



# CORPORATE GOVERNANCE STATEMENT

# Corporate Governance Statement

The Board of directors of Auteco Minerals Limited (“Auteco” or “the Company”) is responsible for the corporate governance framework of the Company. The Board has considered and reports against the Corporate Governance Principles and Recommendations (4<sup>th</sup> Edition) as published by the ASX Corporate Governance Council (“ASX Corporate Governance Principles”) on 27 February 2019.

The ASX Corporate Governance Principles articulate eight core principles of good corporate governance and for each of those principles, recommendations as to their implementation. Adoption of the recommendations is not compulsory, however under the Listing Rules of ASX Limited a listed entity is required to provide an annual statement disclosing the extent to which it has adopted the recommendations for the reporting period and if it has not adopted any of the recommendations, to state the reasons for not following the recommendations.

In September 2020, the Company adopted an updated Corporate Governance Statement that is supplemented by policies and procedures which together the Company believes comply with the Fourth Edition of the ASX Corporate Governance Principles.

The Company’s corporate governance policies and practices which is available on the Company’s website (<https://www.autecominerals.com.au/corporate/corporate-governance/>) and should be read in conjunction with the directors’ report and the remuneration report contained in the Company’s annual report. The information in this statement is current and has been approved by the Board on 30 September 2021.

## Principle 1: Lay solid foundations for management and oversight

### ROLE OF THE BOARD

The Board of Auteco is responsible for setting the Company’s strategic direction and providing effective governance over Auteco’s affairs in conjunction with the overall supervision of the Company’s business with the view to maximising shareholder value. Key responsibilities are documented in the Board Charter.

In accordance with Auteco’s Constitution, the Board has appointed one of their members to the position of Executive Chairperson with responsibility for the day-to-day management of the Company and who exercises those powers subject to any limits determined by the Board. The Executive Chairman, and executives comprise the management team of the Company.

The Board ensures that the management team is appropriately qualified and experienced to discharge their delegated responsibilities and that the Board has appropriate procedures in place to assess the performance of the Executive Chairperson and management team. The Executive Chairperson is responsible for supervising the management of the business as designated by the Board. This separation of accountabilities ensures the appropriate independent functioning of the Board and management.

### OTHER FUNCTIONS RESERVED FOR THE BOARD INCLUDE:

- reviewing and approving financial reports;
- assessing, approving and monitoring major capital expenditures, investments and business transactions;
- identifying, assessing and monitoring significant risks;
- monitoring the effectiveness of the Company’s governance practices;
- establishing the Company’s capital management policy; and
- overseeing the Company’s compliance and continuous disclosure processes.

## **ROLE OF MANAGEMENT**

Management is responsible for providing relevant, timely and accurate information to the Board to enable it to discharge its responsibilities. Management as a whole is charged with reporting to the Board on the performance of the Company.

## **BOARD CHARTER**

The Company has adopted a Board Charter that sets out the specific roles and responsibilities of the Board, the Chairperson and management and includes a description of those matters expressly reserved to the Board and those delegated to management.

The Board Charter sets out the specific responsibilities of the Board, requirements as to the Board's composition, the roles and responsibilities of the Chairperson and Company Secretary, the establishment, operation and management of any Board Committees and details of the Board's relationship with management.

A copy of the Company's Board Charter ) is available on the Company's website.

*This complies with Recommendation 1.1 of the ASX Corporate Governance Principles.*

## **BOARD AND KEY MANAGEMENT PERSONNEL APPOINTMENTS**

Prior to making an appointment of directors or key management personnel, the Company undertakes appropriate checks (including checks in respect of character, experience, education, criminal record and bankruptcy history, as appropriate) to ensure that candidates are identified with the necessary expertise and experience to enhance the Company's capacity to protect and grow shareholder value. Prior to the appointment or re-election of directors, shareholders are provided with all material information in its possession which is relevant to a decision on whether or not to elect or re-elect a director, including the skills and experience of candidates, together with a statement of whether the Board supports the appointment or re-election.

