

SLI Systems Limited Corporate Governance Code

May 2013

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SLI SYSTEMS CORPORATE GOVERNANCE CODE

The Board of SLI Systems Limited (the *Company*) has on 16 May 2013 adopted the following Corporate Governance Code:

1 CORPORATE GOVERNANCE PRINCIPLES

1.1 Role of the Board

The Board is responsible for directing the Company and enhancing its value for shareholders in accordance with good corporate governance principles.

1.2 Chairperson

The Board elects a Chairperson whose primary responsibility is the efficient functioning of the Board.

1.3 Chief Executive Officer

The Board appoints a chief executive officer (*CEO*) who is responsible for the management of the Company in accordance with the strategies approved by the Board.

1.4 Separation of Roles

The Board endorses the separation of the roles of Chairperson and CEO.

1.5 Link with Performance

The Board recognises that the quality with which it performs its functions is an integral part of the performance of the Company and that there is a strong link between good governance and performance.

1.6 Annual Review

This Code outlines the corporate governance principles and guidelines in place to assist the Board in achieving its objective for the Company. The Board annually reviews the Code.

1.7 Code of Ethics

The Board recognises that high ethical standards and behaviours are central to good corporate governance and it is committed to implementing, reviewing and monitoring observance to a written Code of Ethics for the Company. The Code of Ethics applying as at the date of the adoption of this Corporate Governance Code is attached as Appendix A.

1.8 Information to New Directors

On appointment to the Board a director will be given a copy of this Code, appropriate induction training as to the responsibilities of the directors and a comprehensive appointment letter covering the role of the Board, the Board's expectations of the director and any particular terms of his or her appointment.

2 ROLE OF THE BOARD

2.1 Company's Objective

The objective of the Company is to generate growth and corporate profit and shareholder gain.

2.2 **Direction of Company**

In pursuing this objective the role of the Board is to assume accountability for the success of the Company by taking responsibility for the direction and management of the Company.

2.3 **Main Functions of the Board**

The main functions of the Board are to:

- (a) select and (if necessary) replace the CEO;
- (b) ensure that the Company has adequate management to achieve its objectives and to support the CEO and that a satisfactory plan for management succession is in place;
- (c) review and approve the strategic, business and financial plans prepared by management and to develop a depth of knowledge of the Company's business so as to understand and question the assumptions upon which such plans are based and to reach an independent judgment on the probability that such plans can be achieved;
- (d) review and approve individual investment and divestment decisions which the Board has determined should be referred to it before implementation;
- (e) review and approve material transactions not in the ordinary course of the Company's business;
- (f) approve the appointments by, or at the request of, the Company (including its affiliates) to the boards of directors of subsidiary and associate companies;
- (g) monitor the Company's performance against its approved strategic, business and financial plans and to oversee the Company's operating results on a regular basis so as to evaluate whether the business is being properly managed;
- (h) ensure ethical behaviour by the Company, the Board and management, including compliance with the Company's Constitution, the relevant laws, listing rules and regulations and the relevant auditing and accounting principles;
- (i) implement and from time to time review the Company's Code of Ethics, foster high standards of ethical conduct and personal behaviour and hold accountable those directors, managers or other employees who engage in unethical behaviours;
- (j) ensure the quality and independence of the Company's external audit process; and

- (k) assess from time to time its own effectiveness in carrying out these functions and the other responsibilities of the Board.

2.4 **Board Relationship with CEO**

The Board acknowledges that its important role is to provide high level counsel to the CEO, to constantly monitor the performance of the CEO against the Board's requirements and expectations and to take timely action if the objective of the Company is not being achieved or a correction to management is required.

3 **COMPOSITION OF THE BOARD**

3.1 **Board Skills**

The Board should at all times comprise members whose skills, experience and attributes together reflect diversity, balance, cohesion and match the demands facing the Company.

3.2 **Appointments to the Board**

Every new appointment to the Board is considered and decided by the Board as a whole taking into account the range of relevant skills and experience a potential new director may offer the Board and his or her ability to fully commit the time needed to be effective as a director of the Company. A director appointed by the Board must submit himself or herself for reappointment by shareholders at the next annual meeting following his or her appointment.

3.3 **Board Membership**

The Board has adopted the following principles:

- (a) the Board shall maintain at least a minimum number of two Independent Directors (as defined in the Listing Rules) or where the Board comprises eight or more directors the number of Independent Directors shall be at least three or one-third of all directors (rounded down to the nearest whole number of directors), whichever is the greater;
- (b) a Board member should not have any significant conflict of interest that is potentially detrimental to the Company, including:
 - (i) affiliations with competitors of the Company; and
 - (ii) affiliations with parties that are likely to be a regular counter-party to a transaction with the Company. In practice, however, such conflicts may arise in the course of a director's tenure and procedures for dealing with these situations are contained in 3.5;
- (c) control rights of shareholders (board representation) should, where possible, be aligned to cashflow rights (share ownership). Therefore, significant shareholders or shareholder groups should be represented on the Board. Nevertheless, the Board should also contain some directors not related to or affiliated with any shareholder or shareholder group in order to ensure that the interests of all shareholders are represented;

- (d) the Board seeks diversity in the skills, attributes and experience of its members across a broad range of criteria so as to represent the diversity of shareholders, business types and regions in which the Company operates;
- (e) at least one-third of the directors will retire annually, but are eligible for reappointment by shareholders;
- (f) the Board elects a Chairperson who can be replaced by it at any time.

3.4 **Independence Definition**

A director is regarded as having a relationship that may compromise his or her ability to act independently from management who:

- (a) has been employed by the Company in an executive capacity within the last five years;
- (b) holds 5% or more of the shares on issue in the Company;
- (c) is, directly or indirectly, an adviser or consultant to the Company or a member of senior management or who has been in such a relationship within the previous three years;
- (d) has a personal service contract with the Company or a member of senior management;
- (e) within the last five years has had a significant business relationship with the Company (other than as a director) from which the director has derived or is likely to derive 10% or more of that director's annual revenue;
- (f) is employed by a corporation of which a member of senior management serves as a director;
- (g) is a member of the immediate family of any person described above; or
- (h) has had any of the relationships described above with any affiliate of the Company.

