

For personal use only

# CORPORATE GOVERNANCE STATEMENT

Year Ended 31 December 2020



**GALAXY**

GALAXY RESOURCES LIMITED

For personal use only

## **Galaxy Resources Limited**

Level 4, 21 Kintail Road Applecross  
Western Australia 6153 Australia

**Phone:** + 61 8 9215 1700

**Fax:** + 61 8 9215 1799

**Email:** [info@gxy.com](mailto:info@gxy.com) (Investor Relations and Media Enquiries)

**Email:** [reception@gxy.com](mailto:reception@gxy.com) (General Enquiries)

**Website:** [www.gxy.com](http://www.gxy.com)

# CONTENTS

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT	2
PRINCIPLE 2: STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE	4
PRINCIPLE 3: INSTILL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY	7
PRINCIPLE 4: SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS	8
PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE	8
PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS	9
PRINCIPLE 7: RECOGNISE AND MANAGE RISK	10
PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY	12



See the rest of Galaxy's  
2020 reporting suite  
at [www.gxy.com](http://www.gxy.com)

## CORPORATE GOVERNANCE STATEMENT

for Year Ended 31 December 2020

The ASX Listing Rules require the Company to prepare a corporate governance statement which discloses the extent to which the Company has followed the recommendations contained in the 4<sup>th</sup> edition of the ASX Corporate Governance Principles and Recommendations for the period ended 31 December 2020.

Further information about the Company's corporate governance practices can be located on the Company's website at [www.gxy.com](http://www.gxy.com). In this statement a reference to the Galaxy Resources Annual Report is a reference to the Company's annual report for the year ended 31 December 2020 which is located on the Investors page of the Company's website at [www.gxy.com](http://www.gxy.com).

The Company has also prepared a Sustainability Report for the year ended 31 December 2020 which is also located on the Sustainability page of the Company's website at [www.gxy.com](http://www.gxy.com).

This statement was approved by the Board of Directors and is current as at 6 April 2021.

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

**Recommendation 1.1:** A listed entity should have and disclose a board charter setting out:

- (a) the respective roles and responsibilities of its board and management; and
- (b) those matters expressly reserved to the board and those delegated to management.

The Company has complied with this recommendation.

The Board has adopted a formal Board Charter that details the respective roles and responsibilities of the Board and management and those matters expressly reserved to the Board and those delegated to management. A copy of the Board Charter is available in the Corporate Governance section of the Company's website at [www.gxy.com](http://www.gxy.com).

**Recommendation 1.2:** A listed entity should undertake appropriate checks before appointing a director or senior executive or putting someone forward 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.

The Company has complied with this recommendation.

The Company appointed Executives Mr Tom Blackwell and Ms Megan Schmiede during the reporting period. As part of the appointment process reference and background checking was undertaken on Mr Blackwell and Ms Schmiede.

Biographical and other relevant details about Ms Florencia Heredia are set out in the Directors' Report contained in the Galaxy Resources Annual Report on the Company's website and were provided to shareholders in the Notice of Meeting for the 2021 Annual General Meeting at which the Company sought Ms Heredia's re-election.

**Recommendation 1.3:** A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The Company has complied with this recommendation.

Each Director and each senior executive has a written agreement setting out the terms of their appointment. Key details are included in the Remuneration Report contained in the Galaxy Resources Annual Report.

**Recommendation 1.4:** The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company has complied with this recommendation.

The Board Charter provides that the Company Secretary is accountable to the Board, through the Chairman, on all governance matters.

**Recommendation 1.5:** A listed entity should:

- (a) have and disclose a diversity policy;
- (b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and
- (c) disclose in relation to each reporting period the measurable objectives set for that period to achieve gender diversity and the entity's progress towards achieving these objectives and either:
  - (1) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or
  - (2) 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 Company has complied with this recommendation.

The Company has adopted a Diversity Policy which is available in the Corporate Governance section of the Company's website at [www.gxy.com](http://www.gxy.com).

The measurable objectives for achieving gender diversity set by the board in accordance with the Company's Diversity Policy and its progress towards achieving them are as follows:

Objective	Target 2020	Actual 2020
1. Proportion of women Directors <sup>1</sup>	30%	16.7%
2. Proportion of women employed in Senior Executive roles <sup>2</sup>	15%	14.3%
3. Proportion of women employed across the Company	25%	22%

Notes:

- 1. The Company aims to achieve this target by the end of 2022.
- 2. "Senior Executive" for the purpose of these diversity objectives is defined to mean the Chief Executive Officer and his direct reports.

