

stanmore



Stanmore Coal Limited
ACN 131 920 968

Corporate Governance Statement

Overview

Stanmore Coal Limited (the **Company** or **Stanmore**) is pleased to present its Corporate Governance Statement for the period ending 31 December 2020 (**Statement**), which outlines the corporate governance framework and practices of the Company and its subsidiaries (together, the **Group**). This Statement is current as at 26 February 2021 and has been approved by the Board. This Statement should be read in conjunction with the Company's 2020 Annual Report for the period ending 31 December 2020.

Governance Framework

The Board of Directors of Stanmore is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

Stanmore's Corporate Governance Statement is structured with reference to the Australian Securities Exchange (ASX) Corporate Governance Council's "Corporate Governance Principles and Recommendations, 4th Edition". A copy of the Company's Corporate Governance Charter can be downloaded from the Company's website at www.stanmorecoal.com.au.

Structure of the Board and Director Independence

The skills, experience and expertise relevant to the position of each Director in office at the date of the Annual Report is included in the Director's Report. The Corporate Governance Council defines an Independent Director as a Director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of the director's judgement and their capacity 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.

The composition of Stanmore's Board is reflective of the significant shareholding of Golden Investments and M Resources (including bodies corporate), which together exceeds 89 per cent of Stanmore's voting shares.

The Board currently comprises three independent Directors and three non-independent Directors.

In the context of Director Independence, "materiality" is considered from both the Company and the individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is greater than 5% of the appropriate base amount. Qualitative factors considered included whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Company's loyalty. Factors that may impact on a Director's independence are considered each time the Board meets.

Stanmore considers industry experience and specific expertise, as well as general corporate experience, to be important attributes of its Board members. The Directors noted below have been appointed to the Board of Stanmore due to their considerable expertise, industry and corporate experience. The Company conducts comprehensive background checks prior to the appointment of any new Director. Formal letters of appointment setting out the terms of their appointment are in place for all Directors and tailored induction and training is offered to assist Directors to discharge their responsibilities effectively.

At each meeting of the Board, Directors table their current outside interests. Where it is considered that a Director has a material potential conflict, it is noted and where appropriate the relevant Director absents themselves for that specific item of business. That decision is minuted.

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense. Given the size and complexity of the Company, the Company Secretary has close working relationships with the Board of Directors and the Senior Management Group. In respect of matters relating to the proper functioning of the Board and Corporate Governance, the Company Secretary has direct access to the Chairman.

The term of office held by each Director in the office at the date of this report is as follows:

Name	Role	Independent	Term in office	Audit & Risk Management Committee	Remuneration & Nominations Committee	Health, Safety, Environment & Community Committee
Dwi Suseno	Chairman	No	1 Year and 4 months	●		
Marcelo Matos	Executive Director/CEO	No	1 Year and 10 months	●	●	●
Jimmy Lim	Non-Executive Director	No	1 Year and 11 months		●	●
Richard Majlinder	Non-Executive Director	Yes	1 Year and 4 months	●	●	
Mark Trevan	Non-Executive Director	Yes	1 Year and 4 months			●
Mary Carroll	Non-Executive Director	Yes	1 Year and 4 months			

● Chairman ● Member

ASX Principals and Recommendations

The Board is of the view that except for the departures from the ASX Corporate Governance Council Principles and Recommendations (4th edition) as set out in the table below, it otherwise complies with all the ASX Guidelines.

ASX Principals and recommendations “Why not” explanations

Principal 1 – Lay Solid Foundations for Management and Oversight

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:
 - (1) the measurable objectives set for that period to achieve gender diversity;
 - (2) the entity’s progress towards achieving those objectives; and
 - (3) either:
 - (A) 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
 - (B) 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 a diversity policy available on the Company’s web site (www.stanmorecoal.com.au).

The Company has not set measurable objectives for achieving gender diversity due to the small size of its current workforce. The Company will periodically review its policy.

ASX Principals and recommendations “Why not” explanations

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:
 - (1) has at least three members, a majority of whom are independent directors; and
 - (2) is chaired by an independent director, and disclose:
 - (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) 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; or
 - (b) 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.

Stanmore notes ASX Recommendation 2.1 that a majority of the nomination committee be independent directors, that an independent director be a chair of the nomination committee, and that it is not currently in compliance with this recommendation.

