out its functions, it has adopted a formal Charter that details functions and responsibilities of the Board and areas of authority as delegated. The Board Charter is supplemented by the Company Code of Conduct that is available to guide Non-Executive Directors, Executive Directors, Company Secretary, Group Chief Executive Officer, Chief Financial Officer and other senior executives and employees in the performance of their roles.

### **Role of Group Chief Executive Officer**

The Group Chief Executive Officer's role is to develop and agree with the Board the corporate strategy and vision and to oversee implementation of the strategy and management of the Company to achieve the agreed vision in accordance with the strategies, policies and programs set by the Board.

Responsibilities include:

- Formulating and reviewing, with the Board, the vision and strategy and developing actions and plans to achieve the vision and implement the strategy. Reporting to the Board on the progress against those plans;
- Appointing a management team and negotiating terms and conditions for approval by the Human Resource and Remuneration Committee of the Board. Providing leadership to and overseeing the senior management team, ensuring employees are properly instructed to achieve a safe workplace and ensuring compliance with laws and Company policies and that a high level of ethical behaviour is practiced;
- Reporting to the Board on various matters, including all matters requiring review or approval, significant changes to the risk profile, certification to the Board on the fairness of the financial statements and adequacy of policies as regards risk management, monthly reporting on performance of businesses and continual education of Directors

of the Company, its business environment and relevant changes of law;

- Acting within delegated authority levels for capital expenditure, sale of assets, appointment and termination of executives; and
- All other matters necessary for the day-to-day management of the Company and not reserved for the Board. Induction procedures are in place to allow new executive management personnel to participate fully and actively in management decision making at the earliest opportunity upon appointment. This induction process will take into account the individuals knowledge of the Company and the homeland security industry. The induction program for senior executives is designed to make available the Company's financial position, strategies, operations and risk management policies. Also, the respective rights, duties, responsibilities and roles of the Board and senior executives.

## **Responsibilities of the Board of Directors**

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In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

- **Leadership of the Organisation:** overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board, management and employees.
- **Strategy Formulation:** working with senior management to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- **Overseeing Planning Activities:** overseeing the development of the Company's strategic plan and approving that plan as well as the annual and long-term budgets.
- **Shareholder Liaison:** ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- **Monitoring, Compliance and Risk Management:** overseeing the Company's risk management, compliance, control and accountability systems and reviewing the effectiveness and directing the financial and operational performance of the Company.
- **Company Finances:** approving expenses in excess of those approved under the Company authorisations process and approving and monitoring acquisitions, divestitures and financial and other reporting.
- **Human Resources:** appointing, and, where appropriate, removing the Group Chief Executive Officer, Company Secretary, Chief Financial Officer (CFO) as well as reviewing the performance of the Group Chief Executive Officer and monitoring the performance of senior management in their implementation of the Company's strategy.
- **Ensuring the health, safety and well-being of Employees:** in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- **Delegation of Authority:** delegating appropriate powers to the Group Chief Executive Officer to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board. The Board has established the following Standing Committees, details of which are included later in this Corporate Governance Statement:

- Finance and Audit Committee

- Human Resources and Remuneration Committee;
- Nomination Committee; and
- Risk Management Committee.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of strategic plans designed to meet stakeholders' needs and manage business risk;
- Reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance;
- Ongoing development of strategic plans and approving initiatives and strategies designed to ensure the continued growth and success of the entity; and
- Implementation of budgets by management and monitoring progress against budget. This is achieved by the establishment and reporting of both financial and non-financial key performance indicators.

### **Other matters expressly reserved for the Board of Directors**

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The following matters and responsibilities have been expressly reserved for the Board:

- Approval of the annual and half-yearly financial reports;
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- Ensuring that any significant corporate risks that arise are identified, assessed, appropriately managed and monitored;
- Ensuring appropriate resources are available to senior executives; and
- Reporting to security holders.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is contained on the Company's website at the Corporate Governance Section.

The Company complies with Recommendation 1.1.

### **Council Recommendation 1.2: A listed entity should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a Director and in addition should disclose all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.**

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The Company has adopted a policy as developed by the Nomination Committee for the selection and appointment of Directors. This policy defines procedural processes for the appointment of new Directors and the re-election of incumbent Directors. As part of this process, the Company undertakes appropriate background checks on all candidates being considered for appointment. Directors are appointed based on the specific governance skills required by the Company to fill Board vacancies when they arise. The Company discloses all material information to security holders in its possession relevant to a decision on whether or not to elect or re-elect Director. This is achieved primarily through the release of information contained within the Notice of Annual General Meeting of the Company covering motions on the election and re-election of Directors.