3.5 **Procedures**

A director must declare to the Board any relationship that might compromise his or her ability to act independently from management (see 3.4) or any conflicts of interest that are potentially detrimental to the Company (see 3.3(d)). As soon as practicable thereafter the Board, or a committee of the Board established for the purpose, will meet to review the relationship or conflict and determine a process to deal with the issue.

3.6 **Business Relationships to be Disclosed**

Before accepting appointment to the Board, and thereafter as they occur, a director is required to disclose to the Board all of his or her business relationships.

3.7 **Openness to Review**

In considering new appointments to the Board, the Board shall take such steps as may be appropriate to ensure that the Board maintains an openness to new ideas and a willingness to critically examine its performance.

3.8 **Annual Report**

The Company's annual report will include information about each director, identify which directors are independent and include information on the Board's appointment, training and evaluation processes.

4 **ROLE OF THE CHAIRPERSON**

4.1 **Chairperson's Responsibilities**

The Chairperson is responsible for co-ordinating the activities of the Board and has the following specific responsibilities:

- (a) to conduct meetings of the Board and of shareholders;
- (b) to schedule Board meetings in a manner that enables the Board and its Committees to perform their duties responsibly while not interfering with the flow of the Company's business;
- (c) to prepare, in consultation with the CEO, other directors and Committee chairpersons, the agendas for the Board and Committee meetings;
- (d) to define the quality, quantity and timeliness of the flow of information between management and the Board;
- (e) to ensure that issues raised, or information requested, by any director are responded to promptly and as fully as possible;
- (f) to approve, in consultation with the Board, the retention of consultants who report directly to the Board;
- (g) to foster a constructive governance culture and assist the Board and management in assuring compliance with and implementation of this Code and to be principally responsible for recommending revisions thereto;
- (h) to promote and maintain the independence of the Board from management;
- (i) to be principally responsible for evaluating the CEO's performance and to meet with the CEO to discuss the Board's requirements and expectations and the evaluation of the CEO's performance by the board; and
- (j) to ensure that rigorous, formal processes for evaluating the performance of the Board, Board Committees and individual directors are in place and lead these processes.

4.2 **Meetings of the Board**

The Chairperson is responsible to ensure that Board meetings are sufficiently well-planned and conducted in a manner that ensures the most effective and efficient use of Board time and energy. The Chairperson takes particular responsibility for leading the Board and setting the tone for the conduct of its meetings and the way in which issues are debated. The Chairperson is responsible to ensure that adequate minutes of the proceedings of meetings of the Board are taken.

4.3 **Relationship with CEO**

The Chairperson is responsible for establishing a close working relationship with the CEO and acting as his or her mentor.

5 **DIRECTOR EMPOWERMENT ASSURANCE**

5.1 **Empowerment**

The Board recognises that the way in which it functions impacts on how well the Board performs its role as steward of the Company. Accordingly, the Board has in place procedures to ensure that the Board meets regularly, conducts its meetings in an efficient and effective manner and that each director is fully empowered to perform his or her duties as a director of the Company and to fully participate in meetings of the Board.

5.2 **Meetings without CEO**

The Board meets without the CEO at least once a year when the performance, evaluation and remuneration of the CEO and management are reviewed.

5.3 **Attendance at Meetings**

Directors are expected to attend all Board meetings and when this is not possible directors can join the meeting by means of audio communication. In circumstances where a Board member is unable to attend, apologies must be given to the Chairperson.

5.4 **Convening of Meetings**

Board meetings are normally convened by the Chairperson. Any director may request the Chairperson or the secretary to convene a meeting. Notice of a meeting must be given to all directors.

5.5 **Agenda for Meetings**

The agenda for normal Board meetings is determined by the Chairperson. Where a director has requested a meeting the agenda will be as specified by that director. Board members are encouraged to submit items for inclusion in the agenda. In addition each Board meeting has a general business item under which directors may raise issues.

5.6 **Information to Directors**

The Board recognises that appropriate information, provided on a timely basis, is essential to the effective discharge of its duties. The Chairperson and the CEO are responsible for ensuring appropriate Board papers (including any financial reports), that identify and fairly address the key issues concerning the Company, are prepared and distributed to Board members in a format and at a time that allows directors to be fully informed on the affairs of the Company and to properly prepare for discussion at Board meetings.

5.7 **Availability of Management**

The Chairperson, in consultation with the CEO, is responsible to ensure the availability of the CEO and management when required by the Board.

5.8 **Passing of Resolutions**

A resolution of the Board is passed at a Board meeting by the agreement of a majority of the votes cast on it. In the case of an equality of votes the Chairperson does not have a casting vote.

5.9 **Evaluation of Information**

The Board evaluates the format of the information it receives at least annually.

5.10 **Performance Criteria**

The Board establishes and reviews from time to time performance criteria for itself and reviews its performance against those criteria at least annually.

5.11 **Relationship with Management**

The Board recognises that all directors should have access to the CEO and senior management. Each director acknowledges that the division of responsibility between Board and management must be respected. The Board reviews its relationship with management annually.

5.12 **Independent Advice**

A director may obtain independent advice at the expense of the Company on issues related to the fulfillment of his or her duties as a director, subject to obtaining the approval of the Audit and Risk Management Committee prior to the incurrence of any advisory fees.

5.13 **Indemnities by Company**

The Company indemnifies a director upon joining the Board to the extent provided in section 162 of the Companies Act 1993 (*the Act*) and it also indemnifies persons who undertake directorships of other companies at the request of the Company.

5.14 **Insurance by Company**

The Company effects director and officers liability insurance cover for the benefit of directors and management.