**Recommendation 1.6:** A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

The Company has complied with this recommendation.

The process for periodically evaluating the performance of the Board, its committees and individual directors is set out in the Board Charter, a copy of which is available in the Corporate Governance section of the Company's website at [www.gxy.com](http://www.gxy.com).

In accordance with this process, Board evaluation questionnaires were provided to each member of the Board in order to assess the performance of the individual Director, the Board as a whole, Committees of the Board and the Chief Executive Officer.

The completed questionnaires were provided to the Chairman and used as part of the performance evaluations which were undertaken in respect of the reporting period in accordance with the process described in the Board Charter.



## CORPORATE GOVERNANCE STATEMENT

for Year Ended 31 December 2020

**Recommendation 1.7:** A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives at least once every reporting period; and
- (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

The Company has complied with this recommendation.

The process for periodically evaluating the performance of the Company's senior executives is set out in the Board Charter, a copy of which is available in the Corporate Governance section of the Company's website at [www.gxy.com](http://www.gxy.com).

Evaluations of senior executive performance were undertaken in respect of the reporting period in accordance with the above process.

## PRINCIPLE 2: STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE

**Recommendation 2.1:** The board of a listed entity should:

- (a) have a nomination committee which has at least three members, a majority of whom are independent directors and which is chaired by an independent director; and
- (b) 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 attendance of the members at those meetings.

The Company has complied with this recommendation.

A copy of the Remuneration and Nomination Committee Charter is available in the Corporate Governance section of the Company's website at [www.gxy.com](http://www.gxy.com).

The members of the Committee, the number of meetings held during 2020 and the individual attendance of the members at those meetings are set out in the Directors' Report included in the Galaxy Resources Annual Report.

**Recommendation 2.2:** A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.

The Company has complied with this recommendation.

The Board, together with the Remuneration and Nomination Committee, reviews the skills, experience, expertise and diversity represented by Directors on the Board annually and determines whether the composition and mix remain appropriate for the Company's strategy. A periodic review is also undertaken by the Board to determine whether there is a need for existing Directors to undertake professional development to obtain and maintain the skills and knowledge needed to effectively perform their role as Directors.

In order to assist this review process, a skills matrix designed to assess the skill, experience, independence and diversity of the Board is circulated to each Director for completion.

## CORPORATE GOVERNANCE STATEMENT

for Year Ended 31 December 2020

The table below sets out the collective skills, attributes and experience of the Directors serving on the Board during the period.

Area	Board Skill and Experience
Executive management	<ul style="list-style-type: none"> <li>• Experience as a Director, CEO, CFO or other officeholder or similar in medium to large entities.</li> </ul>
Specific industry knowledge	<ul style="list-style-type: none"> <li>• Senior executive, advisory or board experience in a mining or resources organisation.</li> <li>• Senior executive responsibility for exploration or long-term board experience in a mining and resources organisation.</li> <li>• Relevant tertiary degree or professional qualification.</li> <li>• Senior executive experience with capital projects and/or engineering in a mining or resources environment.</li> <li>• Broad background and experience in the lithium value chain, as well as the industrials and resources sector including exploration, mining, project development and operations.</li> </ul>
International experience	<ul style="list-style-type: none"> <li>• An understanding of the complexities of operating in foreign jurisdictions.</li> <li>• Experience in and exposure to multiple cultural, regulatory and business environments.</li> </ul>
Accounting and finance	<ul style="list-style-type: none"> <li>• Senior executive experience in financial accounting and reporting, or business development or board remuneration and nomination committee experience.</li> <li>• Relevant tertiary degree or professional qualification.</li> <li>• Board audit committee experience.</li> <li>• Ability to read and comprehend the Company's accounts, financial material presented to the Board, financial reporting requirements and an understanding of corporate finance.</li> </ul>
Risk management	<ul style="list-style-type: none"> <li>• Ability to identify and monitor risks to which the Company is, or has the potential to be, exposed.</li> </ul>
Experience with financial markets	<ul style="list-style-type: none"> <li>• Experience in corporate finance and the equity/debt and/or capital markets.</li> </ul>
Investor relations	<ul style="list-style-type: none"> <li>• Experience in identifying and establishing relationships with shareholders, potential investors, institutions and equity analysts.</li> </ul>
Legal and governance	<ul style="list-style-type: none"> <li>• Relevant tertiary degree or professional qualification.</li> <li>• Listed entity board and/or committee experience.</li> <li>• Experience in organisations with a strong focus on and adherence to governance standards.</li> <li>• Experience in general corporate, mining, fiscal and labour laws and/or the ability to consider the legal requirements of the Company's business operations and transactions contemplated by the Company, across the multiple jurisdictions in which it operates.</li> </ul>
Sustainability	<ul style="list-style-type: none"> <li>• Experience and knowledge of working on sustainability activities directly or as part of operational responsibility.</li> </ul>

