



# METRO MINING LIMITED

## Corporate Governance Statement

ABN: 45 117 763 443

Approved By: Metro Mining Board

Date: 31 December 2019

### Purpose of Principles & Recommendations

The Australian Securities Exchange Listing Rules (ASX Listing Rules) require listed companies to include in their Annual Report a statement disclosing the extent to which they have complied with ASX Corporate Governance Council's Corporate Governance Principles and Recommendations: 3rd edition (ASX Principles) during the reporting period.

The ASX Principles are guidelines to produce efficiency, quality and good governance outcomes.

ASX Principles are not prescriptive and if a company considers a recommendation inappropriate to its own circumstances it has flexibility not to follow. Where a company has not followed all recommendations, the Company's Corporate Governance Statement and Appendix 4G must identify which recommendations have not been followed & provide reasons.

The ASX Principles are set out below, followed by a statement of the Company's compliance with each recommendation in the reporting period. Where the Company considered it was not appropriate to comply with a recommendation explanatory reasons are provided. The Board considers Metro Mining complies with all relevant ASX Principles.

A full copy of the Company's Principles of Corporate Governance Standard is available at <http://www.metromining.com.au/about-us/corporate-governance/>

In 2019, the ASX has released the 4<sup>th</sup> edition of its ASX Corporate Governance Council's Corporate Governance Principles and Recommendations which applies to the Company's corporate governance framework and practices from 1 January 2020. The Company has already adopted a number of the recommendations set out in the 4<sup>th</sup> edition and has plans to adopt further recommendations throughout 2020.

### Principle 1.

#### Lay Solid Foundations for Management & Oversight

***Disclose the respective roles and responsibilities of the Board & Management and those matters expressly reserved to the board and those delegated to management.***

The powers and obligations of the Board are governed by the Corporations Act (Cth) 2001 (Corporations Act) and general law.

Without limiting those matters, the Board expressly considers itself responsible for the following:

- Providing leadership and setting the strategic objectives of the entity.
- Monitoring compliance with the Corporations Act, ASX Listing Rules and all relevant laws.
- Developing and monitoring operational and financial targets for the Company.
- Appointment of appropriate staff, consultants and experts to assist in the Company's operations, specifically including the selection of the Chair of the Board and selection and monitoring of a Managing Director/Chief Executive Officer.
- Monitoring that appropriate financial and risk management controls are implemented.
- Contributing to the development, and monitoring of, corporate culture.
- Overseeing the entity's process for complying with continuous disclosure of all material information concerning the entity.
- Monitoring the effectiveness of the entity's governance practices.
- Setting, monitoring and ensuring appropriate accountability for Directors' and Executive Officers' remuneration.

- Establishing and maintaining communications and relations between the Company and third parties, including its shareholders and ASX by delegating such a role to the MD/CEO and Company Secretary.
- Monitoring performance of the Board in implementing its functions and powers.
- Overseeing the Company including its framework of control and accountability systems to enable risk to be assessed and managed.
- Ratifying appointment and, where appropriate, removal of the MD/CEO, CFO and Company Secretary.
- Contributing to, and final approval of, management's development of corporate strategy and performance objectives.
- Reviewing and ratifying systems of risk management & internal compliance and control, codes of conduct and legal compliance.
- Monitoring senior management's performance, implementation of the strategy and ensuring appropriate resources are available.
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures.
- Approving the annual budget and any variations.
- Monitoring the Company's financial performance.
- Liaising with the Company's external auditors.
- Monitoring compliance with all the Company's legal obligations.
- Appointing and overseeing committees where appropriate to assist in the above functions.

**Role of Management:** The Board has delegated responsibilities and authorities to the MD/CEO to enable the MD/CEO to conduct the Company's day to day activities. Matters not covered by these delegations, such as approvals which exceed certain limits or do not form part of the approved budget, require Board approval.

**Board Processes:** Metro Mining Board meets on a regular basis. The agenda is prepared by the Chair and Company Secretary in conjunction with management and relevant information circulated to Board members prior to meetings.

