

## Corporate Governance Statement

### OVERVIEW

The Company and the Board of Directors are committed to achieving and demonstrating the highest standards of corporate governance and aim to comply with the Corporate Governance Principles and Recommendations set by the ASX Corporate Governance Council.

However, given the current size of both the Company's operations and the Board of Directors, it is not appropriate, cost effective or practical to comply fully with those principles and recommendations. Where a recommendation has not been followed, this fact has been disclosed together with the reasons for the departure.

Consistent with the ASX recommendations, the Company's corporate governance practices are regularly reviewed.

### PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The respective roles and responsibilities of the Board and management are set out below.

#### 1.1 Board and Management Responsibilities

The Board of Directors is accountable to shareholders for the performance of the Group. In carrying out its responsibilities, the Board undertakes to serve the interest of shareholders honestly, fairly and diligently. The Board's responsibilities are reviewed annually to determine whether any changes are necessary or desirable. The responsibilities of the Board include:

- reporting to shareholders and the market;
- ensuring adequate risk management processes exist and are complied with;
- reviewing internal controls and external audit reports;
- ensuring regulatory compliance;
- monitoring financial performance, including approval of the annual and half-yearly financial reports and liaison with the Company auditors;
- reviewing the performance of senior management;
- monitoring the Board composition, Director selection and Board processes and performance;
- validating and approving corporate strategy;
- reviewing the assumptions and rationale underlying the annual plans; and
- authorising and monitoring major investment and strategic objectives of the Company.

#### 1.2 Appointment of Directors

The background, experience and qualification of a Director are thoroughly assessed prior to appointment. This information is provided to shareholders through announcement to the market and posted in the website.

Information on each Director's background, experience and qualification can be found on pages 10-12 of the Director's Annual Report. Shareholders may rely on this information in relation to re-election of Directors.

### **1.3 Written Contract of Appointment**

The Company issues a formal letter of appointment for new Directors or senior executives setting out the terms and conditions relevant to that appointment and the expectations of the role of the director. The Company also provides a formal induction process which provides key information on the nature of the business and its operations.

### **1.4 Company Secretary**

The decision of appointing or removing the Company Secretary is made by the Board. Each Director and the Company Secretary communicate directly. A Director of the Company also takes on the role of Company Secretary. His major functions are:

- advising the board and committee on governance issues;
- monitoring company policies are followed;
- coordinating and timing despatching of board and committee papers;
- ensuring that the business at Board and committee meetings are accurately captured in the minutes; and
- assisting to organise and facilitate the induction and professional development of directors.

### **1.5 Diversity**

The Company recognizes the benefits of diversity at boards, in senior management and within the organisation generally and recognizes the organisational strengths, deeper problem solving ability and opportunity for innovation that diversity brings to an organisation.

The Company has set up a diversity policy in principle, the Company and the Board are currently not of sufficient size to comply with the recommendation which requires ASX listed entities to establish a diversity policy which includes a requirement that:

- the Board establish measurable objectives for achieving gender diversity; and
- the Board assess annually both the measurable objectives for achieving diversity and the process in achieving them.

The Current female representation in the Company is as follows:

- Employees: 1
- Senior executives: 0
- Members of the Board: 0

The full implementation of an appropriate diversity policy to reflect the circumstances of the Company and the industry in which the Company operates is currently under review with this task being considered by the full Board.

While no formal policy is currently in place the Company is committed to providing an environment in which all employees are treated with fairness, respect and have equal access to employment opportunities at work. It also ensures that current and prospective employees are not discriminated against, either directly or indirectly on such characteristics as gender, age, disability, marital status, sexual orientation, religion, ethnicity or any other area of potential difference.

## 1.6 Board Reviews

The Board regularly reviews the performance of the Board and its Committees. Each year, the Board gives consideration to broad corporate governance matters, including the relevance of existing committees and to reviewing its own and individual directors' performance. The performance of all Directors, the Board as a whole, the Managing Director and Company Secretary are regularly monitored.