## CORPORATE GOVERNANCE STATEMENT

for Year Ended 31 December 2020

**Recommendation 2.3:** A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;
- (b) if a director has an interest, position 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 or relationship in question and an explanation of why the board is of that opinion; and
- (c) the length of service of each director.

The Company has complied with this recommendation.

In determining a Director's independence, the Board considers those relationships which may affect independence as contained in the 4<sup>th</sup> edition of the ASX Corporate Governance Principles and Recommendations.

In each case, the materiality of the interest, position or relationship is assessed to determine whether it might interfere, or might reasonably be seen to interfere, with the Director's capacity to bring an independent judgment to bear on issues before the Board and to act in the best interests of the Company and its security holders generally.

To assist in the assessment of Director independence a statement was circulated to each Director for the purposes of identifying the existence of any transactions between the Director's related parties and the Company and the impact (if any) they considered such transactions (or other factors) may have had on their independence.

The independence and length of service of each Director is as follows:

Director	Independent	Date of Appointment	Length of Service
Mr Martin Rowley	Yes	28 November 2013	7 years 4 months
Mr Anthony Tse	No	13 October 2010	10 years 5 months
Mr Peter Bacchus	Yes	3 January 2017	4 years 3 months
Ms Florencia Heredia	Yes	1 January 2018	3 years 3 months
Mr John Turner	Yes	3 January 2017	4 years 3 months
Mr Alan Fitzpatrick	Yes	16 January 2019	2 years 2 months

Notes:

1. Length of service is calculated up to the date of this statement.
2. Mr Tse is an Executive Director and so is not independent.
3. Mr Turner and Ms Heredia are respectively partners of Fasken Martineau DuMoulin and Allende & Brea, both of which provide professional services to the Company (as set out in more detail in the Remuneration Report in the Galaxy Resources Annual Report). Mr Turner and Ms Heredia do not personally receive the fees payable by Galaxy to their respective firms. The fees are paid by Galaxy directly to Fasken Martineau DuMoulin and Allende & Brea which then distribute those fees according to their respective partner remuneration policies. Additionally, Ms Heredia's Director's fees are paid directly to Allende & Brea and not to her personally. The Board has determined that the value of these services is not sufficiently material to interfere with the Directors' capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole rather than in the interests of an individual security holder or other party.

**Recommendation 2.4:** A majority of the board of a listed entity should be independent directors.

The Company has complied with this recommendation.

At all times during the period, and as at the date of this statement, the Board has been comprised of a majority of independent Directors.

**Recommendation 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 Company has complied with this recommendation.

The Chairman, Mr Martin Rowley, is an independent Director and the Chief Executive Officer of the Company is Mr Simon Hay.



**Recommendation 2.6:** A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.

The Company has complied with this recommendation.

The Board is responsible for providing new Directors with an induction to the Company and for providing adequate professional development opportunities for Directors and management.

The skills matrix completed by each Director in respect of the reporting period provides an opportunity for Directors to indicate their desire to receive additional professional development or training.

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

**Recommendation 3.1:** A listed entity should articulate and disclose its values.

The Company has complied with this recommendation.

A copy of the Company's Values is available in the Corporate Governance section of the Company's website at [www.gxy.com](http://www.gxy.com). The Company has also adopted a corporate strategy which, together with the Values, underpins the way the Company undertakes its business and guides the Company's corporate business plan and annual activities. More information on the Company's strategy and Values can be found in the Galaxy Resources Annual Report and Sustainability Report.

**Recommendation 3.2:** A listed entity should have and disclose a code of conduct for its directors, senior executives and employees and ensure that the board or a committee of the board is informed of any material breaches of that code.

The Company has complied with this recommendation.

During the reporting period the Company released an updated Code of Conduct, a copy of which is available in the Corporate Governance section of the Company's website at [www.gxy.com](http://www.gxy.com).