**1.1. Undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election, as a director and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.**

On occasion, the Board engages professional search firms to identify Directors and to undertake appropriate due diligence on a prospective appointee.

**1.2. Have a written agreement with each Director and senior executive setting out terms of their appointment.**

Each Director has an appointment letter setting out the appointment term, requirements, the Company induction and training to be provided. It outlines Directors' and Officers' obligations under the law, requirements for compliance with such laws, and the Company's governance policies including Ethics, Share trading policy and Code of Conduct.

As part of the appointment letter, Directors are asked to complete a declaration of their direct and indirect interests in the Company, which is released to the ASX within 5 business days of appointment.

Directors and Officers also sign a letter of consent for appointment and sign the Company deed of indemnity.

The Company maintains a Directors' and Officers' insurance policy, in respect of which an annual premium is paid.

**1.3. Company Secretary should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the Board.**

Responsibilities of the Company Secretary include:

- Advising the Board and its committees on governance matters.
- Monitoring that Board and committee policy and procedures are followed.
- Coordinating timely completion and despatch of Board and committee papers.
- Ensuring the business at Board and committee meetings is accurately captured in minutes.
- Helping organise and facilitate induction and professional development of Directors.
- Ensuring the Company complies with regulatory requirements.

The Chair of the Board and Chairs of other Board Committees provide feedback to the Company Secretary on an as-needs basis.

**1.4. Have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them, disclose that policy or a summary of it and disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in**

**accordance with the entity's diversity policy and its progress towards achieving them, and either:**

- **the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes) OR**
- **if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.**

The Board's objective is to increase an appropriate blend of diversity for all positions including the Board and in senior executive positions. The Board has established a policy on gender, age, ethnic and cultural diversity.

The Company endeavours to ensure that appropriately qualified and experienced candidates interviewed for any Board, key management personnel or Company positions will include both genders.

The Board reports on progress in achieving its Diversity Policy objectives on an annual basis in the Company's Sustainability Report.

The Company's performance against the Diversity Policy objectives (gender) were as follows:

Gender Representation	31 Dec 2019		31 Dec 2018 <sup>1</sup>	
	M (%)	F (%)	M (%)	F (%)
Board	83%	17%	100%	-%
Senior executives	80%	20%	80%	20%
Company, excluding Board & executives	83%	17%	77%	23%

Note 1 – Subsequent to 31 December 2018 the Company changed its operating model to an owner/operator model.

The Company has established objectives for employment of Traditional Owners & local indigenous communities. The Company continues to exceed employment targets. Further information about the Company's processes of engagement with local communities & Traditional Owners is set out in the Annual Report and the Sustainability Report.

**1.5. Have, and disclose, a process for periodically evaluating the performance of the board, its committees and individual directors and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.**

The Board undertakes an annual performance evaluation of the Board, Board Committees, individual directors and the governance processes that support the Board. An external independent adviser is to be engaged every three years to assist with these processes. The Chair of the

Board conducts appraisals in the years that the processes are internally facilitated.

**Board evaluation:** The effectiveness of the Board and its Committees is assessed against the roles and responsibilities set out in the respective Charters. Matters considered include:

- How the Board works together as a unit.
- The conduct of Board and Committee meetings, including the effectiveness of discussion and debate at those meetings and individual contributions.
- The effectiveness of the Board's and Committees' processes.
- Interactions with the Managing Director and Senior Management.
- The timeliness and quality of meeting agendas, Board and Committee papers and secretariat support.
- The composition of the Board and each Committee, focussing on the skills, experience, expertise, independence and diversity of the Board necessary to enable it to oversee the delivery of Metro's strategy.
- Director training and development.
- Ideas for improvement.

Feedback is obtained from individual Directors and senior management.

**Director evaluation:** The performance of individual Directors is assessed against a number of criteria including the ability to:

- Demonstrate Metro's values.
- Focus on creating shareholder value.
- Contribute to strategy development.
- Understand the key risks affecting the Company.
- Provide clear direction to management.
- Contribute to Board cohesion.
- Commit the time required to fulfil the role and perform their responsibilities effectively.
- Listen to and respect the ideas of fellow Directors and members of management.