The composition of Stanmore's Remuneration and Nominations Committee is reflective of the significant shareholding of Golden Investments and M Resources (including bodies corporate), which together hold in excess of 89% of Stanmore's voting shares.

The Remuneration and Nominations Committee currently comprises one independent Director and two non-independent Directors (one of whom is the chair of the Remuneration and Nominations committee).

Recommendation 2.4

A majority of the board of a listed entity should be independent directors.

Stanmore notes ASX Recommendation 2.4 that a majority of the Board be independent Directors and that it is not currently in compliance with this recommendation.

The composition of Stanmore's Board is reflective of the significant shareholding of Golden Investments and M Resources (including bodies corporate), which together exceeds 89% of Stanmore's voting shares.

The Board currently comprises three independent Directors and three non-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.

Stanmore notes ASX Recommendation 2.5 that the chair of the Board should be an independent Director and that it is not currently in compliance with this recommendation.

The chair of Stanmore's Board is a nominee Director of Golden Investments and is reflective of Golden Investments' significant shareholding in Stanmore, which exceeds 75% of Stanmore's voting shares.

Principle 4 – Safeguard the integrity of corporate reports

Recommendation 4.1

The board of a listed entity should:

- (a) have an audit committee which:
 - (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
 - (2) is chaired by an independent director, who is not the chair of the board, and disclose:
 - (3) the charter of the committee;
 - (4) the relevant qualifications and experience of the members of the committee; and
 - (5) 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; or
- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

Stanmore notes ASX Recommendation 4.1 that a majority of the audit committee be independent directors and that it is not currently in compliance with this recommendation.

The composition of Stanmore's Audit and Risk Management Committee is reflective of the significant shareholding of Golden Investments and M Resources (including bodies corporate), which together exceeds 89% of Stanmore's voting shares.

The Audit and Risk Management Committee currently comprises one independent Director (who is currently the chair of the Audit and Risk Management Committee) and two non-independent Directors.

ASX Principals and recommendations “Why not” explanations

Principal 7 – Recognise and manage Risk

Recommendation 7.1

The board of a listed entity should:

- (a) have a committee or committees to oversee risk, each of which:
 - (1) has at least three members, a majority of whom are independent directors; and
 - (2) is chaired by an independent director, and disclose:
 - (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) 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; or
- (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity’s risk management framework.

Stanmore notes ASX Recommendation 7.1 that a majority of the risk committee be independent directors and that it is not currently in compliance with this recommendation.

The composition of Stanmore's Audit and Risk Management Committee is reflective of the significant shareholding of Golden Investments and M Resources (including bodies corporate), which together exceeds 89% of Stanmore's voting shares.

The Audit and Risk Management Committee currently comprises one independent Director (who is currently the chair of the Audit and Risk Management Committee) and two non-independent Directors.

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.

Stanmore notes ASX recommendation 7.3 that a Company has an internal audit function and that it is not currently in compliance with this recommendation.

Section B.3(c) of the Corporate Governance Charter notes that the Board is of the opinion that the Company is currently not of a size nor are its affairs of such complexity as to justify the formation of an internal audit function but may be required in the future. The Audit & Risk Management Committee periodically reviews whether there is a need for an internal audit function.

The Company is audited each half year by its external auditors who provide an independent report to the Board on the systems and processes in place. This external audit process provides the Board with sufficient comfort that the Company has sufficient and appropriate internal procedures in place.

ASX Principals and recommendations “Why not” explanations

Principal 8 – Remunerate fairly and responsibly

Recommendation 8.1

The board of a listed entity should:

- (a) have a remuneration committee which:
 - (1) has at least three members, a majority of whom are independent directors; and
 - (2) is chaired by an independent director, and disclose:
 - (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) 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; or
 - (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

Stanmore notes ASX Recommendation 8.1 that a majority of the remuneration committee be independent directors, that an independent director be a chair of the remuneration committee, and that it is not currently in compliance with this recommendation.

The composition of Stanmore's Remuneration and Nominations Committee is reflective of the significant shareholding of Golden Investments and M Resources (including bodies corporate), which together exceeds 89% of Stanmore's voting shares.

The Remuneration and Nominations Committee currently comprises one independent Director and two non-independent Directors (one of whom is the chair of the Remuneration and Nominations Committee).

Adherence to General Principles

Principle 1

The Board has adopted an internal self-evaluation process to measure its own performance, as well as the performance of individual Committees and individuals.