The terms of appointment of all directors and key management personnel are agreed upon and set out in writing at the time of appointment.

*This complies with Recommendations 1.2 and 1.3 of the ASX Corporate Governance Principles.*

## **COMPANY SECRETARY**

The Board Charter outlines the role, responsibilities and accountability of the Company Secretary. The Company Secretary supports the effectiveness of the Board by monitoring that Board policy and procedures are being followed and by coordinating the timely completion and despatch of Board agendas and briefing papers. A Company Secretary is appointed by the Board and is accountable directly to the Board, through the Chairperson, on all matters to do with the functioning of the Board.

*This complies with Recommendation 1.4 of the ASX Corporate Governance Principles.*

## **DIVERSITY POLICY**

The Company has adopted a Diversity Policy which is available on the Company's website. The policy sets out the Company's aims and practices in relation to recognising and respecting diversity in employment and reinforces the Company's commitment to actively managing diversity as a means of enhancing the Company's performance by recognising and utilising the contributions of diverse skills and talent from its employees. The Diversity Policy reflects the matters set out in the commentary and guidance for Recommendation 1.5.

The Board has not set measurable objectives for achieving gender diversity in accordance with its Diversity Policy. The Company employs a diverse range of individuals reflecting its philosophy of hiring the best available candidates for all positions, at all levels, based on competence and performance. The Company believes in the principle of equal opportunity in employment for all people, regardless of gender, sexual preference, marital status, pregnancy, family responsibilities, ethnicity, political or religious belief, cultural background, disability and age.

In terms of the composition of the Board and nominations, the Board considers the ASX Corporate Governance Principles as part of the overall Board appointment process when determining the composition of the Board that is appropriate for the Company. Auteco focuses on attracting, developing and retaining persons who are highly competent and that demonstrate the values of the Company.

At 30 September 2021 40% of the roles within the organisation are held by women, although no women currently hold senior executive or director roles.

The Company currently employs only a small number of full-time staff and due to the constantly evolving environment in which it operates, does not believe that establishing measurable diversity objectives is appropriate at this time. The Board will review this position on an annual basis and will implement measurable objectives as and when they deem the Company to require them. Auteco is not considered a “relevant employer” under the *Workplace Gender Equality Act* and is not required to report against the Gender Equality Indicators as defined by the Act.

*This is a departure from Recommendation 1.5 of the ASX Corporate Governance Principles.*

## **BOARD PERFORMANCE EVALUATION**

The performance of the Board and individual directors is evaluated in accordance with the Performance Evaluation Policy. This assessment includes an evaluation of the appropriateness of the skills and attributes of the members of the Board against the Company’s requirements. The annual review of performance of the Board and individual directors for the 2021 financial year will be carried out in accordance with the disclosed process. The Company does not presently have any committees of the Board.

*This complies with Recommendation 1.6 of the ASX Corporate Governance Principles.*

## **SENIOR EXECUTIVE PERFORMANCE EVALUATION**

The performance of senior executives is evaluated in accordance with the Performance Evaluation Policy. The Executive Chairperson is responsible for reviewing the performance of senior executives as necessary. Executive performance evaluations involve an assessment of the performance of executives against individual and collective accountabilities for the achievement of key objectives determined as part of the Company’s business planning processes. The annual review of performance of the senior executives for the 2021 financial year was carried out in accordance with the disclosed process.

*This complies with Recommendation 1.7 of the ASX Corporate Governance Principles.*

## Principle 2: Structure the Board to be effective and add value

### NOMINATION COMMITTEE

The Company does not presently have a Nomination Committee. The Company's Nomination Committee Charter provides for the creation of a Nomination Committee (if it is considered it will benefit the Company), with at least three members, a majority of whom are independent directors, and which must be chaired by an independent director.