The Code of Conduct provides that all material contraventions of the Code are reported to the Board.

**Recommendation 3.3:** A listed entity should have and disclose a whistleblower policy and ensure that the board or a committee of the board is informed of any material incidents reported under that policy.

The Company has complied with this recommendation.

During the reporting period the Company released an updated Whistleblowing Policy, a copy of which is available in the Corporate Governance section of the Company's website at [www.gxy.com](http://www.gxy.com).

The Whistleblowing Policy provides that the Audit and Risk Committee will receive a summary of reports made under the Policy on a quarterly basis and report to the Board. The Audit and Risk Committee will be provided information about any material incidents reported in a timely manner outside normal reporting periods which will subsequently be provided to the Board.

**Recommendation 3.4:** A listed entity should have and disclose an anti-bribery and corruption policy and ensure that the board or a committee of the board is informed of any material breaches of that policy.

The Company has complied with this recommendation.

A copy of the Company's Anti-Bribery and Corruption Policy is available in the Corporate Governance section of the Company's website at [www.gxy.com](http://www.gxy.com).

The Anti-Bribery and Corruption Policy provides that investigations regarding reported actual or suspected breaches of the Policy and any adverse findings are reported to the Board.

## CORPORATE GOVERNANCE STATEMENT

for Year Ended 31 December 2020

### PRINCIPLE 4: SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS

**Recommendation 4.1:** The board of a listed entity should:

- (a) have an audit committee which has at least three members, all of whom are non-executive directors and a majority of whom are independent directors and which is chaired by an independent director who is not the chair of the board; and
- (b) disclose 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 Company has complied with this recommendation.

During the reporting period the Company reviewed and released an updated Audit and Risk Committee Charter, a copy of which is available in the Corporate Governance section of the Company's website at [www.gxy.com](http://www.gxy.com).

The relevant qualifications and experience of the members of the Audit and Risk Committee, the number of times the Committee met during 2020 and the individual attendances of the members at those meetings are set out in the Directors' Report included in the Galaxy Resources Annual Report.

**Recommendation 4.2:** The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive 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 statements 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.

The Company has complied with this recommendation.

**Recommendation 4.3:** A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.

The Company has complied with this recommendation.

The Company's external auditor reviews the annual directors' report, annual remuneration report and the annual and half yearly financial statements. The balance of periodic corporate reports including quarterly production reports, annual corporate governance statement, annual reserves and resources report and annual sustainability report are subject to a rigorous internal review process with individual sign offs by the relevant functional areas.

The internal review process comprises:

- preparation of draft reports and documents by the responsible functional managers with input from Investor Relations;
- review meetings and content sign-off by responsible managers; and
- final approvals by the CEO, applicable members of the Executive and the Chairman.

### PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

**Recommendation 5.1:** A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under ASX Listing Rule 3.1.

The Company has complied with this recommendation.

A copy of the Continuous Disclosure Policy is available in the Corporate Governance section of the Company's website at [www.gxy.com](http://www.gxy.com).

**Recommendation 5.2:** A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.

The Company has complied with this recommendation.

Directors are provided with a copy of all market releases promptly after release on the ASX Market Announcements Platform.

**Recommendation 5.3:** A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.

The Company has complied with this recommendation.

The Company uploads copies of new and substantive presentation materials to the ASX Market Announcements Platform ahead of the relevant presentation.

## PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

**Recommendation 6.1:** A listed entity should provide information about itself and its governance to investors via its website.

The Company has complied with this recommendation.

The Company's website at [www.gxy.com](http://www.gxy.com) contains information about the Company's projects, Directors and senior management and the Company's corporate governance practices, policies and charters. Announcements are also available on the website following release on the ASX Market Announcements Platform.

**Recommendation 6.2:** A listed entity should have an investor relations program that facilitates effective two-way communication with investors.

The Company has complied with this recommendation.

The Company's Investor Relations and Corporate Affairs Manager is the Company's main contact for existing and potential investors. The Investor Relations and Corporate Affairs Manager is available to discuss the Company's activities when requested, together with the Chief Executive Officer, other Directors or senior executives as required. In addition to ASX announcements made in accordance with its continuous disclosure obligations, the Company from time to time prepares and releases investor briefing presentations about the Company.

The Company has a Corporate Development and Investor Relations team whose roles encompass dealing with investor enquires and communicating with shareholders, potential investors, brokers and institutions.