Directors provide anonymous feedback on their peers' individual contributions to the Board and performance. The Chair of the Board then provides each Director with their relevant feedback. The Chair of the Remuneration and Nomination Committee provides the performance feedback to the Chair of the Board.

**Evaluations conducted in respect of CY2019:** During 2019, the Board and Director evaluations were externally facilitated by Directors Australia.

**Board Review:** The results of the Board performance review were discussed with the Board. The review identified that the Board and the Board Committees are continuing to function effectively, and some continuous improvement recommendations to further enhance the Board's effectiveness include ongoing Director training and development and Board and Committee succession planning.

**Director Review:** Each Director has now been provided with feedback on their contribution to the Board and its Committees.

**1.6. Have and disclose a process for periodically evaluating the performance of its senior executives and disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.**

The Company has established a performance management system for its senior executives & employees.

Performance is monitored monthly by Managers for their direct reports so any issues or exceptional performance can be identified and managed appropriately on a timely basis.

The Company has established the Metro Mining Employee Incentive Plan (EIP) to enable the issue of shares, performance rights or options in the Company to senior executives and employees of the Company to assist in the retention and motivation of employees. These equity incentives form part of the Company's Short-Term Incentive Plan (STIP) and Long-Term Incentive Plan (LTIP).

The EIP is linked to Key Performance Indicators (KPIs) which are prepared for each participating employee. KPIs for senior executives are reviewed by the Remuneration and Nomination Committee and approved by the Board.

For more information on Director and Senior Executive remuneration refer to the Remuneration Report in the financial Report.

## Principle 2.

### Structure the Board to Add Value

**2.1 Have a nomination committee which has at least 3 members, a majority of whom are independent directors, is chaired by an independent director, and disclose the charter of the committee, the members of the committee, and as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.**

**If it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience,**

**independence and diversity to enable it to discharge its duties and responsibilities effectively.**

The Company has a Remuneration and Nomination Committee which manages nomination responsibilities.

The Remuneration and Nomination Committee Charter is available on the Company website <http://www.metromining.com.au/about-us/corporate-governance/>.

The Committee's membership is outlined in the Directors' Report and membership consists of a majority of independent Directors and has an independent Chair. The Committee meets at least three times per year.

**2.2 Have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership**

Current Directors have a broad range of qualifications, experience and expertise in managing mineral exploration and production companies as set out in the Information on Directors section of the Directors' Report.

The Board Skills Matrix defines the mix of skills and diversity on the Board and/or is looking to achieve.

To contribute to development and implementation of the Company's strategy, and assessment of management performance, the collective skills and experience to be held by the Board are set out below.

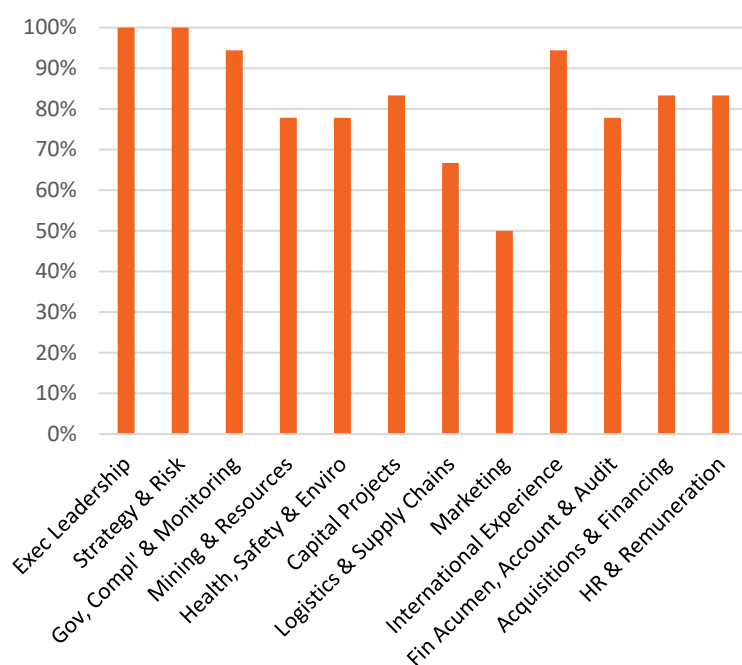
Skills/experience	Description
Executive leadership	Successful career at Senior Executive level
Strategy and Risk	Developing and overseeing the implementation of successful strategy over the long term that remains resilient to systemic risk (including appropriately probing & challenging management on delivery of agreed strategic objectives)
Governance, compliance and monitoring	Commitment to high standards and systems of governance and compliance and an ability to monitor the effectiveness of senior management
Mining and Resources	Senior executive or Board experience in a medium mining and exploration organisation with strong operational experience
Health, Safety and Environment	Experience related to workplace health and safety and with environmental and community issues
Capital Projects	Experience in delivery of capital projects and longer-term investment horizons
Logistics and Supply Chain	Senior executive experience in logistics supply chains for mining projects
Marketing	Senior Executive experience in trading or marketing of resources, including