The Board's responsibilities are encompassed in a formal letter. Senior Executives have a formal position description. The Managing Director assesses the performance of the Senior Executives on an annual basis. A review was undertaken during the reporting period.

An independent Chairman is responsible for leading the Board, ensuring that Board activities are organised and efficiently conducted and for ensuring the Directors are properly briefed for meetings. The Chairman and the CEO are responsible for implementing the Group's strategies and Board policies.

A formal charter is in place which lays out the duties and responsibilities of the CEO. This charter also requires that the responsibilities and accountabilities of both the Board of Directors and the CEO are clearly defined. The assessment and monitoring of the CEO is the chief responsibility of the Board. Performance is assessed against pre-determined objectives on a regular basis.

The Chairman's other responsibilities include:

- Ensuring that general meetings are conducted efficiently and shareholders have adequate opportunity to air their views and obtain answers to their queries.
- Present the view of the Board formally.

## 1.7 Management Reviews

The Board evaluates the performance of the senior executives and consultants and discharges its responsibilities in relation to remuneration of executives. In meeting this purpose, the Board's duties include:

- regularly reviewing the executive remuneration policy of the Company to ensure that it is clearly linked to the performance of the Company and it motivates senior executives to pursue both short term deliverables and long term growth;
- reviewing all aspects of the remuneration (including base pay, incentive payments, equity awards, retirement rights and service contracts) and any proposed change to the terms of employment of the CEO and his or her direct reports;
- developing and reviewing appropriate succession plans for key executives; and
- reviewing the recruitment, retention and termination policies and procedures for senior executives.

The Board has available to it the services of independent professional advisers to assist in the search for high calibre people at all levels and to ensure that the terms and conditions offered by the Company are competitive with those offered by comparable companies.

## **PRINCIPLE 2 – STRUCTURE THE BOARD TO BE EFFECTIVE ADD VALUE**

The composition of the Board is structured to efficiently discharge its responsibilities and duties.

### **2.1 Nomination committee**

The Board considers the Company and the Board are currently not of sufficient size to justify the establishment of a separate Nomination Committee. All matters that would normally be the responsibility of a Nomination Committee are dealt with by the full Board of Directors.

The Board reviews its composition on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, for whatever reasons, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience.

External advisers may be used to assist in such a process. The Board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

For Directors retiring by rotation, the Board assesses that director before recommending re-election.

### **2.2 Board Skills Matrix**

The Board of Directors is comprised of a non-executive Chairman, three non-executive Directors and a Chief Executive Officer, all of whom have a broad range of skills and experience as follows:

Business and corporate finance	Business strategy, financial modelling, capital and equity raisings, contract negotiation and risk management.
Business Leadership	Executive management, public listed company experience, industrial relations, Government and community relations
Sustainability and stakeholders	Environmental issues, health & safety, Government regulations, corporate governance and communication strategy
Industry specific	Chemical, structural and design engineering, mining and metallurgy

Information of each Director is on Page 10-12 of the Director's Report.

### **2.3 Independence and Length of Service**

Each Director's independent status is regularly assessed by the Board. The position/status and term in office of each Director as at 30 June 2021 is as follows:

Name of Director	Position/Status	Term in Office	
		Years	Months
Jock Murray	Chairman – Independent	6	2
David Paterson	Chief Executive Officer	18	10
Kevin Torpey	Non-Executive	19	2
Philip Bruce	Non-Executive– Independent	17	10
John Lee	Non-Executive– Independent	10	6

The Board held 6 scheduled meetings last year together with a number of adhoc meetings. The Directors attendance is disclosed on Page 12 of the Director's Report.

## **2.4 Independent Directors**

The majority of the Board comprises independent Directors. Its composition provides for the timely and efficient decision making required for the Company and will be beneficial to the shareholders.