The Company complies with Recommendation 1.2.

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

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All new Directors and Senior Executives are provided with a letter of appointment and contractual agreements setting

out terms of the appointment, which include the Company's expectations, their individual responsibilities, rights and terms and conditions of their appointment. By way of induction, new Directors and Executives meet with the Chairman and Company Secretary upon appointment. These briefings cover the operation of the Board and its Committees and financial, strategic, operations and risk management issues.

The Company complies with Recommendation 1.3.

### **Council 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.**

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The Board has designated the Company Secretary as the Officer responsible for overseeing all governance matters and coordinating disclosure of information to the ASX as well as communicating with the ASX. The Company Secretary is responsible for ensuring that all Company announcements are made in a timely manner and are factual and do not omit any material information. In addition, the Company Secretary is also responsible for the following matters:

- advising the Board and its Committees on all governance matters;
- monitoring of Board policy and procedures to ensure compliance standards are met by the Company;
- ensuring the business of the Board/Committee meetings are accurately recorded in official Minutes and disseminated in a timely manner;
- overseeing and coordinating information disclosure to the ASX, security holders, analysts, brokers, the media and the public;
- advising Directors and staff on the Company's governance and disclosure policies and raising awareness of the principles underlying continuous disclosure; and
- facilitating the induction and professional development of new Directors and Executives.

The Company complies with Recommendation 1.4.

### **Council Recommendation 1.5: A listed entity should have a disclosable diversity policy which includes requirements to set measurable objectives for achieving gender diversity.**

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The Company is committed to providing a safe working environment and equal employment opportunities for all Directors, executives and employees at all levels within the Company. Whilst the Company is not subject to the provisions of The Workplace Gender Equality Act, in that it employs less than 100 employees, it does recognise the importance of diversity within the workplace.

The Company operates as an equal opportunity Employer and selects personnel based upon the principle of the best person for the role/job, irrespective of gender, age, sexual orientation, ethnicity, marital or family status and religious or cultural background. The Company Code of Conduct defines that discrimination, harassment, vilification and victimisation cannot and will not be tolerated. Recruitment and selection practices at all levels are appropriately structured to ensure all candidates are considered and that no conscious or unconscious biases are applied against certain candidates. The Company is a small business enterprise with less than 50 personnel overall (inclusive of the Board). None-the-less, the Company has successfully employed a number of women to management roles in recent years.

Whilst the Company does not comply with Recommendation 1.5 fully, it nonetheless applies many of the core principles through its Code of Conduct provisions.

### **Council Recommendation 1.6: A listed entity should have and disclose a process for periodically evaluating the Board, Committees and individual Directors.**

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The Nomination Committee of the Board is responsible for the conduct of a performance review of the Board (both collectively and individually) and the Group Chief Executive Officer. This is an annual evaluation process and is based on a number of goals for the Board and the individual Directors that have been established in the preceding year. The goals are based on the role of the Board and individual Directors as well as corporate objectives and any areas for

improvement identified in previous reviews. The assessment of the performance of individual Directors is undertaken by the Nomination Committee, with the Chairman meeting privately with each Director, Company Secretary and the Group Chief Executive Officer to discuss their annual assessment. Performance assessment was conducted during the FY22 reporting period, with the Chairman meeting with all Directors and the Company Secretary.

The Company complies with Recommendation 1.6.

### **Council Recommendation 1.7: A listed entity should have and disclose a process for periodically evaluating the performance of its senior executives.**

The performance of senior executives is reviewed regularly through the application of a Performance Appraisal Program (PAP) that defines appropriate evaluation measures to be applied in the assessment process. Each year senior executives establish a set of performance targets. These targets are aligned to overall business goals and the Company's requirements. The PAP is administered annually for all senior executives with the Group Chief Executive Officer being responsible for their individual assessment and subsequent reporting of outcomes to the Board. The Board is responsible for the performance assessment of the Group Chief Executive Officer, Company Secretary and the Chief Financial Officer in accordance with contractual performance measures and deliverables. An informal review of the PAP outcomes for other senior executives and staff is carried out annually by the Human Resource and Remuneration Committee. Performance assessment was conducted for all senior executives during the FY22 reporting period. A statement outlining specific matters reserved for the Board and Executive Management are contained in the Board Charter, a copy of which is posted on the Company's website at the Corporate Governance Section.