6 **DIRECTOR RESPONSIBILITIES**

6.1 **Directors Principal Duties**

The directors are committed to the proper and responsible fulfillment of their duties to the Company and to the shareholders. In particular, the directors are mindful of their duties contained in the Act, the Company's Constitution and the Listing Rules which include the following:

- (a) a director, when exercising powers or performing duties, must act in good faith and in what the director believes to be the best interests of the Company;
- (b) a director must exercise a power for a proper purpose;

- (c) a director must not act, or agree to the Company acting, in a manner that contravenes the law or the Constitution;
- (d) a director must not:
 - (i) agree to the business of the Company being carried on in a manner likely to create a substantial risk of serious loss to the Company's creditors; or
 - (ii) cause or allow the business of the Company to be carried on in a manner likely to create a substantial risk of serious loss to the Company's creditors;
- (e) a director must not agree to the Company incurring an obligation unless the director believes at that time, on reasonable grounds, that the company will be able to perform the obligation when it is required to do so; and
- (f) a director when exercising powers or performing duties as a director, must exercise the care, diligence and skill that a reasonable director would exercise in the same circumstances taking into account, but without limitation:
 - (i) the nature of the Company;
 - (ii) the nature of the decision; and
 - (iii) the position of the director and the nature of the responsibilities undertaken by him or her.

6.2 Delegation by the Board

The Board may delegate any of its powers (other than certain powers specified in the Act). However, whenever the Board delegates a power the Board remains responsible for the exercise of the power by the delegate, unless the Board:

- (a) believed on reasonable grounds that the delegate would exercise the power in conformity with the duties imposed on directors by the Act and the Constitution; and
- (b) has monitored, by means of reasonable methods properly used, the exercise of the power by the delegate.

6.3 Reliance on Information

A director may rely on information, financial data and professional or expert advice given by any of the following:

- (a) an employee of the Company whom the director believes on reasonable grounds to be reliable and competent in relation to the matters concerned;
- (b) a professional advisor or expert in relation to matters which the director believes on reasonable grounds to be within the person's competence; or

- (c) any other director or committee of directors upon which the director did not serve in relation to matters within the director's or committee's delegated authority.

A director may only rely on others, as described above, if the director:

- (i) acts in good faith;
- (ii) makes proper enquiry where the need for enquiry is indicated by the circumstances; and
- (iii) has no knowledge that such reliance is unwarranted.

6.4 **Confidentiality of Company Information**

A director who has confidential information in his or her capacity as a director must not disclose that information to any person, make use of or act on that information, except:

- (a) for the purposes of the Company;
- (b) as required or permitted by law; and
- (c) in complying with the director's obligation to disclose his or her interest in a transaction with the Company.

6.5 **Authorised Disclosure of Information**

A director may disclose information to a person whose interests the director represents, and may disclose, make use of, or act on information if:

- (a) particulars of the disclosure, use, or act are entered in the Interests Register (see 6.8); and
- (b) the disclosure, use, or act will not be likely to prejudice the Company.

6.6 **Securities Trading Policy and Guidelines**

The Board of the Company has implemented a formal procedure to handle the trading in the Company's listed securities by directors and employees and advisers of the Company and any subsidiaries. All directors, employees and advisers of the Company and any subsidiaries must comply with these procedures.

6.7 **Inside Information**

If a director has inside information on the Company (or another public issuer) he or she must not trade in, or tip others to trade in, the securities of the Company (or another public issuer).

6.8 **Resigning Director**

A director who resigns before the expiry of his or her term will identify to the Board his or her reasons for early retirement.

7 CONFLICTS OF INTEREST

7.1 General Conflicts

A director should not have any significant conflict of interest that is potentially detrimental to the Company, including:

- (a) material affiliations with competitors of the Company;
- (b) material affiliations with parties that are likely to be a regular counterparty to a transaction with the Company;

in either of these events a director should consider their ongoing role on the board.

7.2 Disclosure of Interest

A director who is interested in a transaction with the Company must immediately disclose to the Board the nature, monetary value and extent of the interest.

7.3 Participation at Meetings

A director who is interested in a transaction with the Company may attend and participate at a Board meeting at which the transaction is discussed. However, such a director is not counted in the quorum and may not vote in respect of the transaction, unless it is one in respect of which directors are expressly required by the Act to sign a certificate.

7.4 Interests Register

The Board maintains an Interests Register in which are entered the required disclosures made by directors in respect of matters relating to the Company. Entries in the Interests Register are disclosed in the next annual report.

7.5 Acting at Arms-length

A director who, either directly or indirectly, provides goods or services to the Company or an affiliate of the Company must act on an arms-length basis and not use his or her position as a director to influence commercial decisions by the Company or the affiliate.

8 COMMITTEES OF THE BOARD

8.1 Purpose of Committees

The use of Committees allows issues requiring detailed consideration to be dealt with separately by members of the Board with specialist knowledge and experience, thereby enhancing the efficiency and effectiveness of the Board. However the Board retains ultimate responsibility for the functions of its Committees and determines their responsibilities.

8.2 Exclusive Board Matters

Issues relating to the Company's mission, appointments to the Board, strategy, business and financial plans are dealt with directly by the Board.

8.3 Committees of the Board

The Board has constituted two standing Committees being the Audit and Risk Management Committee, and the Nominations and Remuneration Committee.

From time to time the Board may constitute an ad hoc Committee to deal with a particular issue facing it which requires specialist knowledge and experience.

8.4 **Composition of Committees**

Each standing Committee comprises at least two directors. The CEO may not be a member of the Audit and Risk Management Committee. Only directors may be members of a Committee, but the alternate of a director may take the place of that director where required.

8.5 **Attendance at Meetings**

In order to be fully informed on the matters for consideration a Committee member may require the attendance of any of the CEO, management, the Company's auditors and advisers.

8.6 **Review of Committees by Board**

The Board will regularly review the performance of the Audit and Risk Management Committee in accordance with its charter.

8.7 **Publication of Committee members**

The Board will identify the members of the Audit and Risk Management Committee in the Company's annual report.