	detailed knowledge of Metro's markets and competitors
International experience	Senior management or equivalent experience or exposure to multiple cultural, political, regulatory and business environments
Financial acumen, accounting and audit	Senior Executive or equivalent experience in financial accounting, reporting & forecasting and internal financial controls (incl ability to probe adequacy of financial risk controls)
Acquisitions and Financing	Snr Executive or equivalent experience in corporate finance and acquisitions
Human resources & Remuneration	Board or management level experience in relation to performance management strategies, remuneration, including incentive programs

Skills and qualifications of each Director are outlined in their biographies in the Directors' Report in the financial report.

In 2019, two additional independent Non-Executive Directors were appointed to the Board. Their skills and experience have complemented and added to the collective skills and experience of the Board.

Current Board skills and experience are shown below:  
**Board Skills/Experience Matrix**



**2.3 Disclose the names of the directors considered by the board to be independent directors, if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why**

**the board is of that opinion and the length of service of each Director.**

Directors are subject to shareholder re-election and re-election by rotation every 3 years. The Company's Constitution provides that one third of Directors retire by rotation each Annual General Meeting (AGM). Retiring Directors may submit themselves for shareholder re-election including any Director appointed to fill a casual vacancy or recruited since the last AGM.

Director	Appointed	NED	IND	Retiring 20 AGM	re-Appt 20 AGM
S. Everett	12/07/12	Yes	Yes	Yes	Yes
S. Finnis	06/01/17	No	No	No	No
L. Dow	01/11/19	Yes	Yes	Yes	Yes
P. Hennessy	30/09/14	Yes	Yes	No	No
F. Murdoch	11/03/19	Yes	Yes	No	No
M. Sawyer	28/07/16	Yes	No	Yes	Yes
L. Ward	04/10/11 <sup>1</sup>	Yes	Yes	N/A	N/A

Note 1 – resigned 26 February 2019

## 2.4 A majority of the Board of a listed entity should be Independent Directors.

At the date of this report the Board comprises six directors, four of whom are independent Non-Executive Directors.

The Board has adopted guidelines, set out in the Board Charter, which are used to determine the independence of Directors and which reflect the definition of independence listed in the ASX Principles. Based on those guidelines the Board considers Stephen Everett, Philip Hennessy, Lucas Dow, Lindsay Ward and Fiona Murdoch are/were Independent Non-Executive Directors.

Mark Sawyer represents Greenstone LLP, one of the Company's largest shareholders with a 19.68% shareholding.

Directors have an ongoing responsibility to determine if they have a conflict of interest, whether direct, indirect, real or potential, that may impede their impartial decision-making. Directors are required to disclose to the Board details of any transactions or interests that may create a conflict of interest. Metro Mining Limited's Constitution expressly forbids a Director voting on a matter in which they have a direct or indirect material personal interest as defined in section 195 of the Corporations Act to the extent that it is prohibited by the Corporations Act or ASX Listing Rules.