The Company complies with Recommendation 1.7.

## **PRINCIPLE 2: STRUCTURE OF THE BOARD TO ADD VALUE**

### **Council Recommendation 2.1: The Board of a listed entity should have a Nomination Committee**

#### **Nomination Committee**

The role of the Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times. Under the Company's Constitution, the Board shall be comprised of not less than three and no more than twelve Directors, unless otherwise determined by a general meeting. In consideration of the size of the Company and the Board, the Directors have resolved that the Nomination Committee shall comprise a minimum of three members. Mr. Stevens is the current Chair, following the resignation of Mr. Boettcher in February 2022.

#### **Role of Nomination Committee**

The role of the Nomination Committee is to:

- Review the structure, size and composition of the Board;
- Identify, consider and select candidates with appropriate capabilities, to fill Board vacancies when they arise;
- Ensure that candidates have adequate time available to fulfil their role as a Director;
- Undertake or arrange for annual performance evaluation of the Board, its committees and Directors, and
- Review the:
  - continuation of the Chairman after the initial term of appointment and subsequent re-appointments;
  - re-election of Directors who retire by rotation; and
  - membership of committees.

#### **Director Selection and Appointment**

The Board has adopted a policy as developed by the Nomination Committee for the selection and appointment of Directors. This policy defines procedural processes for the appointment of Directors and the re-election of incumbent Directors. Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with

experience in the industry, appropriate to the Company's market. If the need for a new Board member is identified, the Nomination Committee, may initiate a search or nominate eligible candidates, who are interviewed by the Chairman and considered by the Board. The Board then appoints the most suitable candidate, who must stand for election at the next general meeting of security holders.

### **Access to independent Professional Advice**

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To ensure that Directors have access to independent expertise necessary to effectively carry out their role as a Director of the Company, the Board has adopted a policy to allow Directors to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

The Company complies with Recommendation 2.1.

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

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The current Board is comprised of six Directors who possess a wide range of background skills, expertise and knowledge deemed appropriate for the Company's industry type. The names of Directors in office and their term in office at the date of this statement and their standing as Executive or Non-Executive and independence, are on the Board of Directors page of XTEK's website.

The Company complies with Recommendation 2.2.

### **Council Recommendation 2.3: A listed entity should disclose the names of the Directors considered by the Board to be independent, if they have a relevant interest and their length of service.**

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The Board considers independent decision-making as critical to effective governance and to meet the ASX Corporate Governance Council Recommendations. Independent Directors are identified by their profiles in the 2022 Annual Report. These profiles detail the skills, experience, and expertise relevant to the position of Director, and the terms of office held by the Director and also the status of each Director in relation to the criteria listed below. Unless otherwise stated, the Board does not consider a Director to be an independent Director of the Company if the Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or within the last three years, has been employed in an executive capacity by the Company, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years, been a principal of a material professional adviser or a material consultant to the Company, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Company other than as a Director of the Company;
- has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is not free from any interest and any business or other relationship which could reasonably be perceived to materially interfere with the Director's ability to act in the best interests of the Company.

Similarly, the Board has adopted a policy that the Chair should be an independent Director. Due to the resignation of Mr. Boettcher and subsequent changes to the Board in February 2022, Mr. Stevens was appointed as a Director (Non-Executive) and Chairman of the Company. The Company further recognises that Independent Directors are important in assuring shareholders that the Board is properly fulfilling its role, therefore, in addition to being a Non-Executive Directors, Messrs. Fullerton, Harrison, Pyne and Ms. McDonald also meet the criteria for independence.

The Company complies with Recommendation 2.3.

## **Council Recommendation 2.4: A majority of a Board of a listed entity should be independent Directors**

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Under the Company's Constitution, the Board is to be comprised of not less than three and no more than twelve Directors, unless otherwise determined by a general meeting. The Board currently consists of six Non-Executive Directors.

To add value to the Company, the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications and experience are stated in their Director Profiles that form part of the 2022 Annual Report along with the term of office held by each of the Directors. Directors are appointed based on the specific governance skills required by the Company and on the independence of their decision-making and judgment. The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Messrs Fullerton, Harrison, Pyne, Smethurst, Stevens and Ms. McDonald currently serve as Non-Executive Directors. The Company further recognises that Independent Directors are important in assuring shareholders that the Board is properly fulfilling its role, therefore, in addition to being a Non-executive Director, Messrs. Fullerton, Harrison, Pyne, Stevens and Ms. McDonald also meet the criteria for independence.