The Board's size and composition is subject to limits imposed by the Company's constitution which provides for a minimum of three Directors and a maximum of nine.

## **2.5 Independent Chairman**

Mr J S ((Jock) Murray AO has been appointed as Chairman of the Board on 1 May 2015. He is not the CEO of the Company, his background and experience is outlined on Page 15 of the Director's Report.

## **2.6 Professional Development**

All Directors are required to bring an independent judgement to bear on Board decisions. To facilitate this, each Director has the right of access to all relevant Company information and to the Company's executives. The Directors also have access to external resources as required to fully discharge their obligations as Directors of the Company. The use of this resource is coordinated through the Chairman of the Board.

The Company has processes in place to review the performance of the Board and its committees and individual Directors. Each year the Board of Directors gives consideration to corporate governance matters, including the relevance of existing committees and to reviewing its own and individual Directors' performance. The Chairman is responsible for monitoring the contribution of individual Directors and consulting with them in any areas of improvement.

## **PRINCIPLE 3 – INSTILL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY**

Apart from complying with legal obligations, the Company actively promotes ethical and responsible decision making.

### **3.1 Company Values**

The Company's values are set out below:

- (i) Safety and environmental issues are our highest priority.
- (ii) Business is conducted with Integrity, honesty, accountability, and transparency.
- (iii) Collaboration with our stakeholders, building long-term relationships and sharing with them ideas and knowledge; and
- (iv) Respect our customers, employees, stakeholders and local communities.

### **3.2 Code of conduct**

The Board acknowledges the need for continued maintenance of the highest standards of Corporate Governance Practices and ethical conduct by all Directors and employees of the Group.

The Company has established a code of conduct applicable to all Directors, employees and contractors. The requirement to comply with the code is mandatory and is communicated to all employees. The code sets out standards of conduct, behaviour and professionalism. Internal controls exist at the Company to ensure that any material breaches of the Code of Conduct are reported to the Board and the Audit and Risk Committee.

The shareholder communications strategy, the continuous disclosure policy, the securities trading policy, anti-bribery & corruption policy, whistle-blower policy and diversity policy collectively form a solid ethical foundation for the Company's ethical practices.

#### **Policy on dealing in Company securities**

The Company has adopted a policy on how Directors, key management personnel, contractors and all other employees can deal in the securities of the Company.

This policy aims to ensure that the reputation of the Company is not adversely impacted by perceptions of trading in the Company's securities at inappropriate times or in an inappropriate manner. In addition to the specific prohibition on insider trading, Directors and all other employees must also not deal in the Company's securities during the following closed periods, being the four week period before or 48 hours after:

- the release of the Company's annual results to the ASX
- the release of the Company's half-year results to the ASX
- the release of the Company's quarterly cash flow and activities report to the ASX
- the annual general meeting
- such other periods as advised by the Board of Directors or Chief Executive Officer (such as prior to ASX being advised of a significant matter or event).

Requests to trade during the closed periods may be considered in exceptional circumstances. At all other times Directors, key management personnel and all other employees are not permitted to buy or sell securities in the Company without first obtaining written consent from the Chairman. When the Chairman trades Company securities written approval has to be obtained from an independent Director.

The Company has introduced compliance standards and procedures to ensure that the policy is properly implemented. In addition, there is also an internal review mechanism to assess compliance and effectiveness.

A copy of the Company's securities trading policy was lodged with the ASX Company Announcements office on 23 December 2010 and is also posted on the Company's website.

#### **Whistle-blower Policy**

In January 2020, the Company has adopted the Whistle-blower Policy which is posted in our website. This Policy covers the processes for dealing with disclosures made by employees and stakeholders of suspected improper conduct within Latrobe Magnesium Limited in a confidential and secure manner and is intended to apply to whistle blowers in all countries in which Latrobe Magnesium Limited operates.