In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Nomination Committee under the Nomination Committee Charter. Functions with respect to the selection, appointment and compensation of directors, Board succession and related matters are currently performed by the Board, rather than a Nomination Committee, including the following processes to address succession issues and to ensure the Board has the appropriate balance of skills, experience, independence and knowledge of the Company to enable it to discharge its duties and responsibilities effectively:

- devoting time to consider Board succession issues; and
- ensuring all Board members are involved in the Company's nomination processes, to the maximum extent permitted under the *Corporations Act 2001 (Cth)* and ASX Listing Rules.

The Board considers that this approach is more efficient and effective given the Company's present size and the nature of its business activities.

It is in the best interests of shareholders for the Company to attract and retain a highly skilled Board and executive team with the necessary experience and capabilities to enhance the Company's capacity to protect and grow shareholder value. Remuneration policies are determined by the Board in order to achieve this objective, while ensuring cash and equity rewards are consistent with practices among comparable listed entities and reflect prevailing market conditions.

Key considerations for the Board when determining new appointments include:

- advice from external consultants;
- skills, knowledge and experience required for the role;
- succession planning;
- current scale and complexity of the Company's business activities; and
- ability of the candidate to assist the Board in creating value for shareholders.

The Nomination Committee Charter ) is available on the Company's website.

*This complies with Recommendation 2.1 of the ASX Corporate Governance Principles.*

### COMPOSITION OF THE BOARD

The Board is comprised of the following directors:

Ray Shorrocks	Executive Chairman	(appointed 28 Jan 2020)
Steve Parsons	Non-Executive Director	(appointed 28 Jan 2020)
Michael Naylor	Non-Executive Director	(appointed 30 Nov 2018)

Details of each director's relevant skills and experience are provided in the Company's annual report and are also available on its website.

### BOARD SKILLS AND EXPERIENCE

The Board considers it essential that its members possess the range of skills and experience necessary to guide the Company through project development, production and sales. Directors are identified to ensure that the Board has a balance of expertise in business administration, operational leadership, technical development and marketing.

The Company has developed a broad-based Board skills matrix setting out the mix of skills that the Board currently has (or is looking to achieve) and this is periodically reviewed against the Company's Board representative's skills to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction. Succession planning is conducted on an informal basis to support decisions about appointments and to maintain the level of Board capability required to successfully guide the Company through each stage of its development.

The directors have determined that the Board is of a sufficient size that is appropriate and effective for the Company at its current stage and that the composition of the current Board represents the best mix of directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management.

The Board has regard to the Company's Diversity Policy and Board Charter and will aim to achieve diversity and independence in its membership where possible, whilst having regard to the size and nature of the existing Board, and the scale of the Company's operations.

*This complies with Recommendation 2.2 of the ASX Corporate Governance Principles.*

## **INDEPENDENCE OF DIRECTORS**

Directors are considered to be independent when their interests are not aligned with the interests of management, substantial shareholders or other relevant stakeholders. The definition of independence and factors set out in box 2.3 of the ASX Corporate Governance Principles is taken into account by the Company when determining the independence of directors.

The Board does not satisfy the tests of independence as detailed in the ASX Corporate Governance Principles as Mr Shorrocks is an executive director, Mr Naylor and Mr Parsons are or have been substantial shareholders of the Company within the last 3 years.

The Company's annual report discloses the length of service of each director in the directors' report.

*This complies with Recommendation 2.3 of the ASX Corporate Governance Principles.*

The Board is currently comprised of three directors, consisting of an Executive Chairperson, two non-executive directors. Based on key factors applied from box 2.3 referred to above, independent directors currently do not comprise the majority of the Board.

This is due to the Board's view that Auteco benefits from the current Board composition, taking into account the Company's stage of development and the relevant knowledge and skill base of the directors and magnitude of the Company's operations. The Company believes that at the present time a Board consisting of persons with a strong involvement in its business activities enhances the capacity of the Company to achieve its strategic priorities and generate growth in shareholder value.