8.8 **Audit and Risk Management Committee**

The Audit and Risk Management Committee is responsible for:

- (a) monitoring all aspects of the external audit of the Company's affairs;
- (b) reviewing the half year and annual financial statements, and any other financial statements to be released by the Company, before submission to the Board;
- (c) reviewing any non-routine statements to be issued by the Company;
- (d) regularly reviewing the Company's internal controls and systems;
- (e) monitoring and regularly reviewing the authorities, delegations and procedures under which the Company may be committed;
- (f) considering the findings of any internal investigations and management's response thereto;
- (g) monitoring compliance by the Company with its Constitution, applicable laws and regulations and stock exchange requirements;
- (h) promoting integrity in all aspects of the Company's financial reporting; and
- (i) establishing and regularly reviewing a procedure to identify other situations or circumstances in which the Company may be materially at risk and initiating appropriate action through the Board or the CEO.

8.9 **Audit and Risk Management Committee Procedure**

In carrying out the responsibilities the Audit and Risk Management Committee will:

- (a) meet at least once a year with the auditors and without the CEO or management being present;
- (b) convene a meeting if the auditors so request;
- (c) communicate the outcome of the meeting to the Chairperson as soon as practicable after the meeting;
- (d) regularly report to the Board on the operation of the Company's risk management and internal control processes; and
- (e) provide sufficient information to the Board to allow the Board to report annually to shareholders and stakeholders on risk identification and management procedures and relevant internal controls of the Company.

8.10 **Audit and Risk Management Committee Charter**

The Audit and Risk Management Committee shall produce a written charter that outlines the Audit and Risk Management Committee's authority, duties, responsibilities and relationship with the Board. The Audit and Risk Management Committee charter shall be readily available to shareholders. The Audit and Risk Management Committee charter in place as at the date of adoption of this Corporate Governance Code is set out as Appendix B.

8.11 **Composition of the Audit and Risk Management Committee**

The Audit and Risk Management Committee shall comprise a majority of independent directors and at least one director who is a chartered accountant or has another recognised form of financial expertise.

8.12 **Nominations and Remuneration Committee**

The Nominations and Remuneration Committee is responsible for ensuring that the Company has appropriate employment practices including:

- (a) reviewing and advising the Board on the terms of appointment and remuneration of employees of the Company and its subsidiaries including executive directors;
- (b) overseeing and setting remuneration policy and practices across the group making recommendations to the Board on the remuneration of non-executive directors;
- (c) reviewing working environments and succession planning for management;
- (d) reviewing the terms of the employment arrangements with management so as to develop consistent group-wide employment practices subject to regional differences;

- (e) advising the Board on the remuneration of its members, the CEO and senior management;
- (f) recommending director appointments to the Board; and
- (g) establishing a formal and transparent process for the nomination and appointment of directors.

8.13 **Nominations and Remuneration Committee Charter**

The Nominations and Remuneration Committee shall produce a written charter that outlines the Nominations and Remuneration Committee's authority, duties, responsibilities and relationship with the Board. The Nominations and Remuneration Committee charter shall be readily available to shareholders. The Nominations and Remuneration Committee charter in place as at the date of adoption of this Corporate Governance Code is set out as Appendix C.

8.14 **Composition of Nominations and Remuneration Committee**

The Nominations and Remuneration Committee shall comprise a majority of independent directors.

8.15 **Minutes**

Minutes of the proceedings of every Committee meeting shall be taken and circulated to each member of the Board.

9 **EXTERNAL AUDIT POLICY**

9.1 **Appointment of Auditors**

The auditors of the Company shall be appointed on professional merit.

9.2 **Independence of Auditors**

The Audit and Risk Management Committee and Board should be satisfied prior to the appointment of the Company's auditors that there is no relationship between the proposed auditors and the Company or any related person that could compromise the independence of the auditors, and have received written confirmation to that effect from the auditors.

9.3 **Full and Frank Dialogue**

The Board recognises the importance of and shall facilitate full and frank dialogue among the Audit and Risk Management Committee, the auditors and management.

9.4 **Rotation of Audit leader**

The auditors' lead and engagement audit partners should be rotated after a maximum of five years such that no such persons shall be engaged in an audit of the Company for more than five consecutive years.

9.5 **Report on Audit Fees**

The Board shall annually report to shareholders and stakeholders on the amount of fees paid to the auditors for both audit and non-audit work and shall separately identify fees paid for each category of non-audit work.

9.6 **Report on Non-Audit work**

The Board shall state in the annual report what non-audit work (if any) was undertaken by the auditors and why this did not compromise the independence of the auditors.

10 **REMUNERATION POLICY**

10.1 **Alignment of Interests with Shareholders**

The Board promotes the alignment of the interests of the directors, the CEO and management with the long term interests of shareholders.

10.2 **Review Process**

The Board shall annually review and recommend changes to remuneration structure and policy within the Company. The Board shall annually review the remuneration packages of the CEO and management, and shall review the remuneration packages of directors at least every second year.

10.3 **External Advisers**

In reviewing the remuneration proposed for directors, the CEO and management, the Board may seek external advice from a recognised and competent source, including an evaluation against comparable peer groups.

10.4 **Remuneration levels**

The Board has a policy that executives, executive directors and non-executive directors should receive remuneration that is fair and reasonable in a competitive market for the skills, knowledge and experience required by the Company.

10.5 **Executive and Non-Executive remuneration**

The Board recognises that it is desirable that executive (including executive director) remuneration should include an element dependent upon the performance of both the Company and the individual, and should be clearly differentiated from non-executive director remuneration.

10.6 **Retiring Director Remuneration**

No special remuneration will be paid to a retiring director without the authority of an ordinary resolution of shareholders, except as permitted by the Listing Rules.

10.7 **Annual Report**

The remuneration policies of the Company and the remuneration received by directors will be disclosed in each annual report.