## Anti-bribery and corruption policy

The Company has adopted the Anti-bribery and Corruption Policy which is posted in our website. This Policy outlines the responsibilities of Directors and employees in observing and upholding the prohibition on bribery, corruption and related improper conduct; and provides information and guidance on how to recognise and deal with instances of bribery and corruption.

## PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS

The following structure is set up to independently verify and safeguard the integrity of financial reporting.

### 4.1 Audit Committee

The Board has formed a separate Audit and Risk Committee. The members of the Committee during the year were:

Member	Position	Relevant Qualifications and Experience
John Lee	Non-Executive Director and Chairman of the Audit	Held senior management positions both in public and private sectors, specializing in corporate advisory and governance
David Paterson	Executive Director and Chief Executive Officer	Chartered Accountant, specializing in corporate services, financial analysis and capital raising

The structure of the Audit and Risk Committee does not comply with the recommendation that the Audit Committee consists of only Non-Executive Directors. The committee does have an independent Chairman who is not the Chairman of the Board and is a Non Executive Director. The Board considers that given its current size and structure it is neither appropriate nor cost effective for this recommendation to be adopted in full.

The committee met twice during the year. The Audit and Risk Committee has adopted a formal charter which sets out the responsibilities of the Audit Committee.

The responsibilities of the Audit Committee include:

- reviewing the annual and half year financial reports to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- monitoring corporate risk management practices;
- reviewing and approval of the consolidated entity's accounting policies and procedures;
- reviewing the scope and adequacy of external audit plans;
- reviewing the nomination, performance and independence of the external auditors; and
- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board.

### 4.2 Certification of Financial Statement

The Audit Committee has received from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial report for the financial year ended 30 June 2021 comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

### 4.3 External auditors

The full Board is responsible for the appointment, removal and remuneration of the external auditors, and reviewing the terms of their engagement, and the scope and quality of the audit. In fulfilling its responsibilities, the Board receives regular reports from management and the external auditors at least once a year, or more frequently if necessary. The external auditors have a clear line of direct communication at any time to the Chairman of the Audit Committee.

The current auditors, Nexia Sydney were appointed on 30 November 2009. The Australian accounting bodies' statement on professional independence requires mandatory rotation of audit partners for listed companies every five years. Nexia Sydney confirm that they conform with the requirements of the statement.

Nexia Sydney are required to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

## PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Company makes timely and balanced disclosure of any material matters concerning the Company.

The Company has a written policy on information disclosure that focuses on the continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities.

The Company Secretary in consultation with the CEO and Directors is responsible for communications with the ASX. He is also responsible for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules, and overseeing and coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the general public.

## PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS

The Board recognises and respects the rights of our shareholders as the beneficial owners of the Company. In order to facilitate the effective exercise of those rights, the Company follows a communications strategy that aims to empower shareholders by:

- communicating effectively with them;
- providing easy access to balanced and understandable information about the Company; and
- encouraging and facilitating shareholder participation in general meetings.

### 6.1 Information on Website

The Company posts corporate information in the Investor Section of its website at [www.latrobemagnesium.com](http://www.latrobemagnesium.com). Corporate Governance section is posted in the Company Section.

The Company provides shareholders with copies of all announcements made to the ASX by email on request. Copies are also available in its web site or the ASX web site, ensuring that all shareholders are kept informed about the Company.

## 6.2 Investor Relations Program

All shareholders are invited to attend the Annual General Meetings which are held in Sydney. The full Board and senior executives are present and available to answer questions from the floor, as are the External Auditor.

Informal meetings with shareholders in other States are also held from time to time. The Company also encourages shareholders to communicate directly.

## 6.3 Facilitate participation at Shareholders meetings

The Company does not provide the facilities of live webcasting and live telecommunication at shareholders meetings as the Board considers it is not cost effective at this stage of the Company's development. The Company provides pre-arranged shareholders meetings via Zoom or Webinar.

## 6.4 Resolutions at Shareholdings meetings

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

## 6.5 Electronic Communication

The Company encourages electronic communication via email with shareholders at all times.