*This is a departure from Recommendation 2.4 of the ASX Corporate Governance Principles.*

## **ROLE OF THE CHAIRPERSON**

The Chairperson of the Company is an independent director, who is responsible for leading the effective and efficient conduct of all Board functions, including its key accountabilities for guiding the strategic direction of the Company and reporting to shareholders. Presently, the roles of Chairperson and CEO are exercised by the same individual.

This is due to the Board's view that Auteco benefits from the current Board composition, taking into account the Company's stage of operations. The Company believes that at the present time a Board consisting of persons with a strong involvement in its business activities enhances the capacity of the Company to achieve its strategic priorities and generate growth in shareholder value.

Decisions of the Board are decided by simple majority and in the event of an equality of votes, the Chairperson may exercise a casting vote. Any director and Board committee (if established) may obtain independent professional advice as considered necessary, with a copy of such advice to be made available to all directors.

*This is a departure from Recommendation 2.5 of the ASX Corporate Governance Principles.*

## **INDUCTION OF DIRECTORS AND ONGOING PROFESSIONAL DEVELOPMENT**

The Company's program for the induction of new directors commences with a series of meetings between the new appointee and the Chairperson, Company Secretary and other members of the management team. The purpose of these meetings is to provide the new appointee with a comprehensive briefing on the Company, the business environment in which it operates and its Board governance processes. Following these initial meetings, the new appointee is provided with an opportunity to visit the Company's operations, in Australia and overseas (where possible), as well as to meet with key stakeholders such as investors, lenders, Government representatives and external advisers.

All directors are encouraged to participate in appropriate professional development opportunities each year to develop and maintain the skills and knowledge needed to successfully perform their role as a director.

*This complies with Recommendation 2.6 of the ASX Corporate Governance Principles.*

## **Principle 3: Instil a culture of acting lawfully, ethically and responsibly**

### **COMPANY VALUES**

The Company and its subsidiary companies are committed to conducting its business activities fairly and honestly, with a high level of integrity and in compliance with all applicable laws, rules and regulations. The Board, management and employees are dedicated to high ethical standards and recognise and support the Company's commitment to compliance with these standards.

The Company's values are set out in its Code of Conduct which is available on the Company's website. The Board and management continually reference such values.

*This complies with Recommendation 3.1 of the ASX Corporate Governance Principles.*

### **CODE OF CONDUCT**

The Company has a Code of Conduct that sets-out the standards of behaviour that apply to every director and employee of the Company when conducting business and dealing with customers, colleagues and other stakeholders. The guiding principles of the Code of Conduct are:

- act with integrity and professionalism and be scrupulous in the proper use of Company information, funds, equipment and facilities;
- exercise fairness, equity, proper courtesy, consideration and sensitivity in dealing with customers, employees and other stakeholders; and
- avoid any real or perceived conflicts of interest.

The Code of Conduct is available on the Company's website and any material breaches of the Code of Conduct are reported to the Board.

*This complies with Recommendation 3.2 of the ASX Corporate Governance Principles.*

### **WHISTLEBLOWER PROTECTION POLICY**

The Company's Whistleblower Protection Policy is available on the Company's website. Any material breaches of the Whistleblower Protection Policy are to be reported to the Board.

*This complies with Recommendation 3.3 of the ASX Corporate Governance Principles.*

### **ANTI-BRIBERY AND ANTI-CORRUPTION POLICY**

The Company's Anti-Bribery and Anti-Corruption Policy is available on the Company's website. Any material breaches of the Anti-Bribery and Anti-Corruption Policy are to be reported to the Board.

*This complies with Recommendation 3.4 of the ASX Corporate Governance Principles.*

## CONFLICTS OF INTEREST

All directors and employees must avoid any personal, financial or other interest, which may be in conflict with their duties and responsibilities to the Company. Any interest, which may give rise to a conflict of interest, must be promptly disclosed. In the case of employees, disclosure is to be made to the Chairperson, in the case of directors, disclosure is to be made to the Chairperson and in the case of the Chairperson, disclosure is to be made to the Board.

