

# Castillo Copper Limited – Corporate Governance

This Corporate Governance Statement is current as at 29 September 2021 and has been approved by the Board of the Company.

This Corporate Governance Statement discloses the extent to which the Company will follow the recommendations set by the ASX Corporate Governance Council in its publication *Corporate Governance Principles and Recommendations 3<sup>rd</sup> Edition* (Recommendations). The Recommendations are not mandatory, however the Recommendations that will not be followed have been identified and reasons for not following them, along with what (if any) alternative governance practices have been adopted in lieu of the Recommendation.

The Company has adopted Corporate Governance Policies which provide written terms of reference for the Company's corporate governance practices. The Board of the Company has not yet formed an audit committee, nomination committee, risk management committee or remuneration committee.

The Company's Corporate Governance Policies are available on the Company's website at [www.castillocopper.com](http://www.castillocopper.com)

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

### **Roles of the Board & Management**

The Board is responsible for evaluating and setting the strategic direction for the Company, establishing goals for management and monitoring the achievement of these goals. The Managing Director (or equivalent) is responsible to the Board for the day-to-day management of the Company.

The principal functions and responsibilities of the Board include, but are not limited to, the following:

- Appointment, evaluation and, if necessary, removal of the Managing Director, any other executive directors, the Company Secretary and the Chief Financial Officer and approval of their remuneration;
- Determining, in conjunction with management, corporate strategy, objectives, operations, plans and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;
- Establishing appropriate levels of delegation to the Managing Director to allow the business to be managed efficiently;
- Approval of remuneration methodologies and systems;
- Monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level to understand at all times the financial and operating conditions of the Company;
- Monitoring the performance of senior management, including the implementation of strategy and ensuring appropriate resources are available;
- Identifying areas of significant business risk and ensuring that the Company is appropriately positioned to manage those risks;
- Overseeing the management of safety, occupational health and environmental issues;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately;
- Ensuring that appropriate internal and external audit arrangements are in place and operating effectively;
- Authorising the issue of any shares, options, equity instruments or other securities within the constraints of the Corporations Act and the ASX Listing Rules; and
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted, and that its practice is consistent with, a number of guidelines including:
  - Code of Conduct;
  - Continuous Disclosure Policy;
  - Diversity Policy;
  - Performance Evaluation Policy;
  - Procedures for Selection and Appointment of Directors;
  - Remuneration Policy;
  - Risk Management and Internal Compliance and Control Policy.
  - Securities Trading Policy; and
  - Shareholder Communications Policy.

## Castillo Copper Limited – Corporate Governance

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Subject to the specific authorities reserved to the Board under the Board Charter, the Board delegates to the Managing Director responsibility for the management and operation of Castillo Copper. The Managing Director is responsible for the day-to-day operations, financial performance and administration of Castillo Copper within the powers authorised to him from time-to-time by the Board. The Managing Director may make further delegation within the delegations specified by the Board and will be accountable to the Board for the exercise of those delegated powers.

Further details of Board responsibilities, objectives and structure are set out in the Board Charter on the Castillo Copper website.

### **Board Committees**

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate committees at this time including audit, risk, remuneration or nomination committees, preferring at this stage of the Company's development, to manage the Company through the full Board of Directors. The Board assumes the responsibilities normally delegated to the audit, risk, remuneration and nomination Committees.

If the Company's activities increase, in size, scope and nature, the appointment of separate committees will be reviewed by the Board and implemented if appropriate.

### **Board Appointments**

The Company undertakes comprehensive reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

### **The Company Secretary**

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees (as applicable) on governance matters, monitoring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

### **Diversity**

The Board has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect to gender, age, ethnicity and cultural diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives (if considered appropriate) and to assess annually both the objectives (if any have been set) and the Company's progress towards achieving them.

The Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for the Diversity Policy at this time is not appropriate. The Board will consider setting measurable objectives as the Company increases in size and complexity.

The participation of women in the Company at the date of this report is as follows:

- |  |    |
|--|----|
| • Women employees in the Company       | 0% |
| • Women in senior management positions | 0% |
| • Women on the Board                   | 0% |

Castillo Copper is not a "relevant employer" under the Workplace Gender Equality Act.

The Company's Diversity Policy is available on its website.

# Castillo Copper Limited – Corporate Governance

## **Board & Management Performance Review**

On an annual basis, the Board conducts a review of its structure, composition and performance.

The annual review includes consideration of the following measures:

- comparing the performance of the Board against the requirements of its Charter;
- assessing the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and the annual budget;
- reviewing the Board's interaction with management;
- reviewing the type and timing of information provided to the Board by management;
- reviewing management's performance in assisting the Board to meet its objectives; and
- identifying any necessary or desirable improvements to the Board Charter.

