



September 2020

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## **Board Charter**

**Nanosonics Limited**

**ABN 11 095 076 896**

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## 1. PURPOSE

This document sets out a framework to assist the Board of the Company to provide strategic guidance to the Company and effective oversight of its management, for the benefit of Shareholders and other stakeholders. The framework adopts principles of good corporate governance and is designed to maximise the Company's compliance with best practice requirements and its legal obligations, including under the Corporations Act 2001 (Cth) ("Corporations Act"), the ASX Listing Rules, and the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition).

## 2. WHO DOES THIS BOARD CHARTER APPLY TO?

The Company's Board of Directors has adopted this Board Charter which applies to all members of the Board and executive officers/senior management of the Company.

## 3. COMPOSITION OF THE BOARD

The Board of the Company will be composed of a majority of non-executive directors (including the office of Chairman and Deputy Chairman) and at least one executive director, being the CEO and President (**Managing Director** or **CEO and President**) and such other directors as determined from time to time by the Board. The members of the Board will have an appropriate and broad range of qualifications and expertise.

The Company maintains an overview of its current members of the Board in the Investor Centre section of the Nanosonics website ([www.nanosonics.com.au](http://www.nanosonics.com.au)).

### Assessing the independence of Directors

The Board considers an independent Director to be a Director who is:

- Not a member of management at the Company; and
- Free of any business or other relationship or interest that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of that Director's judgment or ability to act in the best interests of the Company.

The Board will review the independence of each Director from time to time. As part of this process the Board will take into account each of the factors relevant to assessing the independence of a director set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, and any other facts, information and circumstances that the Board considers relevant.

## 4. THE BOARD

### Role of the Board

The role of the Board of the Company is to provide strategic guidance to the Company and provide effective oversight of its management for the benefit of all stakeholders. In performing its role the Board should act at all times:

- In accordance with its overriding responsibility to act honestly and fairly and in accordance with the law, in serving the interests of the Company's Shareholders, as well as its employees, customers and the community;
- In a manner designed to create and build sustainable value in the Company for Shareholders;
- In accordance with the duties and obligations imposed upon it by the constitution of the Company and by law; and

- With integrity and objectivity, and in accordance with the ethical and other standards set out in the Company's corporate governance policies and Codes of Conduct and Ethics.

The Board of the Company are responsible for management of the Company, however, day-to-day management of the Company's affairs and the implementation of its strategies are formally delegated by the Board to the CEO and President subject to specific limits set out in this Charter.

### **Responsibilities of the Board**

The Board acts on behalf of Shareholders and is accountable to the Shareholders for the overall strategy, governance and performance of the Company and its controlled entities (**Group**). The responsibilities of the Board include the following:

- Leading and overseeing the business and affairs of the Group, including its control and accountability systems;
- Defining the Company's purpose;
- Appointing the Chair, and any senior independent Director;
- Appointing and removing the CEO and President;
- Monitoring the performance of the CEO and President;
- Ratifying the appointment and where appropriate, the removal of the CFO and Company Secretary;
- Ratifying other senior executive appointments, organisational changes and senior management remuneration policies and practices, and ensuring those remuneration policies and practices are aligned with the entity's purpose, values, strategic objectives and risk appetite;
- Approving succession plans for management;
- Monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available;
- Reporting to shareholders;
- Providing strategic advice to management where appropriate;
- Approving management's corporate strategy and performance objectives;
- Determining and approving the method of financing dividend payments;
- Approving and monitoring the progress of operating budgets, major capital expenditure, capital management, acquisitions and divestitures;
- Approving and monitoring financial and other reporting;
- Overseeing the integrity of the Company's accounting and corporate reporting systems including external audit;
- Overseeing the identification of key risks in the operations of the Company, and satisfying itself that the Company has in place an appropriate risk management framework (for both financial and non-financial risks), monitoring the efficiency and effectiveness of those frameworks and setting the appropriate risk appetite within which the Board expects management to operate;
- Overseeing the process for making timely and balanced disclosure of all material 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;
- Ensuring an appropriate framework exists for relevant information to be reported by management to the Board;
- Approving the Company's values, and overseeing the implementation of the Company's corporate Code of Conduct and Ethics;
- Approving charters of Board committees;
- Fostering and monitoring the Company's values and culture consistent with the Code of Conduct and Ethics;

- Monitoring compliance with legal and regulatory requirements and ethical standards and policies; and
- Monitoring and ensuring compliance with best practice corporate governance requirements.

Each Director of the Board may have direct access to any employee or contractor of the Company and seek any information the Director requires from any employee of the Company in order to perform his or her responsibilities, usually via the CEO or Company Secretary or other agreed protocols.