Prior to accepting any external appointment, such as a directorship, employment arrangement, consulting engagement or conducting a business activity, all directors and employees must provide disclosure in accordance with the process above so that the Company can determine if such action might give rise to a present or potential conflict of interest. After consideration, the Company may require that the person either decline the appointment, cease involvement in the business activity, or alternatively resign from their role with the Company.

## TRADING POLICY

A Trading Policy has been adopted by the Board that sets-out the requirements prescribed by the Company and at law for all director and employee dealings in the Company's securities. It also prescribes the additional securities trading restrictions applying to directors, officers, executives and certain employees who may, from time to time, be in possession of price-sensitive information.

Under the terms of the Trading Policy, specified persons are only permitted to trade in securities if they do not possess unannounced, price-sensitive information in relation to the securities and if the trading occurs outside of restricted periods.

Prior to a specified person dealing in the Company's securities, they must notify and obtain approval from the appropriate authorising officer of the Company, to confirm that there is no reason why the proposed trade should not occur. The notification to the authorising officer must state that the proposed purchase or sale is not as a result of access to, or being in possession of, any price-sensitive information that has not yet been announced to the ASX. The Company will notify the ASX in a timely manner of any transactions conducted by the directors in the securities of the Company.

The Trading Policy which is available on the Company's website.

## Principle 4: Safeguarding the integrity of corporate reports

### AUDIT COMMITTEE

Due to the Company's present size and the nature of its business activities, the Board does not consider that establishing a separate Audit Committee is appropriate at this time. In the opinion of the Board, it is currently more efficient and effective for the Board to assume direct responsibility for all functions that would ordinarily be conducted by such a committee, including reviewing and approving financial reports, external audit arrangements and risk management processes. The Company's Audit and Risk Committee Charter that provides for the creation of an Audit and Risk Committee with at least three members, all of whom must be non-executive directors and a majority of the Committee must be independent directors. The Committee must be chaired by an independent director who is not the Chair.

In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Audit and Risk Committee under the Audit and Risk Committee Charter. To independently verify and safeguard the integrity of the Company's corporate reporting processes, the Board:

- engages external auditors with the necessary skills and experience to critically review annual and half year reports, together with the system of internal controls that support financial reporting processes;
- holds private discussions with the external auditors every 6 months to provide an opportunity for any concerns to be raised by the auditors, independent of management;

- considers the performance of the external auditors, the terms of engagement and any indications that the independence of the external auditors could be impaired;
- formally approves the appointment, removal and rotation of the external auditor; and
- obtains independent legal or professional advice on any matters that the Board considers may compromise the integrity of corporate reporting.

The Audit and Risk Committee Charter which is available on the Company's website.

*This complies with Recommendation 4.1(b) of the ASX Corporate Governance Principles.*

## **ASSURANCES FROM THE EXECUTIVE CHAIRMAN AND CHIEF FINANCIAL OFFICER**

The Executive Chairperson and Chief Financial Officer are required to make a declaration in accordance with section 295A of the *Corporations Act 2001* that the Company's financial reports present a true and fair view of the financial position and performance of the Company in all material respects, are in accordance with relevant accounting standards and applicable regulations and are founded on a sound system of risk management and internal control that is operating efficiently and effectively in all material respects.

For the year ended 30 June 2021, a declaration was made by the Executive Chairman and Chief Financial Officer.

*This complies with Recommendation 4.2 of the ASX Corporate Governance Principles.*

## **EXTERNAL AUDITOR**

The Company's external auditor is Ernst & Young. The Board assumes responsibility for the appointment of Ernst & Young, approving the scope of the external audit process, assessing the conduct and outcomes of the external audit and considering the independence of Ernst & Young. Representatives from the Company's external auditor, Ernst & Young, attend the Annual General Meeting and are available to answer questions from shareholders relevant to the audit.

