

Board Charter

1. Purpose

- 1.1 This charter sets out the role, composition and responsibilities of the board of directors (“Board”) of VDM Group Limited (“VDM” or “Company”) within the governance structure of VDM and its controlled entities (“VDM Group”).
- 1.2 The disclosure of the role, composition and responsibilities of the Board is designed to assist those affected by corporate decisions to better understand the respective accountabilities and contributions of the Board and the senior executive of VDM.
- 1.3 The conduct of the Board is governed by the Constitution of VDM.
- 1.4 The Board’s general responsibility is to act in the best interests of the VDM Group, be accountable to shareholders as a whole and ensure that VDM Group is properly managed to enhance shareholder value (dividend and share price growth) by ensuring long-term health and prosperity of the VDM Group.
- 1.5 This charter is only a summary of the matters reserved to the Board and should therefore only be used as a general guide which is not to be used in a legal capacity.

2. Membership

- 2.1 The Constitution of VDM provides for a minimum three directors and a maximum of nine directors. The Board has adopted a policy in relation to its composition which requires that there be a majority of independent non-executive directors. The Board may review this policy from time to time.
- 2.2 An independent director is a non-executive director and:
 - a) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company.
 - b) within the last three years has not been employed in an executive capacity by the VDM Group, or been a director after ceasing to hold any such employment.
 - c) within the last three years has not been a principal of a material professional advisor or a material consultant to the VDM Group, or an employee materially associated with the service provided.
 - d) is not a material supplier or customer of the VDM Group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer, has no material contractual relationship with the VDM Group other than as a director of the Company.
 - e) has not 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.
 - f) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director’s ability to act in the best interests of the Company.
- 2.3 The Board has adopted ASSB Standard 1031 to determine levels of materiality. A relationship is presumed immaterial when it generates less than 5%, and presumed material

when it generates more than 10%, of revenue of the VDM Group over a 12 month period in the absence of evidence or convincing argument to the contrary. In considering such evidence or argument, VDM considers the strategic value and other material but non-quantitative aspects of the relationship in question.

- 2.4 The threshold for materiality for the purpose of assessing the materiality of relationships between a non-executive director and VDM (other than as a director) shall be judged according to the significance of the relationship to the director in the context of their activities as a whole.
- 2.5 Membership of the Board shall be disclosed in the annual report including whether a director is independent or not independent. Loss or gain of independence shall be disclosed to the Australian Securities Exchange.

3. Term

- 3.1 All directors (except the chief executive officer (CEO)) are required by the Constitution of VDM to submit themselves for re-election at regular intervals and at least every three years.
- 3.2 Non-executive directors shall serve a maximum of three terms, unless their tenure is extended by the Board. Tenure limits can help to ensure that there are fresh ideas and viewpoints available to the Board; however, it is recognised that they hold the disadvantage of losing the contribution of directors who have developed over time an increasing insight into VDM and its operations.
- 3.3 Before a director is nominated for re-election at a shareholders' meeting, the chairperson shall consult with the rest of the Board and the director's performance shall be reviewed by the Nominations and Remuneration Committee before the Board endorses his or her re-nomination.
- 3.4 In light of the time commitment required by appointment to the Board, non-executive directors are asked to limit the number of other directorships for the duration of their appointment with VDM. Non-executive directors are asked to provide the Nominations and Remuneration Committee with details of other commitments and an indication of time involved. The Nominations and Remuneration Committee will regularly review the time required of a non-executive director and make an assessment as to whether the directors are able to meet their commitment to VDM.

4. Selection of New Directors

- 4.1 The Nominations and Remuneration Committee sets and reviews the criteria for appointment of new directors.
- 4.2 Subject to the Constitution of VDM, the Board shall decide on the recommendations of new directors made by the Nominations and Remuneration Committee.
- 4.3 In selecting new members for the Board, the Nominations and Remuneration Committee and directors shall have regard to the appropriate range of skills, experience and diversity needed by the Board as a whole. The directors shall endeavour to appoint individuals who will provide a mix of director characteristics and diverse experiences, perspectives and skills appropriate for the VDM Group.

