



Global Fraud Policy

Version 2.0

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1. Purpose

The purpose of this policy is to protect the assets and reputation of Electro Optic Systems Holdings Limited ACN 092 708 364 (**Company**) and its Related Body Corporates (the **Group**) by:

- (a) reinforcing the commitment of the Board of Directors of the Company (**Board**) and the senior management of the Group to, and their responsibility for, identifying fraudulent activities and for establishing policies, controls and procedures for prevention and detection of these activities;
- (b) being proactive in minimising exposure to fraud and corruption, including dishonest acts, bribery, misuse of position, malicious and reckless behaviour and criminal acts committed by employees, contractors, clients or third parties. It has been developed to create consistency across EOS globally;
- (c) reinforcing the requirement for all officers, employees, consultants and contractors of the Group as well as other parties interacting with the Group (**Relevant Parties**) to refrain from fraudulent conduct and encouraging the reporting of any instance of fraud or corrupt conduct;
- (d) acknowledging the serious criminal and civil penalties that may be incurred and the reputational damage that may be done as a result of the Relevant Parties engaging in fraudulent activities;
- (e) providing a framework for conduct of investigations to ensure that all suspected fraudulent activity is dealt with appropriately; and
- (f) assigning responsibility for the development and maintenance of controls to prevent and detect fraud.

2. Scope

This policy applies to:

- (a) The Directors of Electro Optic Systems Holdings Limited ACN 092 708 364 (the Company or EOS); and
- (b) All employees and officers of the Company worldwide and its Related Body Corporates that form the EOS Group (together, the Group); and
- (c) Any representative, agent, contractor, consultant, supplier or other third party related to the Group.

3. Definitions

Fraud is defined as an intentional act by one or more individuals involving the use of deception to obtain an unjust or illegal advantage.

Fraud can typically result in actual or potential financial loss to any person or entity; however, this is not always the case.

Examples of fraud could include, but are not limited to:

- (a) misappropriation of funds, securities, stock, supplies or other assets including use of assets for private purposes;
- (b) causing a loss to the Group or creating a liability for the Group by deception;
- (c) impropriety in the handling or reporting of money or financial records;
- (d) profiting from insider knowledge of the Group's activities;

- (e) accepting or seeking anything of value from contractors, vendors or persons providing services or goods to the Group;
- (f) false invoicing for goods or services never rendered or backdating agreements;
- (g) submission of exaggerated or wholly fictitious accident, harassment or injury claims;
- (h) misuse of sick or family leave; and
- (i) Misrepresentation of working hours to claim excessive overtime pay or time in lieu that is not owed.

Related Body Corporate means where a body corporate is:

- (a) A holding company of another body corporate;
- (b) A subsidiary of another body corporate;
- (c) A subsidiary of a holding company of another body corporate;

The first mentioned body and the other body are related to each other.

4. Policy

The Group requires all Relevant Parties, at all times to act honestly and with integrity and to safeguard the Group's resources for which they are responsible. The Group is committed to protecting all revenue, expenditure and assets from any attempt to gain illegal financial or other benefits.

EOS is committed to a culture that values honesty, integrity and high ethical standards. Any fraud committed against the Group is a major concern and as a consequence all cases will be thoroughly investigated and appropriate disciplinary action will be taken against any staff member who is found guilty of fraudulent conduct. This may include referral to the appropriate law enforcement or regulatory agencies for independent investigation.

5. Code of Conduct and Whistleblower policy

The Company's Code of Conduct, Whistleblower policy and Anti-Corruption & Anti-Bribery Policy assists in preventing fraud within the Company and Relevant Parties are required to comply with all these policies.

6. Fraud Control Roles and Responsibilities

The roles and responsibilities for fraud control under this Policy are summarised in the table below.

Role	Responsibility
(a) Board of Directors & Senior Management	The Board and Senior Management are ultimately responsible for 'setting the tone at the top' and have a responsibility to: <ul style="list-style-type: none"> (a) fostering an environment within the business that makes active fraud control a responsibility of all employees; (b) ensure that there is an effective fraud risk management framework in place; (c) understand the fraud risks to which the Group is exposed; (d) maintain oversight of the fraud risk assessment and the controls in place to mitigate the risks identified; and (e) monitor reports on fraud risks, policies and control activities that include obtaining assurance that the controls are effective.
(b) Chief Financial Officer	The Chief Financial Officer of the Company (CFO) and each Executive Director of the Company is responsible for: <ul style="list-style-type: none"> (b) articulating clear standards and procedures to prevent fraud;