## **PERIODIC CORPORATE REPORTS**

Processes are in place to verify the integrity of periodic corporate reports (as defined in the ASX Corporate Governance Principles) released to the ASX and not audited or reviewed by the external auditor. Examples of periodic corporate reports released by the Company include the directors' report in the annual report. The Company has adopted a Continuous Disclosure Policy which sets out how market announcements are reviewed and released.

The Executive Chairperson, in conjunction with the Board, makes disclosure decisions, oversees the drafting of announcements and approves all ASX announcements. The Board is responsible for satisfying itself that the content of any announcement is accurate and not misleading.

ASX announcements are lodged on the market announcements platform by the Executive Chairman. The Company's Continuous Disclosure Policy is available on the Company's website.

*This complies with Recommendation 4.3 of the ASX Corporate Governance Principles.*

## **Principle 5: Make timely and balanced disclosure**

The Company is committed to promoting investor confidence and ensuring that shareholders and other stakeholders are provided with accurate and timely information about the activities of the Company, the business environment in which it operates and the results of its operations. It has established a Continuous Disclosure Policy that sets-out its processes for ensuring that:

- all directors and employees are informed of their continuous disclosure obligations under the ASX Listing Rules and the Corporations Act 2001;
- relevant information about the activities of the Company is quickly brought to the attention of the Executive Chairperson and/or the Board; and
- where disclosure is considered appropriate, either to comply with relevant obligations or to promote a more informed market among shareholders and stakeholders, then such disclosure occurs in a timely and informative manner.

The directors receive a copy of market announcements promptly after they have been released to the ASX. All substantive investor or analyst presentations are lodged on the ASX markets announcement platform ahead of such presentations.

The Continuous Disclosure Policy is available on the Company's website.

*This complies with Recommendations 5.1 to 5.3 of the ASX Corporate Governance Principles.*

## **Principle 6: Respect the rights of security holders**

### **CORPORATE GOVERNANCE**

The Company believes that communicating with shareholders by electronic means, particularly through its website, is an efficient way of distributing information in a timely and convenient manner.

The Company's website includes the following pages, which contain relevant information for shareholders:

- sections on the Company's corporate governance policies and practices;
- reports section, which contains copies of annual, half-yearly and quarterly reports;
- news section, containing sections on newsletters, ASX announcements, media briefings and articles and power point presentations; and
- research section, which contains broker research reports published on the Company.

The Company's website is updated with material released to the ASX as soon as practicable after confirmation of release by the ASX.

*This complies with Recommendation 6.1 of the ASX Corporate Governance Principles.*

### **SHAREHOLDER COMMUNICATIONS STRATEGY**

The Company has established a Shareholder Communications Strategy that provides a framework for ensuring effective two-way communication with shareholders and other stakeholders. This is to ensure clear, unbiased and timely information is provided about the Company and its performance to enable users to make informed decisions. The key principles of the Shareholder Communications Strategy are:

- supporting shareholder participation at the Annual General Meeting by encouraging shareholders to submit questions prior to the meeting and providing an opportunity for questions to be asked during the meeting;
- ensuring the external auditor attends the Annual General Meeting so that financial reporting questions may be asked directly by shareholders;
- maintaining an informative and current range of information and reports about the Company for shareholders to access on the Company's website;
- including a link on ASX announcements to the Company's website so that shareholders can access further information where relevant; and
- providing a mechanism on the Company's website for shareholders to contact the Company directly and to sign-up to receive electronic delivery of its ASX announcements and periodic reports.

Shareholders are responsible for reviewing resolutions proposed by the Board at meetings of shareholders and for voting on such resolutions, including those relating to the appointment of directors from time to time. The Board informs shareholders of all major developments affecting the Company by the following means:

- half-yearly and annual financial reports;
- quarterly activity and cash flow reports;
- regular ASX announcements on the progress of the Company's business activities;
- maintaining a record of ASX announcements on the Company's website;
- providing explanatory information about the reasons and the effect of any material resolutions submitted to a vote of shareholders; and
- reporting to shareholders on the Company's activities at the Annual General Meeting.