The Board undertakes a baseline survey of its performance against an agreed set of performance criteria. Individual Directors are asked to communicate to the Chairman on a confidential basis to comment on their own performance, and the performance of the Board and its Committees. As outlined in the Director's Report, executives are evaluated against business objectives and their own contractual obligations, including KPIs.

As the Company has changed financial years period end date from 30 June to 31 December, a performance evaluation has not been undertaken in the six-month transitional period.

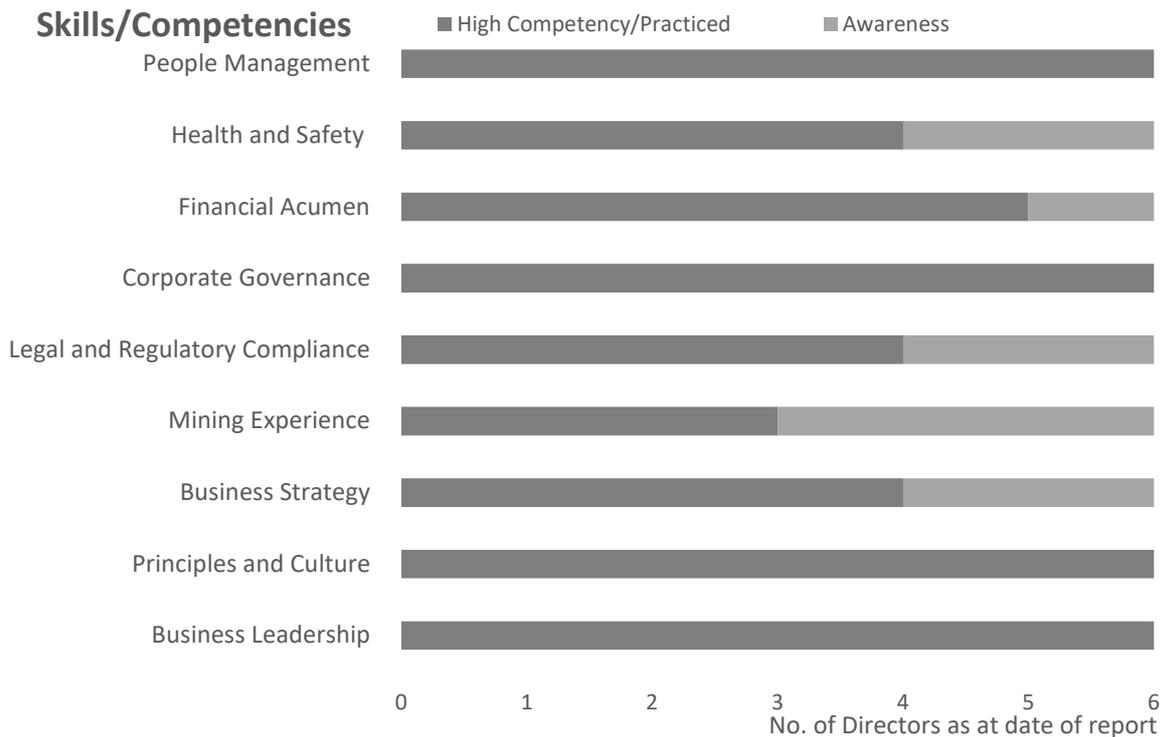
Appropriate background checks are conducted on proposed new Directors and executives and material information about a Director being re-elected is provided to security holders.

Principle 2

The Board is comprised of six (6) Directors from a range of backgrounds with significant experience, skills and attributes.

The following Board Skills Matrix describes the proportion of Directors on the Board with particular areas of competence, skills and experience. The Board Skills Matrix recognises direct, practiced experience or a high level of knowledge or awareness in the area of competence. The Board Skills Matrix is current as of the date of this report. To the extent that any skills are not directly represented on the Board, they are realised through Management and external advisors.

The Board Skills Matrix is considered by the Board to guide its assessment of the skills and experience of new and existing Directors and to identify any gaps in the collective expertise of the Board for the purpose of Board succession planning. The Board is of the view that its current Directors hold an appropriate mix of skills, experience and diversity to enable the Board to discharge its responsibilities and deliver on the corporate objectives.