The Board encourages Non-Executive Directors to own shares in the Company in order to align their interests with those of other shareholders.

## 2.5 The Chair of the Board of a listed entity should be an Independent Director and, in particular, should not be the same person as the CEO of the entity.



The Chair of the Board is an independent Non-Executive Director, whose position is separate to that of the MD/CEO.

**2.6 Have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.**

**Director Induction Process:** New Board Directors follow an induction process, which includes an overview of, and access to, Company policies and information such as:

- Company Code of Conduct.
- Company policies and procedures.
- Company records including past Board and Committee meeting minutes & Company constitution
- Access to online Board records portal including access to governance tools, relevant regulatory articles and professional development materials.

**Director Professional Advice & Development:** Company acknowledges Directors require quality information and advice to base their decisions and considerations. With prior approval of the Chair of the Board all Directors have the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings to fulfil their duties and responsibilities as Directors. If the Chair of the Board is unable or unwilling to give approval, Board approval is sufficient. Directors are encouraged to continue professional development as required.

### Principle 3.

#### Act Ethically and Responsibly

**Have a code of conduct for its directors, senior executives and employees, and to disclose code or a summary of it.**

Board approved policies and standards guide Directors, Executives and employees in carrying out their duties and responsibilities. Policies & standards cover matters such as:

- Responsibilities to shareholders.
- Compliance with laws and regulations.
- Relations with customers and suppliers.
- Ethical responsibilities.
- Employment practices.
- Alignment with the risk management framework.
- Responsibility to environment and community.

The Company has an Anti-Bribery and Corruption Policy, which covers matters such as:

- Zero tolerance for and strict prohibition of bribery and corruption in all business dealings.

- Requirements for contractors and sub-contractors to comply with the policy.

- Transparency in all transactions.

The Company has a Whistleblower Policy that encourages and offers protection for staff to report, in good faith, any behaviour, practice, or activity that they have reasonable grounds to believe involves:

- Unethical or improper conduct.
- Financial malpractice, impropriety or fraud.
- Contravention or suspected contravention of legal or regulatory provisions.
- Auditing non-disclosure or manipulation of the internal or external audit process.

An independent Whistleblower hotline is available to employees who wish to make an anonymous or confidential complaint, or a formal complaint process can be initiated to designated officers within the Company.

These policies are contained on the Company's website <http://www.metromining.com.au/about-us/corporate-governance/>

### Principle 4.

#### Safeguard Integrity in Corporate Reporting

**4.1 The Board should have an Audit Committee that:**

- **has at least three members**
- **all of whom are Non-Executive Directors**
- **a majority of whom are Independent Directors**
- **is chaired by an Independent Director, who is not the Chair of the Board**
- **discloses the charter of the committee, the relevant qualifications and experience of the members of the committee, and in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.**

The Audit and Risk Committee Charter is contained on the Company's website

<http://www.metromining.com.au/about-us/corporate-governance/>

The Audit and Risk Committee consists of 4 Non-Executive Directors, 3 of whom are independent Non-Executive Directors. The Committee has an independent Chair who is not the Chair of the Board.

The Committee members, the number of times the Committee met during the period and individual attendances at the meetings are disclosed in the

Directors' Report in the year-end financial statements. The Audit and Risk Committee meets at least four times annually and on an as needs basis.

**4.2 The Board should, before it approves the entity's financial statements for a financial year, receive from its CEO & CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true & fair view of the financial position & 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.**

In accordance with section 295A of the Corporations Act the MD/CEO and Chief Financial Officer provide a declaration to the Board that, in their view:

- Information provided in Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- The Company's risk management and internal compliance and control system is operating effectively in all material respects.

**4.3 Ensure its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.**

The Company's external auditor is present at AGM Meetings to answer any queries shareholders may have about the audit and preparation and content of Audit Report.