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Chairman has primary responsibility for conducting performance appraisals of Non-Executive Directors, in conjunction with them, having particular regard to:

- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

The Board conducts an annual performance assessment of the Managing Director against agreed key performance indicators.

Given, the size of the Board and Management, the substantial changes to the composition of the Board and Management during the June 2021 financial year and the current level of operations of the Company, no formal appraisal of the Board, Managing Director or Management was conducted during the financial year.

## **Independent Advice**

Directors have a right of access to all Company information and executives. Directors are entitled, in fulfilling their duties and responsibilities, to obtain independent professional advice on any matter connected with the discharge of their responsibilities, with prior notice to the Chairman, at Castillo Copper' expense.

## **Principle 2: Structure the board to add value**

### **Board Composition**

During the financial year and to the date of this report the Board was comprised of the following members:

- Robert Scott (Non-Executive Chairman)
- Simon Paull (Managing Director)
- Gerrard (Ged) Hall (Non-Executive Director)
- Geoff Reed (Non-Executive Director) (appointed 16 August 2021)

The Board currently consists of the following Directors:

- Robert Scott – Independent
- Simon Paull – Not independent
- Gerrard (Ged) Hall – Independent
- Geoff Reed – Independent

## Castillo Copper Limited – Corporate Governance

Castillo Copper has adopted a definition of 'independence' for Directors that is consistent with the Recommendations. One of the Board members is not considered to be independent as he is an executive of the Company.

### **Board Selection Process**

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern Castillo Copper. The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review.

The Board is responsible for the nomination and selection of directors. The Board reviews the size and composition of the Board regularly and at least once a year as part of the Board evaluation process.

The Group does not have an established board skills matrix on the mix of skills and diversity for Board membership. The Board continues to monitor the mix of skills and diversity on the Board however, due to the size of the Group, the Board does not consider it appropriate at this time to formally set matrix on the mix of skills and diversity for Board membership. Through the ongoing monitoring processes of itself, the Board is satisfied that the current composition provides an appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

### **Induction of New Directors and Ongoing Development**

New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work.

An induction program is in place and new Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

### **Principle 3: Act ethically and responsibly**

The Company has implemented a Code of Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

All employees and Directors are expected to:

- respect the law and act in accordance with it;
- maintain high levels of professional conduct;
- respect confidentiality and not misuse Company information, assets or facilities;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Conduct may face disciplinary action including, in the cases of serious breaches, dismissal. If an employee suspects that a breach of the Code of Conduct has occurred or will occur, he or she must report that breach to the Company Secretary. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

### **Principle 4: Safeguard integrity in corporate reporting**

The Company does not have an Audit Committee. The Board as a whole fulfills the functions normally delegated to the Audit Committee as detailed in the Audit Committee Charter.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external

## Castillo Copper Limited – Corporate Governance

auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board receives regular reports from management and from external auditors. It also meets with the external auditors as and when required.

The external auditors attend Castillo Copper' AGM and are available to answer questions from security holders relevant to the audit.

Prior approval of the Board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the audit partner responsible for the audit not perform in that role for more than five years.

### **CEO and CFO Certifications**

The Board, before it approves the entity's financial statements for a financial period, receives from its CEO and CFO (or, if none, the persons fulfilling those functions) a declaration provided in accordance with Section 295A of the Corporations Act 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.

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

The Company has a Continuous Disclosure Policy which outlines the disclosure obligations of the Company as required under the ASX Listing Rules and Corporations Act. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which Company securities are traded.

The Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of any information in the course of their duties as a Director of the Company.

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company.

The Board has designated the Company Secretary as the person responsible for communicating with the ASX. The Chairman, Managing Director and the Company Secretary are responsible for ensuring that:

- a) Company announcements are made in a timely manner, that announcements are factual and do not omit any material information required to be disclosed under the ASX Listing Rules and Corporations Act; and
- b) Company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

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

The Company recognises the value of providing current and relevant information to its shareholders.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the company website, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to clear and understandable information about the Company; and
- making it easy for shareholders to participate in general meetings of the Company;
- Shareholders are encouraged to use their attendance at AGM's/ GM's to ask questions on any relevant matter, with time being specifically set aside for shareholder questions.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. These contact details are available on the "contact us" page of the Company's website.

## Castillo Copper Limited – Corporate Governance

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Shareholders may elect to, and are encouraged to, receive communications from Castillo Copper and Castillo Copper' securities registry electronically.