The Shareholder Communications Strategy is available on the Company's website.

*This complies with Recommendation 6.2 of the ASX Corporate Governance Principles.*

The Company recognises the rights of shareholders and encourages the effective exercise of those rights through the following means:

- notices of meetings are distributed to shareholders in accordance with the provisions of the *Corporations Act 2001 (Cth)*;
- notices of meetings and other meeting materials are drafted in concise and clear language;
- shareholders are encouraged to use their attendance at meetings to ask questions on any relevant matter, with time being specifically set aside for shareholder questions;
- if shareholders are unable to attend a meeting, notices of meetings encourage participation in voting on proposed resolutions by lodgement of proxies;
- it is general practice for a presentation on the Company's activities to be made to shareholders at each Annual General Meeting; and
- it is both the Company's policy and the policy of the Company's auditor for the lead engagement partner to be present at the Annual General Meeting and to answer any questions on the audit and financial report.

*This complies with Recommendation 6.3 of the ASX Corporate Governance Principles.*

## **VOTING AT SECURITY HOLDER MEETINGS**

All substantive resolutions at securityholder meetings are decided by a poll rather than a show of hands.

*This complies with Recommendation 6.4 of the ASX Corporate Governance Principles.*

## **ELECTRONIC COMMUNICATIONS**

The Company believes that communicating with shareholders by electronic means, particularly through its website, is an efficient way of distributing information in a timely and convenient manner. Security holders are afforded the option of having communications to and from the Company and its share registry electronically delivered.

*This complies with Recommendation 6.5 of the ASX Corporate Governance Principles.*

## Principle 7: Recognise and manage risk

### RISK COMMITTEE

As noted above, due to the Company's present size and the nature of its business activities, the Board does not consider that establishing a separate Audit and Risk Management Committee is appropriate at this time as the functions ordinarily conducted by such a committee can be effectively and efficiently undertaken directly by the Board under the Audit and Risk Committee Charter. To ensure effective oversight of the Company's risk management framework, the Board:

- regularly reviews the Company's exposure to risks, the likelihood and potential impact of those risks and the adequacy of risk mitigation practices;
- receives reports from the external auditors every 6 months on the effectiveness of the Company's internal control framework supporting financial reporting and regulatory compliance risks;
- reviews and approves the annual insurance program which is based on advice from external insurance agents; and
- obtains independent legal, technical and commercial advice from external professionals to support decision-making in relation to matters of significant business risk.

The Board has established a Risk Management Policy which is available on the Company's website.

*This complies with Recommendation 7.1 of the ASX Corporate Governance Principles.*

### RISK MANAGEMENT FRAMEWORK

The Board is responsible for setting the strategic direction of the Company and for creating and maintaining the environment and structures within which risk management practices can operate effectively. The Board sets the Company's risk appetite and risk tolerance.

The Executive Chairperson is accountable to the Board for risk management processes that are designed to ensure that material risks relating to the Company's business activities and operating environment are identified, monitored and where appropriate, managed. In the course of its business, such as when undertaking an evaluation of new business prospects, conducting feasibility studies or preparing development plans, the Company undertakes an assessment of existing and potential risks across its business. This involves a consideration of the likelihood of occurrence, magnitude of impact and the level of internal risk tolerance at the time. Risk mitigation strategies are then developed to address potentially significant risks identified through this process and these strategies are incorporated into the Company's operational plans and supporting financial management activities.

An informal review of the Company's risk management framework has been conducted during the year in conjunction with the Board's consideration and approval of the Company's business plans, budgets, financial reports and insurance programs. This review is conducted at least on an annual basis to ensure that the Company's risk management framework continues to be sound.