The Board has a specific Code of Conduct for Directors and Senior Management. As part of this, where any Director has a material personal interest in a matter, the Director will not be permitted to be present during discussions or to vote on the matter. The enforcement of this requirement should ensure that the interest of shareholders, as a whole, are pursued and not jeopardised by a lack of a majority of independent Directors. The independence of Non-Executive Directors is assessed annually by the Nomination Committee.

The Company currently complies with Recommendation 2.4.

## **Council Recommendation 2.5: The Chairperson of a listed entity should be an independent Director and, in particular should not be the same person as the Chief Executive Officer of the entity.**

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### **Independence of Chairman**

The Board recognises the importance of independence in decision-making, and following the resignation of Mr. Boettcher in February 2022, the Board appointed Mr. Stevens, as a Director (Non-Executive) and Chairman of the Company. Mr. Stevens is an independent Director and does not share the same duties as the Group Chief Executive Officer.

The Company complies with this independence requirement.

### **Roles of Chairman and Group Chief Executive Officer**

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The roles of Chairman and the Group Chief Executive Officer are not exercised by the same individual.

The Company complies with this independence requirement.

## **Council Recommendation 2.6: A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain skills and knowledge needed to perform their role as Directors effectively.**

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The Board has designated the Company Secretary as the Officer responsible for facilitating the induction and professional development of new Directors. By way of induction, new Directors meet with the Chairman and Company Secretary upon appointment, whereby briefings are given on the operation of the Board and its Committees and financial, strategic, operations and risk management issues applicable to the Company. The Company Secretary provides all new Directors with a comprehensive induction package covering Company policies and procedures that are applicable to all Directors and employees. As part of their ongoing professional development, new Directors may be required to complete a Company Directors Course as conducted by the Australian Institute of Company Directors.

The Company complies with Recommendation 2.6

## PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

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

The Company is committed to conducting all its business activities honestly with a high level of integrity, and in compliance with all applicable laws, rules and regulations. The Board is dedicated to the ongoing maintenance of high ethical standards and has established a Company Code of Conduct to guide compliance with legal and other obligations to all legitimate stakeholders. These stakeholders include shareholders, employees, customers, government authorities, creditors and the community as whole. All Directors, senior executives and employees are made aware of the existence of the Company Code of Conduct and are requested to confirm they have read it.

The Company complies with Recommendation 3.1.

### **Council Recommendation 3.2: A listed entity should have and disclose a code of conduct for its Directors, senior executives and employees and that the Board is informed of any material breaches of that code.**

#### **Company Code of Conduct**

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct that applies to all Directors, senior executives and employees.

The Company's Code of Conduct gives guidance on the following.

- *Ethical Standards:* All Directors, senior executives and employees are expected to act with the utmost honesty and integrity, striving at all times to enhance the reputation and performance of the Company.
- *Responsibilities to Shareholders and the Financial Community Generally:* The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.
- *Responsibilities to Clients, Customers and Consumers:* Each employee has an obligation to use their best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers. The Company for its part is committed to providing clients, customers and consumers with fair value.
- *Employment Practices:* The Company is committed to providing a safe workplace environment in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources.
- *Obligations Relative to Fair Trading and Dealing:* The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company strives to deal fairly with the Company's customers, suppliers, competitors and other employees and encourages its employees to strive to do the same.
- *Responsibilities to the Community:* As part of the community the Company:
  - is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs; and
  - encourages all employees to engage in activities beneficial to their local community.
- *Responsibility to the Individual:* The Company is committed to keeping private information from employees, clients, customers, consumers and investors confidential and protected from uses other than those for which it was provided.
- *Conflicts of Interest:* Employees and Directors must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

- *How the Company Complies with Legislation:* Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.
- *How the Company Monitors and Ensures Compliance with its Code of Conduct:* The Board, management and all employees of the Company are committed to implementing this Code of Conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the Code.

The Company's Code of Conduct policy is posted on the Company's website at the Corporate Governance Section. The Company complies with Recommendation 3.2

### **Council Recommendation 3.3: A listed entity should have and disclose a whistleblower policy and that the Board is informed of any material incidents under that policy.**

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The Company's Whistleblower Policy which forms part of the Code of Conduct provides for the reporting of unlawful and unethical behaviour by Directors, Senior Executives and Employees of the Company.