- 4.4 New directors are provided with a letter of appointment which sets out the key terms and conditions of their appointment. New directors participate in an induction program designed to enable them to gain an understanding of:
- a) VDM Group's financial, strategic, operational and risk management position.
 - b) VDM Group's culture and values.
 - c) their rights, duties and responsibilities.
 - d) the role of Board, Board committees and the senior executive.
 - e) meeting arrangements.
 - f) director interaction with each other, senior executives and other stakeholders.

5. Role of the Board

- 5.1 The Board is responsible for promoting the success of the VDM Group in a way which ensures that the interests of shareholders and stakeholders are promoted and protected.
- 5.2 The Board may delegate some powers and functions to the CEO for the day-to-day management of the VDM Group. Powers and functions not delegated remain with the Board.
- 5.3 The following are regarded as the key responsibilities and functions of the Board:
- a) To develop, review and monitor VDM Group's long-term business strategies and provide strategic direction to the senior executive.
 - b) To ensure policies and procedures are in place to safeguard VDM Group's assets and business and to enable VDM Group to act ethically and prudently.
 - c) To develop and promote a system of corporate governance which ensures VDM Group is properly managed and controlled.
 - d) to identify VDM Group's principal risks and ensure that it has in place appropriate systems of risk management, internal control, reporting and compliance and that management is taking appropriate action to minimise those risks.
 - e) To review and approve the VDM Group's consolidated financial statements.
 - f) To monitor management's performance and the VDM Group's consolidated financial results on a regular basis.
 - g) To appoint, appraise and determine the remuneration and benefits of the CEO.
 - h) To delegate powers to the CEO as necessary to enable the day-to-day business of VDM Group to be carried on, and to regularly review those delegations.
 - i) To ensure that VDM Group has in place appropriate systems to comply with relevant legal and regulatory requirements that impact on its operations.
 - j) To determine the appropriate capital management for VDM Group including share and loan capital and dividend payments.
 - k) To determine and regularly review an appropriate remuneration policy for employees of VDM Group.

6. Delegation to Management

- 6.1 The Board has developed and shall regularly review a formal instrument of delegation to the CEO. The instrument shall contain all necessary powers to enable the CEO to conduct the business of the VDM Group on a day-to-day basis.

- 6.2 The Board shall require the CEO to report on the exercise of certain delegated powers, in particular sub-delegated authorities to other senior executives.
- 6.3 The CEO shall conduct a formal review each year assessing the performance of senior executives and report back to the Board.

7. Delegation to Committees

- 7.1 The Board from time to time shall establish committees to streamline the discharge of its responsibilities. For each committee, the Board shall adopt a formal charter setting out the matters relevant to the composition, role, responsibilities and administration of such committee.
- 7.2 The Board has, at the date of this charter, established the:
 - a) an Audit and Risk Committee
 - b) a Nominations and Remuneration Committee
 - c) a Finance and Investment Committee.
- 7.3 Committee charters shall be reviewed on a regular basis by the Committee and a report provided to the Board, if required, recommending any necessary or additional duties.

8. Directors' Shareholdings

- 8.1 All directors have agreed to disclose publicly their shareholdings and all changes thereof. The disclosed interests in shares held by directors, their associates and their associated entities are the same as their economic interest.
- 8.2 Directors and employees are subject to a securities dealing policy which provides that VDM securities may not be bought or sold outside the prescribed trading windows.

9. Policies and Standards

- 9.1 VDM has adopted the following operational policies and standards:
 - a) guidelines for the operation of the Board
 - b) a code conduct
 - c) a policy on the appointment and selection of directors
 - d) a communications policy
 - e) a market disclosure policy
 - f) a securities dealing policy
 - g) a risk management policy
 - h) an equal opportunity policy
 - i) whistleblower protection policy

10. Review of Board Performance

- 10.1 Every 12 months the Board shall undertake a review of its performance, policies and practices.

11. Operations

11.1 Proceedings of all meetings shall be in accordance with guidelines established for the operation of the Board.

12. Review of Charter

12.1 The Board shall review this charter annually to ensure it remains consistent with the Board's objectives and responsibilities.