Contact with the Company can be made via an email address and a phone number provided on the Company's website.

**Recommendation 6.3:** A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.

The Company has complied with this recommendation.

The Company encourages participation of shareholders at its Annual General Meeting each year. The Company held a virtual Annual General Meeting for the first time during the reporting period. Shareholders were encouraged to participate in the Meeting by way of a live webcast and were invited to lodge questions in advance of the Meeting by sending an email containing their question(s) to the Company. The live webcast also included a facility for Shareholders to ask questions during the Meeting. Via this facility the Chairman allowed a reasonable opportunity for shareholders to ask questions of the Board and the external auditors.

Copies of all notices of meetings and explanatory material are made available via the Company's website at [www.gxy.com](http://www.gxy.com) as soon as they have been released on the ASX Market Announcements Platform.

**Recommendation 6.4:** A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

The Company has complied with this recommendation.

All resolutions at the Company's 2020 Annual General Meeting were decided by a poll.

**Recommendation 6.5:** A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company has complied with this recommendation.

## CORPORATE GOVERNANCE STATEMENT

for Year Ended 31 December 2020

Contact with the Company can be made via the phone number and the email address provided on the website. The Company also has a facility for people to register to receive material Company announcements via email.

The Company's share register provides a facility whereby investors can provide email addresses to receive correspondence from the Company electronically and investors can contact the share register via telephone, facsimile or email.

### PRINCIPLE 7: RECOGNISE AND MANAGE RISK

**Recommendation 7.1:** The Board of a listed entity should:

- (a) have a committee to oversee risk which has at least three members, a majority of whom are independent director and which is chaired by an independent director; and
- (b) 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 complied with this recommendation.

During the reporting period the Company reviewed and released an updated Audit and Risk Committee Charter, a copy of which is available in the Corporate Governance section of the Company's website at [www.gxy.com](http://www.gxy.com).

The members of the Committee, the number of meetings held during 2020 and the individual attendance of the members at those meetings are set out in the Directors' Report included in the Galaxy Resources Annual Report.

**Recommendation 7.2:** The board or a committee of the board should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and
- (b) disclose, in relation to each reporting period, whether such a review has taken place.

The Company has complied with this recommendation.

The Board and the Audit and Risk Committee conducted a review of the Company's risk management framework during the reporting period and satisfied themselves that it continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board.

The Board has adopted a Risk Management Policy which is available in the Corporate Governance section of the Company's website at [www.gxy.com](http://www.gxy.com). The Company has also implemented a Risk Management Framework for the management and oversight of material risks and internal control.

**Recommendation 7.3:** A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or
- (b) 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 governance, risk management and internal control processes.

The Company has complied with this recommendation.

The Company does not currently have an internal audit function.

Under the Board Charter the Board is responsible for setting the Company's risk appetite. It is also responsible for reviewing and satisfying itself that Galaxy's systems of internal compliance and control, risk management framework (for both financial and non-financial risk), governance practices and legal compliance are appropriate, and for ensuring the integrity and effectiveness of those systems and practices.

The Board has delegated to the Audit and Risk Committee the primary responsibility for ensuring that risks are identified and monitored. The Chief Executive Officer is accountable to the Board, through the Audit and Risk Committee for ensuring that the risk management system is maintained in accordance with the Risk Management Policy, the requirements of the ASX

## CORPORATE GOVERNANCE STATEMENT

for Year Ended 31 December 2020

Corporate Governance Principles and relevant regulatory requirements and is ultimately responsible for the management of risks within the business. The Chief Executive Officer will be required to report to the Board, through the Audit and Risk Committee, on a regular basis, but at least annually, as to whether the risk management framework is operating effectively in all material respects.

The Company's Risk Management Policy communicates the Company's risk management expectations which are embedded in the structured Risk Management Framework to be implemented across all Galaxy operations. This approach to risk management will:

- improve the quality and consistency of decision making and risk tolerance;
- manage risk exposures to tolerable level with regard to financial sustainability and taking account of shareholder expectations;
- enhance the effectiveness and efficiency of Galaxy's activities;
- encourages pro-active rather than reactive management;
- minimise "surprises" through the prompt communication of risk knowledge; and
- safeguards Galaxy's assets, people, finances and the environment.

The Company's Risk Management Framework is intended to ensure:

- the structured identification of the material business risks;
- management of those material business risks; and
- internally report to the responsible person and to the Board on those material business risks for ultimate acceptance of the risk exposure.