**Principle 5.**

**Make Timely and Balanced Disclosure**

**5.1 Have a written policy for complying with its continuous disclosure obligations under the Listing Rules and disclose that policy or a summary of it.**

The Board is committed to the promotion of investor confidence by ensuring trading in the Company's securities takes place in an efficient, competitive & informed market.

In accordance with continuous disclosure requirements of the ASX Listing Rules the Company has procedures in place to ensure all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner. All information disclosed to the ASX is posted on the Company's website

<http://www.metromining.com.au/investor-media-centre/announcements/>

The Company has a Continuous Disclosure Policy available at <http://www.metromining.com.au/about-us/corporate-governance/>

The Company has a Share Trading Policy which sets out the procedure for trading in Securities of the Company. It provides Directors and Employees and any other persons who may be associated with the Company with guidance on how and when trades in the Company's Securities may take place and when trading of the Company's Securities is strictly prohibited.

The Policy is intended to ensure that persons who are discharging managerial responsibilities including but not limited to Directors, do not abuse, and do not place themselves under suspicion of abusing Inside Information that they may be thought to have, especially in periods leading up to an announcement of the Company.

The Share Trading Policy is available at <http://www.metromining.com.au/about-us/corporate-governance/>

**Principle 6.**

**Respect the Rights of Security Holders**

**6.1 Provide information about the Company and its governance to investors via its website.**

Shareholders are provided documents relating to each AGM that include Annual Report, Notice of Meeting, Explanatory Memorandum, Proxy Form and invited to attend these meetings.

The Company actively encourages shareholders to provide their email contact details so all material ASX releases can be received upon release to market.

**6.2 Design and implement an investor relations program to facilitate effective two-way communication with investors.**

A newsletter "Keeping You Informed" is emailed via the Company's web-based program "campaign monitor" to all investors subscribed via the Company website.

Investors are encouraged to contact the Company via the email addresses provided on the Company's website. Any enquires or emails received are answered in a timely manner. Shareholders are also able to call the Company and will receive appropriate advice and information.

**6.3 Disclose policies and processes in place to facilitate and encourage participation at meetings of security holders.**

The Company's Policies and Processes are available to shareholders at <http://www.metromining.com.au/about-us/corporate-governance/>

The Company places all notices of meetings and explanatory material on its website. The Company encourages full participation of shareholders at its AGM each year. The Company provides shareholders with the opportunity to participate in the AGM as well as submit questions prior to that meeting.

The Company's external auditor EY, attends the AGM and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report. EY also has a reasonable opportunity to answer written questions submitted by shareholders to the auditor as permitted under the Corporations Act 2001 (Cth)

**6.4 Give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.**

At time of registering a new shareholder's shareholding the Company's Share Registry, Link Market Services, asks new shareholders if they'd like to receive electronic information.

## Principle 7.

### Recognise and Manage Risk

**7.1 Have a committee or committees to oversee risk, each of which has at least 3 members, a majority of whom are Independent Directors; and is chaired by an Independent Director, and disclose the charter of the committee, members of the committee, and at the end of each reporting period, the number of times the committee met throughout the period and individual attendances of the members at those meetings.**

The Company has an Audit and Risk Committee chaired by an independent Director. The Committee members, the number of times the Committee met during the period and individual attendances at meetings are disclosed in the Directors' Report at the end of each reporting period. The Committee's Charter is disclosed on the company's website. <http://www.metromining.com.au/about-us/corporate-governance/>

**7.2 Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose, in relation to each reporting period, whether such a review has taken place.**

The Board monitors the operational and financial aspects of the Company's activities and is responsible for the on-going review of business risks that could affect the Company. The Board has established an Audit and Risk Committee which operates under the Audit and Risk Committee Charter.

The Audit and Risk Committee's primary function is to assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to risk management of the Company by;

- Monitoring whether Directors and management establish a risk aware culture that reflects the Company's risk policies and philosophies as well as the Board's risk appetite.