11 **THE CHIEF EXECUTIVE OFFICER**

11.1 **Responsibilities of CEO**

The CEO is the senior executive of the Company and is responsible for:

- (a) formulating the vision for the Company;
- (b) recommending policy and the strategic direction of the Company for approval by the Board;

- (c) providing management of the day to day operations of the Company; and
- (d) acting as the spokesperson of the Company.

11.2 **No Appointment as Chairperson**

The CEO is not eligible to be appointed as the Chairperson. A Chairperson may, however, assume the post of CEO concurrently on a temporary basis when the post of CEO is vacant, for a period not longer than six months. After the initial period of six months, if a CEO has not been appointed, the Board may extend the Chairperson's CEO post for another maximum period of six months.

11.3 **Independence of the Board**

The CEO undertakes to respect the independence of directors so as to permit the Board to challenge management decisions objectively and evaluate corporate performance.

11.4 **Other Boards**

The CEO will not accept appointment to the board of other companies except for family companies and directorships undertaken at the request of the Company where the Company has a significant interest, except with the consent of the Board.

11.5 **Disclosure**

The period of the CEO's employment contract will be disclosed in each annual report.

12 **SHAREHOLDER PARTICIPATION**

12.1 **Constitution**

The rights of shareholders are referred to in the Company's Constitution which is available to all shareholders and in the Act and the Listing Rules.

12.2 **Board Accountable to Shareholders**

The Board is appointed by, and accountable to, shareholders.

12.3 **Reports to Shareholders**

The Board values the opportunity to give comprehensive yet accessible interim and full year reports to shareholders and to meet with them annually.

12.4 **Annual Meeting**

The Board recognises that the annual meeting is an important forum at which shareholders can meet with the Board and it encourages shareholders to use the forum to ask questions and make comments on the performance of the Company.

12.5 **Directors Attendance**

In usual circumstances all directors will attend the annual meeting.

12.6 **Questions from Shareholders**

The Board welcomes input from shareholders and encourages shareholders to submit questions in writing prior to the annual meeting so that an informed answer can be given at the meeting. The Board will ensure that the Company's external auditors are available for questioning by shareholders at the annual meeting.

12.7 Questions not fully Answered

Questions which are not fully answered at a meeting will be replied to in writing as soon as practicable after the meeting subject to the Company's confidentiality obligations to third parties.

12.8 Company website

The Board recognises that maintaining an up-to-date website is an important way in which shareholders can readily access key information (including annual reports) about the Company.

13 REPORTING AND DISCLOSURE**13.1 Annual Report**

In addition to all information required by law, the Board acknowledges that the Company's annual report should include sufficient meaningful information to enable shareholders and stakeholders to be well informed on the affairs of the Company.

13.2 Financial Reports

The CEO, Chief Financial Officer (or equivalent officers) and at least one director of the Company shall certify in the published financial reports of the Company that the reports comply with generally accepted accounting standards and present a true and fair view of the financial affairs of the Company.

13.3 Continuous Disclosure

The Chief Financial Officer shall be responsible for the Company's compliance with statutory and NZX continuous disclosure requirements and the Board shall be advised of, and consider, continuous disclosure issues at each Board meeting.

13.4 Code of Ethics

The Company's code of ethics should be published and available to all directors, staff and shareholders. The Board should include information in the Company's annual report about the steps taken to implement the code of ethics and to monitor compliance with the code of ethics including, as appropriate, any serious instances of unethical behaviour and the actions taken.

APPENDIX A: SLI SYSTEMS CODE OF ETHICS

The SLI Systems Code of Ethics is the framework of standards by which the directors, employees, contractors for personal services and advisers of SLI Systems Limited and its related companies (*SLI Systems people*) are expected to conduct their professional lives and has been approved by the Board. This Code is not intended to prescribe an exhaustive list of acceptable and non-acceptable behaviour, rather it is intended to facilitate decisions that are consistent with SLI Systems values, business goals and legal and policy obligations, thereby enhancing performance outcomes. SLI Systems people must familiarise themselves with SLI Systems values, as they govern their behaviour while they are employed by SLI Systems.

Directors, Senior Executives and other employees who are proven to have breached this Code of Ethics will face disciplinary action which, depending on the seriousness and severity of the breach, could include dismissal or legal action or both.

SLI Systems directors and managers are expected to lead according to these standards of ethical and professional conduct and to ensure that they are communicated to the people who report to them.

If you have any questions or concerns about an ethical question, or become aware of a breach of a legal obligation or a SLI Systems Policy, let the Chairperson of the Board know as soon as possible. If this is not appropriate, contact the Chairperson of the Audit and Risk Management Committee. (Please refer to Article 11, Reporting Concerns, for more information.)

1 Conflicts of Interest

A conflict of interest occurs when an individual's interests interfere, or appear to interfere, with SLI Systems' interests. SLI Systems expects SLI Systems people to act in SLI Systems' interests at all times.

SLI Systems people will not without the prior consent of SLI Systems:

- engage in any other business or commercial activities which would conflict with their ability to perform their duties to SLI Systems ;
- support a political party or organisation other than in a personal capacity;
- engage in any other activity which could conflict with SLI Systems' interests.

2 Gifts

"Gifts" and "personal benefits" can include accommodation, goods, services, discounts, special terms on loans and so on.

SLI Systems people will not accept gifts or personal benefits of any value from external parties if it could be perceived that such acceptance might compromise or influence any decision by SLI Systems.

3 Corporate Opportunities

SLI Systems expects its people to advance its legitimate interests when the opportunity to do so arises.

SLI Systems people will not:

- take for themselves any opportunity discovered through the use of SLI Systems property, information or position;
- use SLI Systems property (including SLI Systems' name), information or position for personal gain;
- compete with SLI Systems ; and
- trade in shares, or any other kind of property, based on information that comes from their roles for SLI Systems if that information has not been reported publicly.

4 Confidentiality

SLI Systems and SLI Systems stakeholders entrust us daily with their confidential communications and information. Confidential information includes all information not in the public domain that has come to a SLI Systems employee's knowledge by virtue of working for SLI Systems.