*This complies with Recommendation 7.2 of the ASX Corporate Governance Principles.*

### INTERNAL CONTROLS

The Board is responsible for the oversight of the Company's internal controls and ensuring that the Company has an effective internal control framework which includes measures designed to:

- improve the effectiveness and efficiency of material business processes;
- provide for the safeguarding of assets;
- enable compliance with regulatory requirements; and

- allow for the preparation of accurate and timely financial and non-financial information about the Company's performance.

Accountability for managing the internal control framework is delegated by the Board to the Executive Chairperson.

Due to the Company's present size and the nature of its business activities, the Board does not consider that establishing a separate internal audit function is appropriate at this time. In the event that the Company believes it is beneficial to conduct such activities from time to time, it is able to draw upon the expertise of internal audit consultants.

To improve the effectiveness of risk management and internal control processes, the Board regularly reviews the reports and recommendations of the Executive Chairperson, external auditors, lawyers, technical professionals and insurance agents to determine if modifications to the framework are required to appropriately mitigate and manage the Company's exposure to such risks as its business activities and operating environment change over time.

*This complies with Recommendation 7.3 of the ASX Corporate Governance Principles.*

## **MATERIAL EXPOSURE TO ENVIRONMENTAL OR SOCIAL RISKS**

As discussed above, the Company identifies and manages material exposures to economic, environmental and social sustainability risks in a manner consistent with its Risk Management Policy, which is available on the Company's website.

Material risks faced by the Company include the availability and cost of debt and equity funding, sovereign and regulatory risks, together with global business conditions within the markets in which it operates. Information about the management of these risks is set out in the directors' report of the Company's annual report.

*This complies with Recommendation 7.4 of the ASX Corporate Governance Principles.*

## **Principle 8: Remunerate fairly and responsibly**

### **REMUNERATION COMMITTEE**

Due to the Company's present size and the nature of its business activities, the Board does not consider that establishing a separate Remuneration Committee is appropriate at this time. The Company's Remuneration Committee Charter that provides for the creation of a Remuneration Committee (if it is considered it will benefit the Company), with at least three members, a majority of whom are to be independent directors, and which must be chaired by an independent director. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Remuneration Committee under the Remuneration Committee Charter.

To ensure that the level and composition of remuneration for directors and senior executives is appropriate and not excessive, the Board regularly compares the remuneration of its directors and senior executives with that provided by similar organisations operating in comparable markets, taking into account the skills and experience of the relevant individuals, their responsibilities and performance. From time to time, the Board will also obtain independent expert advice on the appropriateness of its remuneration practices.

No director or member of executive management is involved in the determination of his or her remuneration.

*This complies with Recommendation 8.1 of the ASX Corporate Governance Principles.*

## REMUNERATION FRAMEWORK

Remuneration is structured in order to attract and retain persons with the experience and skills necessary to oversee the Company's activities and to guide its growth and development into a successful vertically integrated international graphite business.

As the Company's key assets have not yet reached the operational phase, a greater emphasis is placed on rewarding long term performance through the award of equity in the Company that preserves cash resources and is directly linked to the creation of shareholder value. This promotes alignment between the objectives and interests of shareholders, directors and executives. The key principles that guide decisions about the Company's remuneration practices are:

- *fairness*: provide a fair level of reward that reflects market conditions;
- *transparency*: establish transparent links between reward and performance;
- *alignment*: promote mutually beneficial outcomes through alignment with shareholder interests; and
- *culture*: drive leadership performance and behaviours that promote safety, diversity and engagement.

The details of remuneration of the Executive Chairperson and key management personnel are set out in the remuneration report included in the directors' report of the annual report.

*This complies with Recommendation 8.2 of the ASX Corporate Governance Principles.*

The Company has an equity-based remuneration scheme. The Company's Trading Policy prohibits the use of any derivatives or other products which operate to limit the economic risk of unvested securities through the scheme. The Trading Policy, is available on the Company's website.

*This complies with Recommendation 8.3 of the ASX Corporate Governance Principles.*