- Defining & periodically reviewing risk management as it applies to the Company and stakeholders.
- Monitoring the development and updating of an appropriate risk management policy framework that provides guidance to management in implementing appropriate risk management practices through the Company's operations and systems.
- Ensuring the Committee and Board communicates the Company's risk management philosophy, appetite, policies and strategies to management, employees, contractors & appropriate stakeholders.
- Reviewing methods of identifying areas of risk and setting parameters or guidelines for business risk reviews.
- Making recommendations regarding business risk management, internal control systems, business policies and practices and disclosures.
- Considering capital raising, treasury and market trading activities with particular emphasis on risk treatment strategies, products & levels of authorities.

During the year, the Audit and Risk Committee oversaw the continuing development and evolution of the Company's risk management framework. This included monitoring how risk responses aligned with corporate strategies and shifts in the business and operating environment as well as the strengthening of risk management practices at the Bauxite Hills mine site.

**7.3 Disclose if it has an internal audit function, how the function is structured and what role it performs. If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.**

The Board considers the Company is not yet of a sufficient size for a formal internal audit function. The Company relies on the external auditor and management to identify areas of non-compliance with internal controls which are then reported to the Audit and Risk Committee.

In the financial year the Board engaged the Company's external auditor to undertake a number of reviews of specific areas (in addition to their external audit engagement). In addition, the Company Secretary undertook a number of reviews of the way in which strategic risks are being managed. The results of these reviews (external auditor and Company Secretary) were reported to the Audit and Risk Committee.

**7.4 Disclose if it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks**

The Material Business Risks faced by the Company that may have a material impact, and how those risks are



managed, are detailed in the Directors' Report in the year-end financial statements. The categories of Material Business Risks described in the Directors' Report in the current financial year are:

- Fluctuation in commodity prices and Australian dollar.
- Mineral resources and ore reserves.
- Replacement of depleted reserves.
- Mining risks and insurance risks.
- Production and cost estimates.
- Sovereign risk and concentration of customers.
- Marketing risk.
- Environmental, health and safety, and permits (including climate change risk).
- Community relations.

The Company is also in the process of preparing its first Sustainability Report which is planned to be published and released at the 2020 Annual General Meeting. The Sustainability Report will provide details of the Company's Sustainability targets and achievements in 2019 as well as plans for further development in 2020 and beyond.

## Principle 8.

### Remunerate Fairly and Responsibility

#### **8.1 Have a remuneration committee which has at least three members, a majority of whom are independent directors, is chaired by an independent director, and disclose the charter of the committee, the members of the committee and as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings**

The Company has a Remuneration and Nomination Committee chaired by an independent Director. The Committee consists of 5 Non-Executive Directors, 4 of whom are Independent Non-Executive Directors. The Committee has an independent Chair who is not the Chair of the Board.

Committee members, number of times Committee met in the period and individual attendances at meetings are disclosed in the Directors' Report in the financial report.

#### **Separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives. Disclosure of Policies and Practices of Director and Remuneration and Senior Executives**

The Company periodically engages an independent consultant to benchmark Board and senior executive

remuneration. The purpose of the benchmarking is to ensure that remuneration offered by the Company is competitive in the market and appropriate for the Company's circumstances.

For senior executives and employees, the Company has a performance management system (described under Principle 1 section 1.6).

Senior executives and employees are offered a remuneration package comprising a fixed amount of salary plus Superannuation (**Fixed remuneration**). Senior executives and selected employees are also offered an opportunity to participate in a Short-Term Incentive Plan (STIP) (**Performance-based remuneration**) and Long-Term Incentive Plan (LTIP).

The main aims of the remuneration framework are:

- Remuneration which is comparable and competitive.
- An appropriate balance between fixed and variable (at-risk) components.
- Performance based.
- Alignment to shareholder experience and the medium to long-term interests of shareholders.
- Fairness and transparency.

The STIP and LTIP vest when Company and individual performance achieve or exceed agreed goals. Success is measured against the following criteria:

- Specific objectives within an agreed time.
- Performance standards matched against KPIs over the Performance Year/s - annually (STIP), or 3 year-period (LTIP).