SLI Systems people will maintain and protect the confidentiality of information entrusted to SLI Systems about work colleagues, stakeholders and SLI Systems' business and financial affairs, except where disclosure is allowed by SLI Systems or is required by law.

5 Behaviours

The actions and statements of SLI Systems people, whether to customers, suppliers, competitors, or employees, can impact on the way people see SLI Systems and whether they choose to do business with us.

SLI Systems people will:

- undertake their duties in accordance with SLI Systems values;
- conduct themselves in a way that demonstrates that their honesty is beyond question and will not behave in a manner that has the potential to bring SLI Systems' image into disrepute;
- deal honestly with SLI Systems' other people, professional advisors and stakeholders;

- not enter into transactions or make promises on behalf of SLI Systems that SLI Systems cannot or does not intend to honour;
- undertake their duties with care and diligence;
- ensure that any personal opinions SLI Systems people express are clearly identified as their own and are not represented to be the views of SLI Systems ;
- value individuals' differences and treat people in the workplace with respect in accordance with SLI Systems' philosophies of equal employment opportunities, and anti-harassment and discrimination policies;
- to the best of their ability, use reasonable endeavours to ensure that SLI Systems records and documents, including financial reports, are true, correct and conform to SLI Systems reporting standards and internal controls; and
- not accept or offer bribes or improper inducements to or from anyone.

6 Proper use of SLI Systems Assets and Information

SLI Systems people have a duty to protect SLI Systems assets from loss, damage, misuse, waste and theft. SLI Systems assets include systems, information, intellectual property and networks.

SLI Systems people will only use SLI Systems assets for lawful business purposes authorised by SLI Systems.

7 Compliance with Laws and Policies

SLI Systems people will:

- familiarise themselves with and comply with SLI Systems policies, frameworks and processes at all times (including those relating to equal employment opportunities and health and safety);
- abide by the laws, rules and regulations in any country in which they work;
- undertake training on legal obligations and policies as required by management from time to time; and
- comply with all statutory and internal disclosure requirements on a timely basis.

8 Delegated Authority

The SLI Systems Board of Directors delegates the responsibility of managing the business and affairs of SLI Systems to the Chief Executive Officer (“CEO”). The CEO in turn delegates to other levels of management certain rights to make operational and financial decisions within defined limits. A director should not simultaneously hold the positions of CEO and Chairperson of the Board.

SLI Systems people will:

- only act within the delegated authority framework and any authority that may be specifically given to them as a delegated authority holder; and
- ask their manager if they are uncertain as to their level of delegated authority.

9 Additional Director Responsibilities

Directors are required to:

- undertake appropriate training to remain current on how to best perform their duties as directors of SLI Systems ;
- give proper attention to all matters put before them;
- have an understanding of the regulatory, legal, fiduciary and ethical requirements affecting directors;
- be familiar with up to date business management techniques and related ethics; and
- have an awareness of special strategic, industry, cultural and other issues that may impact on SLI Systems’ business.

10 Information for the Board

SLI Systems management shall provide the Board with information of sufficient content, quality and timeliness as the Board considers necessary to enable the Board to effectively discharge its duties.

11 Reporting Concerns

If you become aware of a breach of the SLI Systems Code of Ethics or any breach of a legal obligation or SLI Systems policy, you are responsible for reporting it to your manager or the Board, as appropriate. If this is not appropriate in the circumstances, you should report the breach to the:

- Chairperson of the Board; or

- Chairperson of the Audit and Risk Management Committee.

SLI Systems will stand behind any employee who, acting in good faith, reports a breach, serious problem or wrongdoing. The identity of the person making the report will be kept confidential where possible – there may be situations however where the proper investigation of the matter inadvertently identifies the reporter or requires his or her identification.

SLI Systems requires all Directors, Senior Executives and other employees who receive a report of an actual or suspected violation of this Code of Ethics to take all reasonable steps within their control to ensure that:

- the behaviour alleged in the report is thoroughly investigated;
- the rules of natural justice are observed in that investigation; and
- appropriate disciplinary action is taken if the allegation is substantiated.

Any person who knowingly makes a false report of a legal or policy breach may be subject to disciplinary action.

If you suspect that a breach of the delegated authority rules or limits has occurred you should advise your manager and the delegated authority holder whose responsibility it should have been to approve the transaction, as soon as possible.

12 Review

The Code of Ethics is subject to annual review by the Board. If you have feedback on the Code of Ethics please contact the Chairperson of the Board.

APPENDIX B: AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

1 Constitution

The Audit and Risk Management Committee shall be a committee of the Board of SLI Systems Limited (*SLI Systems* or the *Company*).

2 Purpose

The purpose of the Audit and Risk Management Committee is to:

- assist the Board of SLI Systems in fulfilling its responsibilities for Company financial statements and external financial reporting;
- assist the Board of SLI Systems in ensuring the quality and independence of the Company's external audit process.
- assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to oversight of:
 - the integrity of external financial reporting;
 - the application of accounting policies;
 - financial management;
 - internal control systems;
 - the risk management framework and monitoring compliance with that framework;
 - related party transactions;
 - protection of the company's assets; and
 - compliance with applicable laws, regulations, standards and best practice guidelines as they relate to financial disclosure;
- reviewing managements' letters of representation;
- facilitating the continuing independence of the external auditor;
- assessing the external auditor's independence and qualifications;

- improving the quality, credibility and objectivity of the accounting process (including financial reporting);
- overseeing and monitoring the performance of the internal and external auditors;
- providing a structured reporting line for internal audit and facilitating the maintenance of the objectivity of the internal auditor; and
- providing a formal forum for communication between the Board and senior financial management.