The Company maintains information in relation to its Constitution, governance documents, Directors and senior executives, Board and committee charters, annual reports and ASX announcements on the Company's website.

### **Principle 7: Recognise and manage risk**

The Company does not have a separate Risk Committee. The Board however, as a whole, takes ownership and is committed to the identification, assessment and management of risk throughout Castillo Copper' business activities.

The Board is responsible for the oversight of the Company's risk management and internal compliance and control framework. The Company does not have an internal audit function. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for the risk management and internal compliance and control framework. Castillo Copper has established policies for the oversight and management of material business risks.

Castillo Copper' Risk Management and Internal Compliance and Control Policy recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.

Castillo Copper believes that explicit and effective risk management is a source of insight and competitive advantage. To this end, Castillo Copper is committed to the ongoing development of a strategic and consistent enterprise wide risk management program, underpinned by a risk conscious culture.

Castillo Copper accepts that risk is a part of doing business. Therefore, the Company's Risk Management and Internal Compliance and Control Policy is not designed to promote risk avoidance. Rather Castillo Copper' approach is to create a risk conscious culture that encourages the systematic identification, management and control of risks whilst ensuring we do not enter into unnecessary risks or enter into risks unknowingly.

Castillo Copper assesses its risks on a residual basis; that is it evaluates the level of risk remaining and considering all the mitigation practices and controls. Depending on the materiality of the risks, Castillo Copper applies varying levels of management plans.

The Board has required management to design and implement a risk management and internal compliance and control system to manage Castillo Copper' material business risks. It receives regular reports on specific business areas where there may exist significant business risk or exposure. The Company faces risks inherent to its business, including economic risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term. The Company has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management and Internal Compliance and Control Policy), which is developed and updated to help manage these risks. The Board does not consider that the Company currently has any material exposure to economic, environmental or social sustainability risks.

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect those risks.
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls.
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

Whilst it is the Board policy to review the Company's risk management framework at least annually to ensure that it continues to effectively manage risk, a review was not undertaken in the June 2021 financial year as for the



## Castillo Copper Limited – Corporate Governance

majority of the year Company was in the process of being recapitalised and on the search for the a new Project, Board and Management team.

Management reports to the Board as to the effectiveness of Castillo Copper' management of its material business risks on at each Board meeting.

### Principle 8: Remunerate fairly and responsibly

The Company does not have a Remuneration Committee however, the Board as a whole fulfils the functions normally delegated to the Remuneration Committee as detailed in the Remuneration Committee Charter.

Castillo Copper has implemented a Remuneration Policy which was designed to recognise the competitive environment within which Castillo Copper operates and also emphasise the requirement to attract and retain high calibre talent in order to achieve sustained improvement in Castillo Copper' performance. The overriding objective of the Remuneration Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of Castillo Copper.

The key principles are to:

- link executive reward with strategic goals and sustainable performance of Castillo Copper;
- apply challenging corporate and individual key performance indicators that focus on both short-term and long-term outcomes;
- motivate and recognise superior performers with fair, consistent and competitive rewards;
- remunerate fairly and competitively in order to attract and retain top talent;
- recognise capabilities and promote opportunities for career and professional development; and
- through employee ownership of Castillo Copper shares, foster a partnership between employees and other security holders.

The Board determines the Company's remuneration policies and practices and assesses the necessary and desirable competencies of Board members. The Board is responsible for evaluating Board performance, reviewing Board and management succession plans and determines remuneration packages for the Managing Director, Non-Executive Directors and senior management based on an annual review.

Due to significant Board and Management changes during the year, and with only Director being in place for the entire year, the Board determined that no Board or Management evaluation process was warranted.

Castillo Copper' executive remuneration policies and structures and details of remuneration paid to directors and senior managers (where appointed) are set out in the Remuneration Report.

Non-Executive Directors receive fees (including statutory superannuation where applicable) for their services, the reimbursement of reasonable expenses and, in certain circumstances options. They do not receive any termination or retirement benefits, other than statutory superannuation.

The maximum aggregate remuneration approved by shareholders for Non-Executive Directors is \$300,000 per annum. The Directors set the individual Non-Executive Directors fees within the limit approved by shareholders. The total Non-Executive Directors fees paid during the reporting period were \$133,627.

Executive directors and other senior executives (where appointed) are remunerated using combinations of fixed and performance based remuneration. Fees and salaries are set at levels reflecting market rates and performance based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives.

Whilst the Company does have an equity-based remuneration scheme it currently does not 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.

In accordance with the Company's Securities Trading Policy, participants in an equity based incentive scheme are prohibited from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

## **Castillo Copper Limited – Corporate Governance**

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Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

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