All incentive awards are at the discretion of the Board. The Board can choose not to pay or to reduce the amount of an incentive otherwise payable. The Board also has the discretion to increase the amount of an incentive for exceptional performance.

#### **Key Features of the STIP**

- Individuals will be awarded Performance Rights at the start of the Performance Year (Jan-Dec) based on achievement of Milestones or KPIs as agreed with their Manager and authorised by the Board.
- The STIP has incentives linked to individual KPIs, and Group wide KPIs which are prepared for each employee and then reviewed by the Remuneration and Nomination Committee and approved by the Board for senior executives. The KPIs include specific milestones and goals that have a link to the Company's performance and success.
- When determining the number of Performance Rights issued the value calculation will be made

based on the Company VWAP for December in the year prior to issue; it is then in the participant's interest to perform in a way that will increase the value of their potential bonus and aligns them with the aim of increasing shareholder value. The linkage provides an ongoing alignment between an individual's activities and the aim of increasing shareholder value which would not exist if cash bonuses were offered instead of Performance Rights.

- Performance Rights vest at the end of the Performance Year when KPIs are measured.
- On vesting the Company will issue one ordinary share for each Performance Right.
- Max % refers to percentage of employee's Base Salary excluding superannuation or other allowances.
- Employees are not be permitted to sell any shares issued under the scheme for 12-calendar months from date the shares are issued.
- On termination, an individual's Performance Rights will automatically lapse. Milestones achieved before the individual's employment contract has ended will be awarded, with Board discretion applied to any awarding of partly achieved objectives.
- Total number of Performance Rights to be issued by the Company to Eligible Participants in respect of which either Shares or Options have been issued under the Scheme shall not at any time exceed 5% of the Company's total issued ordinary Share capital in that class at the time when aggregated.
- Performance Rights will be issued based on the value of one ordinary share calculated using VWAP as reported on or around the ASX, on 1 January.

#### Maximum STIP Rewards

The below table describes the level of participation across the management ranks as a percentage of Total Fixed Remuneration excluding Superannuation.

Position	Max %
MD/CEO	35%
Senior executives	25%
Other employees	10%

For more information on Director and Executive remuneration refer to the Remuneration Report in the financial report.

#### Key Features of the LTIP

- Performance Rights will be granted annually based on a percentage of a participant's annual base salary.
- Performance Rights will vest on the Company achieving the milestones as determined by the Board.

- Vesting of Performance Rights will occur at the end of the 3-year period from grant.
- Milestones will be approved by the Remuneration and Nomination Committee.
- The Remuneration and Nomination Committee approved the restructure of the LTI plan for the 2019 calendar year, such that it operates as a 3-year rolling plan, with annual grants of Performance Rights valued at a total of 50% of base salary (for the Managing Director) and 30% for other Executive KMP.
- The LTI performance hurdles are measurable over a 3-year period, subject to a minimum performance gateway (employment, and achievement of budget) and the following KPIs:
  - Relative Total Shareholder Return (TSR) measured against ASX Materials Indices (XMM);
  - Return (Group EBIT) on Capital Employed (ROCE) measured against the Group's Weighted Average Cost of Capital (WACC);
  - Return (Group EBIT less corporate costs) on Sales measured against Budgeted Return on Sales.
- When determining the number of Performance Rights issued the value calculation will be made based on the Company VWAP for December in the year prior to issue.
- The LTI plan is limited to the MD and the Senior Executive Level (direct reports of the MD). The scheme will issue long-term performance rights to the MD and executive management team, expressed as a percentage of base salaries, as follows:

Position	Max %
MD/CEO	50%
Senior Executives	30%
Other employees	0%

If milestones are exceeded the Board will consider of additional rights will be granted (at Board discretion).

#### **8.3 In relation to its equity-based remuneration scheme, have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and disclose that policy or a summary of it.**

The Metro Mining Employee Incentive Plan specifically prohibits recipients under the scheme from entering into transactions which limit the economic risk of participating in the scheme. A summary of the policy is set out in the Remuneration Report.