3 Duties and Responsibilities

The Audit and Risk Management Committee does not take actions or make decisions on behalf of the Board unless specifically mandated. The Board has delegated certain functions to the Audit and Risk Management Committee which is responsible for:

- (a) monitoring all aspects of the external audit of the Company's affairs including:
 - (i) considering the appointment of the auditors, the audit fee and any issues on their resignation or dismissal;
 - (ii) discussing with the auditors, before the commencement of each audit, the nature and scope of their audit;
 - (iii) reviewing the auditors service delivery plan;
 - (iv) approving the Company's letter of representation to the auditors; and
 - (v) discussing with the auditors any problems, reservations, or issues arising from the audit and referring matters of a material or serious nature to the Board;
- (b) reviewing the half year and annual financial statements, and any other financial statements to be released by the Company, before submission to the Board, focusing particularly on:
 - (i) any change in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments;

- (iv) the solvency of the Company;
 - (v) the going concern assumption;
 - (vi) compliance with accounting standards; and
 - (vii) compliance with legal stock exchange and other regulatory requirements;
- (c) reviewing any non-routine statements to be issued by the Company, including announcements to NZX Limited (NZX) concerning results;
 - (d) regularly reviewing the Company's internal controls and systems;
 - (e) monitoring and regularly reviewing the authorities, delegations and procedures under which the Company may be committed;
 - (f) considering the findings of any internal investigations and management's response thereto;
 - (g) monitoring compliance by the Company with its Constitution, applicable laws and regulations and stock exchange requirements;
 - (h) promoting integrity in all aspects of the Company's financial reporting; and
 - (i) establishing and regularly reviewing a procedure to identify other situations or circumstances in which the Company may be materially at risk and initiating appropriate action through the Board or the chief executive officer.

The Audit and Risk Management Committee shall:

- (a) regularly report to the Board on the operation of the Company's risk management and internal control processes;
- (b) provide sufficient information to the Board to allow the Board to report annually to shareholders and stakeholders on risk identification and management procedures and relevant internal controls of the Company; and
- (c) attend to any other matter put to the Audit and Risk Management Committee for consideration by the Board.

4 Membership

Members of the Audit and Risk Management Committee shall be appointed by the Board and shall comprise a majority of independent directors and at least one director with an accounting or financial background.

The Board shall appoint a chairperson from among the members of the Audit and Risk Management Committee.

The appointment and removal of the Audit and Risk Management Committee members shall be the responsibility of the Board.

The Company shall identify the members of the Audit and Risk Management Committee each year in its annual report.

5 Secretarial and Meetings

The secretary of the Audit and Risk Management Committee shall be appointed by the Board.

A quorum of members of the Audit and Risk Management Committee shall be a majority of members.

The Audit and Risk Management Committee may have in attendance such members of management and such other persons including external advisers, as it considers necessary to provide appropriate information and advice.

All directors who are not members of the Audit and Risk Management Committee may attend meetings of the Audit and Risk Management Committee.

Reasonable notice of meetings and the business to be conducted shall be given to the members of the Audit and Risk Management Committee and all other members of the Board.

Meetings shall be held at least once per year and without the chief executive officer or management being present. Any member of the Audit and Risk Management Committee may request a meeting at any time if they consider it necessary.

The Audit and Risk Management Committee will convene a meeting if the auditors so request.

Minutes of all meetings shall be kept.

6 Authorities

The Audit and Risk Management Committee will make recommendations to the Board on all matters requiring its decision. The Audit and Risk Management Committee does not have the power or authority to make a decision in the Board's Company Name or on its behalf.

The Audit and Risk Management Committee is authorised by the Board, at the Company's expense, to obtain such outside legal or other independent information and advice, as it thinks necessary for carrying out its responsibilities.

7 Review of the Audit and Risk Management Committee

The Audit and Risk Management Committee will undertake an annual self-review of its objectives and responsibilities. Such objectives and responsibilities will also be reviewed (as against the Audit and Risk Management Committee Charter) by the Board, the chief executive officer and any other person the Board considers appropriate.

8 Reporting Procedures

As soon as practicable after each Audit and Risk Management Committee meeting the Audit and Risk Management Committee will communicate its findings and recommendations to the Chairperson.

The minutes of all Audit and Risk Management Committee meetings will be circulated to members of the Board. Extracts from the minutes will be made available to such other persons as the Board directs, as may be necessary to enable them to properly carry out their functions.

APPENDIX C: NOMINATIONS AND REMUNERATION COMMITTEE CHARTER

1 Constitution

The Nominations and Remuneration Committee shall be a committee of the Board of SLI Systems Limited (*SLI Systems* or the *Company*).

2 Purpose

The purpose of the Nominations and Remuneration Committee is to:

- regularly review, and recommend changes to Director's remuneration to ensure that it is at an appropriate level, and effectively managed, to best advance the business objectives of the Company;
- assist the Board in the establishment of remuneration policies and practices for, and in discharging the Board's responsibilities relative to remuneration-setting and review of, the Company's chief executive officer, other senior executives, and directors (both non-executive and executive);
- ensure that the Company has a formal and transparent method for the nomination and appointment of Directors to the Board;

- regularly review and, when appropriate, recommend changes to the composition of the Board to ensure that the Company has, and maintains, the right composition of Directors to effectively govern and provide guidance to business; and
- identify and recommend to the Board individuals for nomination as members of the Board and its Committees (taking into account such factors as it deems appropriate, including experience, qualifications, judgement and the ability to work with other Directors).