Principle 3

Stanmore is a values-driven business. The Company's value statement is:

"For the health, safety and wellbeing of our people; and for the benefit of our customers, shareholders, the environment and the communities in which we operate, we value Certainty + Collective Courage + Performance".

The Company has a whistleblower policy and an anti-bribery and corruption policy which are published on both the Company website and internal document management system. The Company has provided its employees with training on its policies.

The published corporate code of conduct guides executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers such matters as:

- acting in the best interests of the Company;
- acting honestly and with high standards of personal integrity;
- complying with the laws and regulations that apply to the Company and its operations;
- not knowingly participating in any illegal or unethical activity;
- not entering into any arrangement or participating in any activity that would conflict with the Company's best interests or that would be likely to negatively affect the Company's reputation;
- not taking advantage of the property or information of the entity or its customers for personal gain or to cause detriment to the entity or its customers; and
- not taking advantage of their position or the opportunities arising from their position with the Company for personal gain.

Any material breaches of the Company's policies are reported to the Board.

Principle 4

The Company has established an Audit and Risk Management Committee. The activities and policies of the Committee are stated in Section B of the published Corporate Governance Charter.

The Board receives written assurances from the Chief Executive Officer and Chief Financial Officer that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Company is committed to providing clear, concise and effective disclosure in its corporate reports. Processes are in place to verify the integrity of all Company announcements and unaudited periodic reports released to the market, to ensure that they are factual, complete, accurate and provide investors with appropriate information to make informed investment decisions.

The Audit and Risk Management Charter is publicly available on the Company's website.

Principle 5

Detailed compliance procedures for ASX Listing Rule disclosure requirements have been adopted by the Company. Stanmore's Continuous Disclosure Policy is stated in Section G of the published Corporate Governance Charter.

The Board receives copies of all ASX announcements promptly via the ASX notification service.

Copies of investor presentation material are released to market ahead of the presentation.

Principle 6

The Company promotes effective communication with shareholders and encourage effective participation at general meetings by providing information to shareholders:

- Through the release of information to the market via the ASX;
- Through the distribution of the Annual Report and notices of annual general meeting;
- Through shareholder meetings and investor relation presentations;
- By offering security holders the option to receive ASX announcements and other notices from the Company electronically; and
- By posting relevant information on Stanmore's website.

The Company's website has a dedicated investor relations section for the purpose of publishing corporate governance and other important company information, including relevant announcements made to the market.

At the AGM, all shareholders are given the opportunity to ask questions prior to the meeting through informal discussions with the Board and Group Executives and during the meeting when comments and questions are invited. All substantive resolutions at shareholder meetings are decided by a poll rather than a show of hands.

The Company also gives shareholders the option to receive communications from, and send communications to, the Company and its Share Registry provider, Link Market Services Limited, electronically.

Principle 7

The Company is exposed to a range of market, financial, operational, environmental, and socio-political risks that could have an adverse effect on the Company's future performance. The nature and potential impact of these risks can change over time and vary in degree to the extent they can be controlled by the Company.

The Company has a risk management framework in place with internal control systems to mitigate these key business risks. The Company's Risk Management Policy is detailed in Section B of the Corporate Governance Charter. Management has evaluated the various risks as disclosed in the Annual Report.

In respect of the Company's financial statements and systems of accounting control, the Company's external auditor attends the Company's Annual General Meeting to address questions from shareholders.

The Audit & Risk Management Committee evaluates and addresses risks within the business as outlined in the Corporate Governance Charter. A review of the risk management framework has been undertaken by the Committee in the period.

Principle 8

The Company has established a Remuneration & Nominations Committee. The Committee's objectives and compliance are detailed in Section C of the Corporate Governance Charter.

The Company's remuneration framework for Directors and Group Executives is set out in the Remuneration Report of the Annual Report. The Remuneration Report includes a summary of Company policies and practices for determining the nature and amount of remuneration for Non-executive Directors and Group Executives, and the relationship between those policies and Company performance.

Details of the nature and amount of each element of the remuneration of Directors and Key Management Personnel of the Company are disclosed in the relevant section of the Annual Report. There is no retirement benefit scheme for Directors other than payment of statutory superannuation and Directors are not eligible for performance-based remuneration.

The Company has adopted a Securities Trading Policy that includes a prohibition on hedging, aimed at ensuring participants do not enter into arrangements which would have the effect of limiting their exposure to risk relating to an element of their remuneration.