### **Board committees**

The Board is assisted in the discharge of its responsibilities by a number of Board committees which are responsible for particular aspects of the operation of the Company. These committees act by examining relevant matters and making recommendations to the Board.

The Board may establish additional committees to assist it in carrying out its responsibilities. The Board may also delegate specified responsibilities to ad hoc committees from time to time. Formal charters setting out the objectives, scope and administration of each committee have been or will be created.

Directors must be satisfied that the members of the Board committees are competent and reliable and will exercise their delegated functions in accordance with directors' duties. Membership and performance of Board committees is assessed at least once every year by those committees and the Board.

The 4 key Board committees are:

- Audit and Risk Committee;
- Nomination Committee;
- Remuneration & People Committee; and
- R&D and Innovation Committee

A separate charter exists for each Board committee and is available on the Company's website.

### **Board performance evaluation**

The Board will review the size, composition and performance of the Board regularly in order to confirm that its processes and procedures remain adequate to ensure that it is carrying out its functions as effectively as possible. The Nomination Committee will also evaluate the performance of the Board and report the findings of those performance evaluations to the Board as appropriate.

### **Board meetings**

The Board of the Company will meet regularly in accordance with an agreed schedule and special meetings are held as required. The quorum required for the transaction of business by the Board of the Company will be 2 non-executive directors. Senior executives or other employees of the Company may be invited by the Chairman to attend Board meetings (or specific items on the Board's agenda in any meeting) as required.

The Chairman, in consultation with the Deputy Chairman and the Company Secretary, will settle the agendas for meetings of the Board. Any suggestions from directors as to items which should be dealt with by the Board will be notified to the Chairman. The Board will meet at least once per year for a strategy session with the senior executives of the Company.

Where possible, Board and Board Committee papers should be provided to directors at least 1 week prior to the relevant meeting.

#### **Non-executive director meetings**

The non-executive directors of the Company may meet on occasion for discussion of appropriate issues.

## **5. THE CHAIRMAN**

### **Role of the Chairman**

Under the constitution of the Company, the Chairman is appointed by the Board. The role of the Chairman is to ensure that the Board fulfils its roles. The responsibilities of the Chairman include:

- Providing effective leadership to the Board;
- Ensuring that the processes adopted by the Board are effective to set the strategic goals and objectives of the Company and to monitor its performance;
- Ensuring that the Board meets at regular intervals to consider the Company's performance and other key issues facing the Company, including in particular strategic issues;
- Ensuring regular and active communication on key issues facing the Company between the Board, the CEO and President, and ensuring that all members of the Board are properly informed on such issues;
- Setting the agenda for Board meetings including in consultation with the CEO and President, the Company Secretary and other directors;
- Deciding, in consultation with other directors, whether the Board requires additional advice or information from management or external advisors;
- Approving a director to take independent legal, or accounting, advice in appropriate circumstances; and
- Ensuring, in conjunction with the Nomination Committee, that the Board comprises directors with an appropriate blend of skill and experience to enable it to perform its functions.

When a Deputy Chairman has been appointed and is acting in the place of the Chairman, the Deputy Chairman has the same role as the Chairman.

## **6. SENIOR EXECUTIVES**

### **Senior executives and management**

The Board shall appoint the CEO and President to be responsible for the executive management of the Company. The CEO and President will be accountable to the Board for its day-to-day operations. The CEO and President is authorised by the Board to delegate such of the powers conferred by the Board as the CEO and President deems appropriate (provided any delegation takes into account any delegation of authority policy approved by the Board).

### **Senior management**

The Board delegates authority over the day-to-day management of the Company to the CEO and President. This delegation of authority includes the following responsibilities:

- Developing and recommending to the Board strategic goals and objectives, business plans and annual budgets for the Company;
- Implementing the strategic goals and objectives and business plans adopted by the Board;
- Providing effective leadership, direction and supervision of the Company's management to achieve the strategic goals and objectives, business plans and budgets adopted by the Board:

- Developing and managing resources, policies and systems to ensure the effective operation of the Company (including policies on risk management, internal controls and human resources);
- Managing the Company's resources within budgets approved by the Board;
- Ensuring the Company complies with applicable laws and regulations;
- Ensuring the Board has sufficient accurate, timely and clear information to enable it to perform its functions of setting strategic goals and objectives for the Company, monitor the Company's performance and ensure compliance with material legal and regulatory requirements and conduct that is inconsistent with the values or Code of Conduct and Ethics; and
- Acting within the delegations of authority approved by the Board.

## 7. DIRECTORS

### Role of individual directors

The Company encourages directors to question, request information, raise issues of concern, consider and canvass any issue facing the Company and cast their vote on any resolution in accordance with their own, independent judgment. Outside the boardroom, directors should support the letter and spirit of Board decisions.