These provisions allow for whistleblower protection in accordance with legislative requirements and good practice recommendations. The policy aims to provide a working environment that enables employees to voice genuine concerns in relation to:

- breaches of relevant legislation;
- breaches of the Company's vision and values;
- financial misconduct or impropriety or fraud;
- failure to comply with legal obligations;
- danger to health and safety or the environment;
- criminal activity; and
- attempts to conceal any of the above.

Any material breaches of the Whistleblower Policy as defined by the Company are reported to the Board.

The Company complies with Recommendation 3.3

### **Council Recommendation 3.4: A listed entity should have and disclose an anti-bribery and anti-corruption policy and that the Board is informed of any material breaches of that that policy.**

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The Company's Anti-Bribery and Anti-Corruption Policy forms part of the TRACE International Code of Conduct that has been adopted by the Company. This policy provides guidance on the conduct of commercial transactions that may involve the following risks:

- bribery and facilitation of payments or extortion;
- kick-backs/granting of a benefit;
- conflicts of interest; and
- political and philanthropic contributions.

The Company complies fully with this international policy and undertakes annual anti-bribery and anti-corruption training with TRACE International. Any material breaches of this policy are reported to the Board and to TRACE International.

The Company complies with Recommendation 3.4

## **PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

### **Council Recommendation 4.1: The Board of a listed entity should have an Audit Committee.**

#### **Finance, Audit Committee**

The Finance and Audit (formerly Audit) Committee was originally formed by resolution of the Board on 4 September 2006. Below is a summary of the role, composition and responsibilities of the Finance and Audit Committee.

#### **Responsibilities**

The Finance and Audit Committee reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements before submission to the Board and recommends their approval.

The Finance and Audit Committee also recommends to the Board the appointment of the external auditor and the internal auditor and, each year, reviews the appointment of the external auditor, their independence, the audit fee and any questions of resignation or dismissal. The responsibilities of the Finance and Audit Committee include:

- Reviewing audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- Liaising with the auditors and ensuring that the annual statutory audits are conducted in an effective manner;
- Monitoring management efforts to continuously improve the quality of the accounting function;
- Reviewing the half-year and annual reporting and financial statements prior to lodgment of those documents with the Australian Securities Exchange and to make the necessary recommendations to the Board for the approval of these documents;
- Providing the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports;
- 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;
- Assessing the attention being given by management to matters likely to impact on the financial performance of the Company, including monitoring of compliance with laws and regulations and monitoring and control of business risks;
- Management information and other systems of internal control and risk management; and
- Ethical policies and practices for corporate conduct are in place and being adhered to.

The Auditor, the Chief Financial Officer and Company Managers may be invited to the Finance and Audit Committee meetings at the discretion of the Committee Chair.

#### **Composition**

The Finance and Audit Committee currently consists of three members. Members are appointed by the Board from amongst the Directors. Mr. Harrison is the current Chair of the Finance and Audit Committee. All members can read and understand financial statements and are otherwise financially literate. The details of the member's qualifications may be found in their Director profiles as published on the Company's website.

#### **Charter**

A formal charter for the Finance and Audit (formerly Audit) Committee is established and defines the role and responsibility of the Audit and Finance Committee together with procedures for the selection and appointment of external auditors and rotation of engagement partners and is posted on the Company's web site. The Board, with the involvement of the Finance and Audit Committee, has established procedures in relation to the external auditor selection and appointment and for discussing with the auditor the rotation of the lead partner. The current external Auditor as appointed by the Board is Hardwicks Chartered Accountants.

Further details are contained in the Finance and Audit Committees Charter, which is available on the Company's website at the Corporate Governance Section.

The Company complies with Recommendation 4.1.

**Council Recommendation 4.2: The Board of a listed entity should before it approves the entity's financial statements for a financial period, receive assurance from the Group Chief Executive Officer and Chief Financial Officer a declaration, that in their opinion, 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.**

#### **Management Attestation**

At the time the Board reviews the draft half year and full year financial statements and reports, the Group Chief Executive Officer and Chief Financial Officer are required to provide a signed declaration that the statements and reports are founded on a sound system of risk management and internal compliance and control that implements the policies adopted by the Board, and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

On 30 September 2022, the Group Chief Executive Officer and the Chief Financial Officer declared to the Board that the risk management and internal compliance and control systems were operating efficiently and effectively in all material respects. Their statement has assured the Board that the financial statements are founded on a sound system of risk management and internal compliance.

The Company complies with Recommendation 4.2.