3 Duties and Responsibilities

The Nominations and Remuneration Committee does not take actions or make decisions on behalf of the Board unless specifically mandated. The Board has delegated certain functions to the Nominations and Remuneration Committee which is responsible for:

- (i) setting and reviewing the Company's remuneration policies and practices;
- (ii) setting and reviewing, in accordance with the Company's remuneration policies and practices, all components of the remuneration of the chief executive officer, executive and non executive directors as the Board may from time to time determine. The components shall include base salary, reimbursable expenses, bonuses, entitlements under employee incentive plans, company share schemes and company option schemes, and all other entitlements and benefits arising from such directorships;
- (iii) setting and reviewing, as appropriate, the terms of employment contracts for the personnel referred to above;
- (iv) setting and reviewing the terms of the Company's short and long term incentive plans including any share and option schemes for employees and/or directors;
- (v) setting and reviewing the terms of The Company's superannuation and/or pension schemes;
- (vi) making recommendations to the Board as to its size;
- (vii) formal evaluation of the Board's performance;
- (viii) reviewing from time to time as required, the composition of the Board to ensure that The Company has access to the most appropriate balance of skills, qualifications, experience and background to effectively govern The Company;

- (ix) considering whether any changes to the Board are necessary and/or desirable to enhance the performance of the Board, and recommend any changes to the Board;
- (x) reviewing Board succession plans to maintain an appropriate balance of skills, experience and expertise on the Board;
- (xi) reviewing from time to time the criteria for determining suitability of potential directors in terms of balance of the Board, qualities, qualifications, skills and experience and recommending to the Board any necessary alterations;
- (xii) identifying and maintaining a list of suitably qualified people who could be approached in respect of future Board vacancies;
- (xiii) in the event of any vacancies on the Board, including any casual vacancy, considering any person(s) nominated, either by Directors or shareholders, and making recommendations to the Board in respect of such nominations. The Nominations and Remuneration Committee can also make recommendations for removal of particular Directors from the Board;
- (xiv) ensuring that potential candidates understand the role of the Board and the time commitment involved when acting as a member of the Board;
- (xv) ensuring there is an appropriate induction programme in place for all new Directors;
- (xvi) establishing and implementing a programme to regularly assess Board performance; and
- (xvii) attending to any other matter put to the Nominations and Remuneration Committee for consideration by the Board and, as appropriate, the management of The Company.

The Nominations and Remuneration Committee shall:

- (i) At least annually, and in sufficient time to commission any study, survey and/or advice, review Directors fees and determine whether those fees are appropriate and make recommendations to the Board to put forward any proposed increases to be considered by shareholders at the next Annual Meeting.
- (ii) Consider and make recommendations to the Board on any payment proposed to be made to a retiring Director, subject to compliance with the Constitution. Provided however, that a member of the Nominations and Remuneration Committee should not participate in any discussions with respect to a payment

to that member and that the Board shall nominate another Director as an alternative for such discussions.

- (iii) Attend to any other matter put to the Nominations and Remuneration Committee for consideration by the Board and as appropriate, by the manager of The Company.

The Nominations and Remuneration Committee may commission any study, survey and/or advice that it sees fit to assist in its consideration of any matter.

4 Membership

Members of the Nominations and Remuneration Committee shall comprise members of the Board appointed by the Board, a majority of whom shall, wherever possible, be independent directors.

The Board shall appoint a chairperson from members of the Nominations and Remuneration Committee.

The appointment and removal of the Nominations and Remuneration Committee members shall be the responsibility of the Board.

The Company shall identify the members of the Nominations and Remuneration Committee each year in its annual report.

5 Attendance

The Nominations and Remuneration Committee may invite an adviser (or advisers) to attend meetings of the Nominations and Remuneration Committee to provide information and assistance to the Nominations and Remuneration Committee as required.

6 Secretarial and Meetings

The secretary of the Nominations and Remuneration Committee shall be appointed by the Board.

A quorum of members of the Nominations and Remuneration Committee shall be a majority of members.

The Nominations and Remuneration Committee may have in attendance such members of management and such other persons including external advisers, as it considers necessary to provide appropriate information and advice.

All directors shall be entitled to attend meetings of the Nominations and Remuneration Committee by standing invitation provided that executive directors, including the chief executive officer, shall not be entitled to attend meetings where they are conflicted for personal reasons.

Reasonable notice of meetings and the business to be conducted shall be given to the members of the Nominations and Remuneration Committee and all other members of the Board and to such other persons as the Board directs.

From time to time the Chairperson of the Remunerations Committee shall be entitled to request that the Nominations and Remuneration Committee meet without the presence of a particular Director.

The agenda and Committee papers will be prepared and circulated to all Directors including members of the Nominations and Remuneration Committee prior to the meetings.

Meetings shall be held at least once per year having regard to when director and executive remuneration is due for review in terms of The Company's remuneration policies. Any member of the Nominations and Remuneration Committee including the chief executive officer may request a meeting at any time if they consider it necessary.

Minutes of all meetings shall be kept.

7 Authorities

The Company will make recommendations to the Board on all matters requiring its decision. The Nominations and Remuneration Committee does not have the power or authority to make a decision in the Board's Company Name or on its behalf. The Board will consider the Nominations and Remuneration Committee's recommendations in formulating its recommendations regarding Director remuneration packages to shareholders.

In accordance with Section 3 above, the Nominations and Remuneration Committee is authorised by the Board, at the Company's expense, to obtain such outside legal or other independent information and advice including market surveys and reports, and to consult with such management and executive search consultants and other outside advisers with relevant experience and expertise, as it thinks necessary for carrying out its responsibilities.

The Nominations and Remuneration Committee may delegate any of its responsibilities to the Chairperson of the Nominations and Remuneration Committee from time to time and on such conditions as the Nominations and Remuneration Committee considers appropriate.

The Nominations and Remuneration Committee is authorised by the Board to investigate any activity covered by its role.

The Nominations and Remuneration Committee members may communicate with any Company employee to seek any information they require in order for the Nominations and Remuneration Committee to carry out its role.

8 Review of the Nominations and Remuneration Committee

The Nominations and Remuneration Committee will undertake an annual self-review of its objectives and responsibilities. Such objectives and responsibilities will also be reviewed (as against the Nominations and Remuneration Committee Charter) by the Board, the chief executive officer and any other person the Board considers appropriate.

9 Reporting Procedures

After each Nominations and Remuneration Committee meeting the chairperson will report the Nominations and Remuneration Committee's findings and recommendations to the Board.

The minutes of all Nominations and Remuneration Committee meetings will be circulated to members of the Board. Extracts from the minutes will be made available to such other persons as the Board directs, as may be necessary to enable them to properly carry out their functions.

10 Accountability to the Board

The Board reviews annually this Nominations and Remuneration Committee Charter.