The primary objectives of the Company's Risk Management Framework are to:

- Integrate effective risk management into the culture of Galaxy and ensure that risk understanding, and risk tolerance are an integral part of all its decision-making processes.
- Provide structured processes for identifying, understanding and managing risks (threats and opportunities) so as to:
  - maximise opportunities for business growth and diversification while minimising reasonably foreseeable uncertainties, disruption to operations, harm to people and damage to the environment and property;
  - proactively ensure an accurate risk understanding is developed and maintained in each area of the business and that this understanding is used to direct business activities and decision-making processes;
  - determine priorities (in terms of relative risk levels) and allocating resources effectively and efficiently;
  - assure activities are undertaken within approved risk tolerance levels via the effective management of controls and through the testing and reporting with sufficient oversight to protect the profitability, assets and reputation of Galaxy;
  - demonstrate due diligence in discharging legal and regulatory obligations and meeting the expectations and standards of external stakeholders; and
  - ensure regular reports about: risk management activities; the most significant risks; and the escalation of failures in mitigation measures are provided to the relevant levels of management.
- Provide sufficient resources to develop and deliver on risk management plans across the organisation.
- Recognise and reward risk-aware behaviour, proactively correct inadequate risk management practices and ensure the quality of risk management processes are consistent with the significance of decisions being made.
- Foster an environment where employees and contractors assume responsibility for managing risks and have the confidence to do so, based on the training and empowerment provided by the organisation.

**Recommendation 7.4:** A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.

The Company has complied with this recommendation.

The Board Health, Safety, Environment and Community (**HSEC**) Committee is tasked with overseeing HSEC risks and compliance within the Company.

As part of the Company's risk management process it has identified material environmental and social risks. These include:

## CORPORATE GOVERNANCE STATEMENT

for Year Ended 31 December 2020

- Environmental risks – failure to obtain and comply with applicable regulations, licences, permits and approvals; the occurrence of a major environmental incident at one of the Company's sites; and climate change related risks.
- Social risks – the occurrence of a major safety incident or fatality; loss of social licence to operate; failure to comply with relevant legislative requirements; and fraud and corruption.

The Company's Risk Management Framework described above will be utilised to provide structured processes for identifying, understanding and managing risks such as these.

The Company has HSE and Sustainability personnel who are responsible for identifying and managing environmental and social risks across the different jurisdictions in which the Company operates.

The Company currently works closely and collaboratively with the communities located near its operations, including taking community interests into account in project design and management, implementing various initiatives to support the development of local communities and creating local employment opportunities.

The Company's Sustainability Report details the Company's sustainability approach, key material topics and performance for the reporting period. A copy of the Sustainability Report is available on the Company's website at [www.gxy.com](http://www.gxy.com).

### PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

**Recommendation 8.1:** The board of a listed entity should:

- (a) have a remuneration committee which has at least three members, a majority of whom are independent directors and which is chaired by an independent director; and
- (b) 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 members at those meetings.

The Company has complied with this recommendation.

During the reporting period the Company reviewed and released an updated Remuneration and Nomination Committee Charter, a copy of which is available in the Corporate Governance section of the Company's website at [www.gxy.com](http://www.gxy.com).

The members of the Committee, the number of meetings held during 2020 and the individual attendance of the members at those meetings are set out in the Directors' Report included in the Galaxy Resources Annual Report.

**Recommendation 8.2:** A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The Company has complied with this recommendation.

Details on the Company's policies and practices regarding the remuneration of Directors and senior executives, together with details of Director and senior executive remuneration during the reporting period, are provided in the Remuneration Report included in the Galaxy Resources Annual Report.

**Recommendation 8.3:** A listed entity which has an equity-based remuneration scheme should:

- (a) 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
- (b) disclose that policy or a summary of it.

The Company has complied with this recommendation.

The Company has a Long-Term Incentive Plan and an Incentive Award Plan which entitle participants to equity-based remuneration. Under the Company's Share Trading Policy, a designated person is not permitted to enter into transactions in products associated with the Company's securities which operate to limit the economic risk of their security holding in the Company over unvested entitlements (e.g. hedging arrangements).

A copy of the Company's Share Trading Policy is available in the Corporate Governance section of the Company's website at [www.gxy.com](http://www.gxy.com).



For personal use only

For personal use only

GALAXY RESOURCES LIMITED  
ABN 11 071 976 442

[www.gxy.com](http://www.gxy.com)