**Council 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.**

The Company ensures that all of its periodic corporate reports (Half Year and Annual Report) it releases to the market are firstly reviewed by Management and appropriate supporting documents and declarations are provided to the Board for final review and approval. All financial reports are prepared in accordance accounting standards and give a true and fair view of the financial position and performance of the Company. Additionally all financial reports released to the market are subject to review by an external auditor and that the Auditor's Report forms part of all Company financial reports released to the market.

The Company complies with Recommendation 4.3.

## **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURES**

**Council Recommendation 5.1: A listed entity should have and disclose its written policy for complying with continuous disclosure obligations under ASX Listing Rule 3.1.**

#### **Continuous Disclosure**

It is the policy of the Company to act at all times with integrity and in accordance with law, including the disclosure required of:

- Australian Securities Exchange (ASX) Listing Rules and Guidance Notes;
- ASX Corporate Governance Council Recommendations; and
- Corporations Act 2001.

In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

The only exception to this is where the ASX Listing Rules do not require such information to be disclosed. Upon confirmation of receipt from the ASX, the Company posts all information disclosed in accordance with this policy on the Company's website in an area accessible by the public.

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. The Company Secretary is responsible for ensuring that all Company announcements are made in a timely manner and are factual and do not omit any material information. The Company Secretary is also responsible for ensuring that all announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

To assist the Company Secretary to fulfil the Company's disclosure requirements, all business unit managers are responsible for immediately communicating to the Company Secretary any possible continuous disclosure matter concerning their business unit. The manager of each business unit is required to promptly respond to requests from the Company Secretary for further information concerning possible continuous disclosure matters.

The Company Secretary's role includes:

- overseeing compliance with the continuous disclosure requirements in the ASX Listing Rules;
- overseeing and coordinating information disclosure to the ASX, shareholders, analysts, brokers, the media and the public; and
- advising Directors and staff on the Company's disclosure policies and procedures and raising awareness of the principles underlying continuous disclosure.

Price sensitive information is publicly released through the ASX before disclosing it to analysts or others outside the Company. Further dissemination to investors through the ASX website and other information providers is also managed through the ASX.

The Company's Continuous Disclosure policy is posted on the Company's web site at the Corporate Governance Section.

The Company complies with Recommendation 5.1.

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

In accordance with the Company's Continuous Disclosure Policy, all members of the Board are provided with material market announcements promptly after they have been made. This information is also disseminated to all staff.

The Company complies with Recommendation 5.2

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

The Company ensures that all substantive investor or analyst presentations are firstly released on the ASX Market Announcements Platform prior to any presentation being made to select investor audiences.

The Company complies with Recommendation 5.3

## PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

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

The Company aims to ensure that investors are kept informed of all major developments affecting the state of affairs of the Company and its governance regime via its website. Information currently available to investors through the Company's website, which has a dedicated investor relations section, includes the following:

- the names and brief biographical information of Directors and senior executives;
- the Company Constitution, Board/Committee Charters and corporate governance policies;
- the Annual Report and the Interim Report;
- disclosures made to the Australian Securities Exchange;
- notices and explanatory memoranda of annual and extraordinary general meetings; and
- regular newsletters or market updates to security holders where appropriate.

The Company complies with Recommendation 6.1.

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

The Company recognises the importance of effective communications with investors and recently introduced a new Investor Relation program to facilitate enhanced communication with both security holders and investors. The Board has subsequently appointed a new Group Chief Executive Officer, who is now responsible for managing this program. Mr. Scott Basham is currently appointed to this position. To facilitate the effective communication with investors, the Company is committed to:

- communicating effectively with investors and security holders through releases to the market via ASX, the Company's website and information mailed to security holders and the general meetings of the Company; and
- providing investors and security holders with ready access to balanced and relevant information about the Company and corporate proposals.

The Company website also includes a feedback mechanism and an option for investors and security holders to register their email address for direct email updates of Company matters.

The Company complies with Recommendation 6.2.

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

The Company encourages full participation of security holders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to security holders as single resolutions at general meetings. In order to make it easy for security holders to participate in general meetings of the Company, a direct voting facility has been put in place so as to allow security holders to vote ahead of the meeting without having to attend or appoint a proxy.

The Company complies with Recommendation 6.3.

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

The Company encourages all security holders to exercise their option of communicating electronically during the conduct of general meetings of the Company. In 2020/21, due to COVID-19 lockdowns being imposed by Government authorities, the Company arranged for all security holders to vote on all resolutions by electronic polling as opposed to a show of hands process. Given the success of this process, it is intended that the same arrangements will be put in place for the 2022 AGM of the Company. The Company complies with Recommendation 6.4.