The Company also has a LinkedIn and Twitter sites for the provision of information. Shareholders are encouraged to engage with the company through these platforms to remain up-to-date with the latest announcements and progress of the project.

## PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

The Board has formed a separate Audit and Risk Committee. The members of the Committee during the year were:

Member	Position	Relevant Qualifications and Experience
John Lee	Non-Executive Director and Chairman of the Audit	Held senior management positions both in public and private sectors, specializing in corporate advisory and governance
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## 7.1 Risk Committee

The Committee oversees the establishment, implementation and review of the Company's Risk Management System. To ensure it meets its responsibilities, the Board has implemented appropriate systems for identifying, assessing, monitoring and managing material risk throughout the organisation.

## 7.2 Risk Review

The Board identifies potential areas of business risk arising from changes in the financial and economic circumstances of its operating environment. It regularly assesses the Company performance in light of risks identified. It also reviews the effectiveness of the implementation of the Company's risk management and internal control system on a regular basis.

## 7.3 Internal Audit

The Board does not employ an internal auditor, although as part of the Company's strategy to implement an integrated framework of control, the Board requests the external auditors review internal control procedures. Recommendations once presented are considered by the Board.

The Board has received written consent from the Chairman and the Company Secretary that the integrity of the financial statements is founded on a sound system of risk management, internal compliance and control system which is operating efficiently in all material respects.

The Board requires the declaration prior to the Directors signing the Company's financial statements.

## 7.4 Material Exposures to Environmental and Social Risks

The Board regularly assesses risks associated with economic, global, environmental and social sustainability risks. The Company is in the process of building its initial magnesium plant next year, appropriate procedures and processes are in place to identify, manage and minimise any exposure to environmental or social risks during the construction phase.

The LMG project is at the forefront of environmental benefit by recycling power plant waste, avoiding landfill and being a low CO<sub>2</sub> emitter. LMG adopts the principles of an industrial ecology system.

## PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

The Company ensures that the level and composition of remuneration is sufficient to attract and retain high quality Directors and executives and to align their interests with the creation of value for shareholders.

### 8.1 Remuneration Committee

The Board considers the Company and the Board are currently not of sufficient size to justify the establishment of a separate Remuneration Committee. The role of the Remuneration Committee is undertaken by the full Board of Directors. The main responsibilities of the Board are:

- review and approve the Group's policy for determining executive remuneration and any amendments to that policy;
- review the on-going appropriateness and relevance of the policy;

- consider and make recommendations on the remuneration of executive Directors (including base salary, incentive payments, equity awards and service contracts);
- review and approve the design of all equity based plans;
- review and approve the total proposed payments under each plan; and
- review and approve the remuneration levels for non-executive Directors.

## **8.2 Executive Directors and executive remuneration**

The Board reviews and approves the policy for determining an executive's remuneration and any amendments to that policy. Executive remuneration and other terms of employment are reviewed annually having regard to relevant comparative information and independent expert advice, if required.

Remuneration packages include basic salary, superannuation and the rights of participation in the Company's Employee Share Purchase Plan. These are set at levels that are intended to attract and retain executives capable of effectively managing the Company's operations. Consideration is also given to reasonableness, acceptability to shareholders and appropriateness for the current level of operations.

Remuneration of Non-Executive Directors is determined by the Board based on relevant comparative independent expert advice and the maximum amount approved by shareholders from time to time. They have the right to participate in the Company's Employee Share Purchase Plan.

Further information on Directors and executive remuneration is included in the remuneration report which forms part of the Directors' report.

## **8.3. Equity based remuneration scheme**

The Company does not have an equity based remuneration scheme and therefore a policy is not set up in this regard.

In order to preserve cash flows for operational purposes, if necessary, the company may pay Directors and consultants fees by share based payments. Shareholders' approval is obtained in the case of share payments to Directors.