	<p>(c) implement robust processes and controls in relation to expenditure, investments and transfers of money; and</p> <p>(d) the detection and reporting of offences should they occur.</p> <p>The CFO (with the support of external auditors) has the primary responsibility for:</p> <p>(a) investigating internal and external fraud matters, including using external parties where required and notifying law enforcement or regulatory agencies as necessary;</p> <p>(b) conducting an annual fraud risk assessment via workshops to assess the adequacy and effectiveness of the Group's fraud risk management processes;</p> <p>(c) ensuring that the risk of fraud is being appropriately managed and controlled by business units;</p> <p>(d) analysing loss trends arising from fraud; and</p> <p>(e) advising and assisting relevant business units in the implementation and maintenance of best practice techniques and controls to prevent and detect fraud.</p> <p>The CFO is responsible for making recommendations regarding the placement and maintenance of insurance cover for crime, fraud and fidelity risk for the Group.</p> <p>The CFO will provide advice and requisite management assistance regarding any prospective investigation or litigation linked to a fraud event.</p>
(c) Finance Team	<p>The CFO is responsible for oversight of the due diligence efforts of the divisions.</p> <p>Other responsibilities include:</p> <ul style="list-style-type: none"> • Undertaking quality assurance activities alongside the Audit and Risk Committee; • Make recommendations on the effectiveness of due diligence measures across the group; and • Ensure adequate training on best practice due diligence is provided to staff.
(d) Managers	<p>Managers and supervisors are responsible for communicating and raising awareness of the risks relating to fraud with their employees, and for ensuring monitoring and encouraging compliance with Group policies and procedures, and ensuring that adequate rotation of employees and levels of staffing are in place and that these staff hold each other accountable.</p> <p>Managers should establish and maintain adequate internal controls that provide for the security and accountability of Group resources and minimise the risk of fraud.</p>
(e) Human Resources	<p>The Human Resources Team is responsible for ensuring adequate procedures are in place that address:</p> <p>(a) appropriate security screening and selection of employees;</p> <p>(b) disciplinary / dismissal procedures;</p> <p>(c) employment contracts that include relevant conditions of employment relating to fraudulent conduct;</p> <p>(d) monitoring of annual leave entitlements to ensure that employees do not accumulate excessive annual leave entitlements, ie four weeks over and above their yearly entitlement; and</p> <p>(e) clarification and formalisation of responsibilities / segregation of duties (where possible, these should be included in relevant position descriptions).</p>
(f) All Employees	<p>All employees are responsible for complying with Group policies and procedures, codes of personal conduct and ethics, avoidance of conflicts of</p>

	interest and maintaining vigilance in early detection, reporting and prevention of fraud.
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7. Reporting Suspected Fraudulent Activities

Any Relevant Party who suspects fraudulent activity within EOS has the duty to report the matter confidentially notifying one of the following:

- (a) Their immediate manager;
- (b) Human Resources Business Partner;
- (c) EOS General Manager, Vice President or Senior Vice President; or
- (d) a Group Executive including the Chief Executive Officer of the Company (**CEO**).

It is the responsibility of all Relevant Parties to report all suspected, attempted or actual fraud incidents. All information received is treated confidentially by the investigation team and its relevant supporting functions (asset protection, human resources and internal audit).

8. Investigation Protocols

If there are prima facie indications that fraud may have occurred, the Chief Financial Officer will initiate and oversee an investigation.

In the event of an investigation, members of the investigating team will have free and unrestricted access to all the Company's records and premises. They will have the authority to examine, copy and remove any information within the scope of the investigation.

Investigations will not be disclosed to, or discussed with, anyone other than those who have a legitimate need to know.

The table below outlines the escalation requirements upon receiving a report of suspected fraud.

Size and nature of report	Escalation
Any report of suspected fraud received by management	The CFO.
Where the incident is fraudulent in nature and the financial impact is greater than \$5,000	The CFO will prepare an immediate report for the CEO. The CFO will discuss the matter, including any legal action or required disclosure, with the CEO, the Board and the audit and risk committee of the Board as appropriate.
Where the incident has a financial impact of less than \$5,000 and the matter can be immediately contained	The CFO will ensure the incident is managed to satisfactory conclusion and reported in the monthly Board Report.

Decisions to prosecute or refer the examination results to the appropriate law enforcement or regulatory agency will be made in conjunction with the CFO and senior management, and in the case of a significant matter, with the Board.

9. Education

All employees, including part-time and contract, should be aware of the organisation's policy in respect of fraud and the need for vigilance to prevent fraud. The Company will ensure mandatory annual

education which will focus on ensuring senior managers and employees are able to recognise fraudulent or corrupt activities and know how to deal with such activities.

10. Governance

Risk Management

All managers are to apply a low tolerance to practices and procedures in order to minimise the likelihood of fraudulent practices. The following table identifies the particular areas of vulnerability and the minimum control measures to be applied by all managers.

Assurance

The CFO is to implement an assurance program to ensure a proactive approach is taken to ensuring control measures are effective and potential vulnerabilities are identified early and addressed. At a minimum, the following assurance activities are to occur:

Key controls are captured within the governance, risk and compliance system and assessed through periodic risk and control self-assessments as well as compliance attestations to the operational effectiveness of controls. This systemised approach to the identification, documentation and monitoring of controls provides ongoing reinforcement of the control culture.

Internal Audit

The COO is to ensure the annual audit program provides appropriate independent review and assessment of EOS fraud preventive practices. Internal Audit undertake targeted reviews on behalf of the GRC on operational governance, procedures and control effectiveness in line with the Internal Audit Plan. Control weaknesses identified, (including controls relevant to fraud) are reported through to the ARC with audit points raised to be addressed by management.

Reporting

Serious incidents of fraud are to be reported to the EOS Board of Directors by the CFO. Serious incidents are determined by the following factors:

- (a) Materiality or the dollar value of the fraudulent activity;
- (b) Potential to cause reputational damage to the company
- (c) Potential impact on the market value of the company
- (d) Whether fraud was an isolated incident or is a systemic failure of the fraud prevention system.

11. Policy review

The CFO will initiate a review of this policy at least annually. The Board may approve updates and amendments to this policy from time to time by resolution.