**Council Recommendation 6.5: A listed entity should give security holders the options to receive communications from, and send communications to, the entity and its security registry electronically.**

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The Company encourages all security holders to exercise their option of receiving communications electronically from the Company and its security registry. This allows for the dissemination of Company information to security holders in a timely and cost effective manner. The Company in conjunction with its contracted security registry routinely issues newsletters, notices and financial reports electronically to those security holders that have registered for this service. The Company has developed formal policy for promoting electronic communication with shareholders.

The Company complies with Recommendation 6.5.

**PRINCIPLE 7: RECOGNISING AND MANAGING RISK**

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**Council Recommendation 7.1: The Board of a listed entity should have a committee to oversight material business risks and disclose the charter and policies of such a committee.**

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The Board's Charter clearly establishes that it is responsible for ensuring there is a sound system for oversighting, assessing and managing risk. The Board has delegated certain responsibilities in these matters to the Finance Audit and Risk Management Committee. In compliance with the Board's approach, the Company has established specific policies and procedures to identify, assess and manage critical areas of financial and operating risk.

The Company's Risk Management policy is available on the Company's website at the Corporate Governance Section. The Company complies with Recommendation 7.1.

**Council Recommendation 7.2: The Board or a committee of the Board should 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 subsequently disclose the findings of the review.**

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The Board has delegated the responsibilities of conducting an annual review of the entity's risk management to the Risk Management Committee. All such reviews are conducted in accordance with established risk management policy and take into account the formal Management Statement as provided by the Group Chief Executive Officer and the Chief Financial Officer on an annual basis.

**Management Statement**

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The Group Chief Executive Officer and the Chief Financial Officer are required to provide a signed Management Statement to the Board on an annual basis with regard to the risk management and internal control systems of the Company. This statement requires the Group Chief Executive Officer and the Chief Financial Officer to confirm or declare otherwise:

- that the risk management and internal compliance and control systems in all material respects implements the policies adopted by the Directors;
- that the risk management and internal compliance and control systems to the extent they relate to material business risks are operating effectively and efficiently in all material respects, based on the risk management framework adopted by the Company; and
- that nothing has come to their attention that would indicate any material change to the statements as made in relation to risk management and compliance.

On 30 September 2022, the Group Chief Executive Officer and the Chief Financial Officer provided the Board with a written assurance that the risk management and internal compliance and control systems were operating efficiently and effectively in all material respects. Their statement has assured the Board that risk management and internal compliance and control systems are sound. The Company complies with Recommendation 7.2.

### **Council Recommendation 7.3: A listed entity should disclose if it has an internal audit function, how the function is structured and what role it performs.**

The Company has established an internal audit function that applies a systematic and disciplined approach to evaluating and continually improving the effectiveness of quality systems covering risk management and internal control measures. All internal audit functions are conducted throughout the year on a program authorised by the Group Chief Executive Officer. Findings and observations from internal audits are reported to the Group Chief Executive Officer and Company Secretary for subsequent corporate and Board action as required. Internal audits performed by the Company are subject to an annual quality systems assurance review by an external auditor. Failure to meet the requisite audit standards could result in a loss of quality systems accreditation by the Company.

The Company complies with Recommendation 7.3.

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

The Company manages material exposure concerns associated with economic, environmental and social sustainability risks as part of its overall risk management strategies as defined in relevant risk policy and procedures. In the course of conducting its business as a listed entity and recognising the legitimate interests of stakeholders, the Company also utilises policy contained within its Code of Conduct Policy to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include security holders, Directors, employees, customers, government authorities, creditors and the community as whole. The Company's Code of Conduct gives guidance on the following.

- *Ethical Standards:* All Directors, senior executives and employees are expected to act with the utmost honesty and integrity, striving at all times to enhance the reputation and performance of the Company.
- *Responsibilities to security holders and the financial community:* The Company complies with the spirit as well as the letter of all laws and regulations that govern business operations. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.
- *Responsibilities to Clients, Customers and Consumers:* Each employee has an obligation to use their best efforts to deal in a fair and responsible manner with each of the Company's clients and customers. The Company for its part is committed to providing clients, customers with fair value.
- *Obligations Relative to Fair Trading and Dealing:* The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company strives to deal fairly with the Company's customers, suppliers, competitors and other employees and encourages its employees to strive to do the same.
- *Responsibilities to the Community:* As part of the community the Company:
  - is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs; and
  - encourages all employees to engage in activities beneficial to their local community.
- *How the Company Complies with Legislation:* Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.