### Confidentiality

Directors must maintain the confidentiality of confidential Board discussions, deliberations and decisions which have not been publicly disclosed by the Company.

Confidential information which directors receive in the course of the exercise of their directorial duties remains the property of the Company. It is improper for a director to disclose confidential information, or allow it to be disclosed to any third party, unless such disclosure has been properly authorised, or is required by law or the rules of a stock exchange, such as the Australian Securities Exchange.

### Legal Duties

In order to fulfil their legal and statutory requirements, directors of the Company must:

- Disclose to the Company Secretary all other public directorships and any other directorship or intent where a conflict of interest may occur;
- Discharge their duties in good faith and act honestly in the best interests of the Company and for a proper purpose;
- Act with care and diligence, demonstrating commercial reasonableness, and with the level of skill and care expected of a director of a listed public company;
- Avoid conflicts of interest;
- Act for the benefit of the Company at all times;
- Not make improper use of information obtained in the course of acting as a director of the Company;
- Not take improper advantage of the position of being a director;
- Make reasonable enquiries to ensure that the Company is operating efficiently, effectively and legally towards achieving its goals;
- Diligently analyse all proposals placed before the Board; and
- Not bind or purport to bind the Company unless expressly authorised to do so by the Board.

The Board decide which matters of the Company are delegated to management and must ensure that the delegates are reliable and competent and that adequate procedures are in place to oversee their exercise of the delegated powers.

### **Conflicts of interest**

Under the Corporations Act, directors are required to disclose any conflicts of interest and to refrain from participating in any deliberations or voting upon matters in which they have a material personal interest (unless the directors who do not have a material personal interest in the matter have passed an appropriate resolution). In circumstances where a director considers that they have a conflict of interest, the director must:

- Disclose to the Board any actual or potential conflicts of interest which may exist or might reasonably be perceived to exist, as soon as they arise;
- If deemed appropriate by the Board or the director, take such steps as are necessary and reasonable to resolve any conflict of interest within a reasonable period of time; and
- Comply with the provisions of the Corporations Act regarding the disclosure of interests and restrictions on voting.

### **Overview of senior management**

In addition to the regular presentations which senior management make at Board meetings, directors may request briefings from senior management on specific issues through the CEO and President.

### **Remuneration and retirement**

The Board determines directors' remuneration from time to time subject to the aggregate cap on non-executive directors' remuneration set pursuant to rule 7.3 of the constitution of the Company.

The tenure of the CEO and President is linked with his/her executive office. All other directors, including any other Executive Directors, are subject to re-election each year by rotation pursuant to rule 7.1 of the constitution of the Company.

### **Indemnities and insurance**

According to rule 9.2 of the constitution of the Company, the Company may indemnify any current or former director, Company Secretary or executive officer of the Company or of a related body corporate out of the property of the Company against:

- every liability incurred by the person in that capacity (except a liability for legal costs); and
- all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings, whether civil or criminal or of an administrative or investigatory nature, in which the person becomes involved because of that capacity, except to the extent that:
  - the Company is forbidden by statute to indemnify the person against the liability or legal costs; or
  - an indemnity by the Company of the person against the liability or legal costs would, if given, be made void by statute.

According to rule 9.4 of the constitution of the Company, the Company may pay or agree to pay, whether directly or through an interposed entity, a premium for a contract insuring a person who is or has been a director or Company Secretary or executive officer of the Company or of a related body corporate of the Company against liability incurred by the person in that capacity, including a liability for legal costs, unless:

- the Company is forbidden by statute to pay or agree to pay the premium; or
- the contract would, if the Company paid the premium, be made void by statute.

## **8. COMPANY SECRETARY**

### **Authority**

The Company Secretary has authority to countersign documents on behalf of the Company, provided that the Company Secretary is first satisfied that:

- the document has been properly authorised for signature; and
- the document has been signed by a director of the Company.

**Role**

The Board must appoint at least 1 company secretary in accordance with rule 8.4 of the constitution of the Company. The appointment and removal of any company secretary is subject to Board approval. The Company Secretary is accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. Each director has a right of access to the Company Secretary at all times.

In performing their role, the Company Secretary's responsibilities include:

- Assisting the Board and Board committees on governance matters;
- Monitoring the Board and Board committee policy and procedures;
- Co-ordinating the timely completion and dispatch of Board and Board committee papers;
- Providing a reference point for dealings between Board and management;
- Performing certain statutory obligations relating to the Company's registered office, annual returns and lodgement of documents with the Australian Securities & Investments Commission and any of the stock exchanges on which the Company's shares and debt securities trade;
- Ensuring that the business at Board and Board committee meetings is accurately captured in the minutes; and
- Helping to organise and facilitate the induction and professional development of directors.