The Company has developed a formal policy for recognising and managing risk, this policy is publicly available and published on the Company's website. The Company complies with Recommendation 7.4

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

### **Council Recommendation 8.1: The Board of a listed entity should have a Remuneration Committee and disclose the charter of the committee.**

#### **Remuneration Committee**

The role of the Committee is to review and make recommendations to the Board on remuneration packages for Executive Directors, Company Secretary, Group Chief Executive Officer, Chief Financial Officer, and other senior executives. In addition, the committee has an objective to ensure that the Company maintains a system of human resource management practices that recognises the Company's staff as an important asset of the Company and that human resource practices meet legislative requirements for current and future business needs. This role also includes responsibility for share option schemes, incentive performance packages and retirement and termination entitlements. Remuneration levels are competitively set to attract suitably qualified and experienced directors and senior executives. The Committee may obtain independent advice on the appropriateness of remuneration packages.

#### **Composition**

The Human Resource and Remuneration Committee currently consists of three members. Mr. Smethurst is the current Chair. The details of the member's qualifications may be found in their individual Director profiles published on the Company's website.

The Company complies with Recommendation 8.1

### **Council Recommendation 8.2: A listed entity should separately disclose its policies regarding the remuneration Non-Executive Directors and the remuneration of Executive Directors and Senior Executives.**

#### **Remuneration Practice**

The Board has determined that Non-Executive Directors will be remunerated differently from Executive Directors and Senior Executives in the following ways:

##### *Remuneration of Non-Executive Directors*

Non-Executive Directors are remunerated by fixed annual fees, superannuation, and at various times may also be remunerated at agreed hourly rates, for additional time expended in the performance of authorised tasks that are in addition to their normal Director functions.

The level of annual Directors' fees is reviewed by the Human Resources and Remuneration Committee, taking into account a number of factors, including the range of Directors' fees paid in the market, and the Company's costs and operating performance. Non-executive Directors will receive fees in the form of cash fees and statutory superannuation. The maximum total for annual fees for Directors is approved from time to time by security holders in a general meeting. This is currently set at \$500,000 per annum as approved by security holders on 29 November 2019.

Non-Executive Directors may also, in view of the Company's size and resources, from time-to-time be issued options as part of their remuneration in place of a higher cash fee. Options would be issued after consideration by the Human Resource and Remuneration Committee and the Board and subject to security holder approval.

##### *Executive Directors and Senior Executives*

Under the Company's constitution, remuneration of Executive Directors, subject to other provisions in any contract between these executives and the Company, may be by way of fixed salary, performance based bonus or participation in the profits of the Company but may not be by way of commission on or percentage of operating revenue. Other senior executives, including the Group Chief Executive Officer, Chief Financial Officer and the Company Secretary may be remunerated by fixed salary and performance based bonuses. Remuneration packages will generally be set to be competitive to both retain and attract experienced executives to the Company.

Where packages comprise a fixed element and variable incentive components, the variable components will depend on Company and personal performance. Short term incentives may include annual cash incentives on meeting specific profit and performance criteria that have been agreed in plans set with the Group Chief Executive Officer and the Board. Criteria to be met may include Company and or business unit profit performance and personal Key Performance Indicators. The amount of the incentive will depend upon the extent that the measure is exceeded.

These conditions help to ensure that the short-term incentives are aligned with the interests of security holders in the current period. The total cost of Directors and senior executive remuneration packages for FY 2022, including the fair value of options, is listed in the Directors Report and Financial Statements of the 2022 XTEK Annual Report.

The Company complies with Recommendation 8.2

**Council Recommendation 8.3: A listed entity which has an equity-based remuneration scheme should have and disclose policy on participation in such a scheme.**

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The Company has approved equity-based incentive schemes in place to remunerate senior executives and staff. The Board has determined that all approved issues of securities made to employees of the Company under equity-based incentive schemes are disclosed to security holders and investors as part of its continuous disclosure obligations.

Policy pertaining to participation in equity-based incentive schemes by employees is contained within the Human Resources and Remuneration Committee Policy, this policy is publicly available and published on the Company's website.

The Company complies with Recommendation 8.3.

**Authorised by the XTEK Limited Board of Directors.**

**Signed** for and on behalf of XTEK Limited:



Lawrence A. Gardiner  
Company Secretary

Dated: 30<sup>th</sup> day of September 2022