



**Silex**

## **Corporate Governance Statement**

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Silex Systems Limited

ABN 69 003 372 067

Year ended 30 June 2020

[www.silex.com.au](http://www.silex.com.au)

# Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2020

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Silex Systems Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of corporate governance.

The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (*3<sup>rd</sup> Edition*) published by the ASX Corporate Governance Council. The Company has also implemented a number of the new principles and recommendations contained in the *4<sup>th</sup> Edition* of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations that were released in February 2019. The Company will report against the recommendations contained in the *4<sup>th</sup> Edition* for the year ending 30 June 2021.

The *3<sup>rd</sup> Edition* Principles which the Company meets the specific requirements of, except where otherwise indicated, are as follows:

Principle 1. Lay solid foundations for management and oversight

Principle 2. Structure the Board to add value

Principle 3. Act ethically and responsibly

Principle 4. Safeguard integrity in corporate reporting

Principle 5. Make timely and balanced disclosure

Principle 6. Respect the rights of security holders

Principle 7. Recognise and manage risk

Principle 8. Remunerate fairly and responsibly

A description of the Company's main corporate governance practices are set out below. The 2020 Corporate Governance Statement is dated as at 30 June 2020 and reflects the corporate governance practices in place throughout FY2020. This Corporate Governance Statement was approved by the Board on 27 August 2020 and lodged with the ASX together with the Company's ASX Appendix 4G.

The Company's policies, charters and codes that are referred to in this statement are provided in the Corporate Governance section of the Company's website:

<http://www.silex.com.au/Corporate-Governance>

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

### The Board

The Directors are responsible to shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

Day-to-day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the CEO/MD and senior executives.

The Board of Directors is accountable to shareholders for the performance of the Company and is responsible for the corporate governance practices of the Company.

The Board's principle objective is to maintain and increase shareholder value while ensuring that the Company's overall activities are properly managed. The Board operates under a Charter and Code of Conduct which establishes guidelines for its conduct. The purpose of the Code is to ensure that Directors act honestly, legally, responsibly and ethically and at all times in the best interests of the Company.

Silex's corporate governance practices provide the structure which enables the Board's principle objective to be achieved, whilst ensuring that the business and affairs of the Company are conducted ethically and in accordance with the law.

The Board's overall responsibilities include:

- Providing strategic direction and approving corporate strategies;
- Appointing and removing the CEO/MD;
- Reviewing and approving business plans, annual budgets and financial plans;
- Monitoring management and financial performance and reporting;
- Monitoring and ensuring the maintenance of adequate risk management controls and reporting mechanisms; and
- Ensuring the business is conducted ethically and transparently.

The Board delegates responsibility for the day-to-day management of the business to the CEO/MD. The CEO/MD also oversees the implementation of strategies approved by the Board. The Board understands the importance of a strong and healthy working relationship with management. The Board uses committees to support it in matters that require more intensive review and involvement. Details of the Board Committees are provided below.

## Director Selection and Election

In accordance with the Company's Constitution, all Directors (other than the CEO/MD) must retire from office and may seek re-election no later than the third annual general meeting following their last election. When a Director stands for election or re-election, the Board provides shareholders with details of the Director's biographical details including qualifications, skills, experience, details of other directorships or material interests they hold, and any other details that are deemed relevant to a decision on whether or not to elect or re-elect a Director. The Board includes its recommendation in relation to the proposed election or re-election of a Director in the Notice of Meeting that is sent to shareholders.

When it is necessary to appoint a new Director to fill a vacancy on the Board or to complement the existing Board, a wide and diverse potential base of possible candidates is considered from a number of channels and, if required, external recruitment consultants are engaged. The Board assesses the qualifications of the proposed new Director against a range of criteria including experience, background, professional qualifications and skills, personal qualities, the potential for the candidate's skills to enhance and complement the existing Board, and the candidate's availability to commit to the Board's activities. A thorough reference and background checking process is then undertaken. Should the Board's criteria be met by the candidate, the Board appoints the candidate as a Director. The newly appointed Director must retire at the next Annual General Meeting (AGM) and will be eligible for election by shareholders at that AGM. The Notice of Meeting for the 2019 AGM included the required information with respect to the election and re-election of Directors.

## Service Agreements

All Directors and senior executives have written agreements setting out the terms of their appointment.

## Review of Board and Director Performance

As part of its commitment to good corporate governance, the Board undertakes regular reviews of the practices and standards governing the Board's composition, independence and effectiveness, the accountability and compensation of Directors and the Board's responsibility for the stewardship of the Company. A review was completed during the financial year.

During the financial year, the Chair led a review and assessment of Board, Director and Company Secretary performance. The Chair utilised a comprehensive performance evaluation tool that also encompassed a review of the Board's Committees and accommodates the self-evaluation of each Director's role within the Board and Committees. The review and assessment process also considered the performance of the CEO/MD. As part of the process, the Chair met privately with each Director, the CEO/MD and the Company Secretary to discuss this assessment and to facilitate the provision of feedback.

During the annual remuneration review process conducted during FY2020, the CEO/MD met with senior management during the year to discuss their performance. Feedback is also sought from other Directors.

## Company Secretary

The Company Secretary reports directly to the Board through the Chair, and all Directors have access to the Company Secretary. The Company Secretary's role is in respect to matters concerning the proper functioning of the Board, coordination of Board business, matters of governance, monitoring adherence to Board policies and procedures, the engagement of independent professional advisers at the request of the Board, and assisting with the induction and professional development of new Directors.

## Diversity

The Company values diversity and recognises the benefits arising from the recruitment, development and retention of a talented, diverse and motivated workforce.

Diversity within the Company means all things that make individuals different to one another including but not limited to, age, gender, ethnicity, religion, culture, language, disability, sexual orientation and identity, marital status and family responsibilities. It involves a commitment to equality and treating one another with respect and a zero-tolerance policy with respect to discrimination, harassment, vilification and victimisation.

Accordingly, the Company has developed a framework to facilitate meeting its diversity, including gender diversity, objectives. The framework is underpinned by the Company's Diversity and Inclusion Policy, a copy of which can be found on the Company's website. This policy outlines the Company's position on all forms of diversity. Responsibility for review of matters contained within the Diversity and Inclusion Policy rests with the Board as a whole and is reflected accordingly in its Charter.

The Diversity and Inclusion Policy includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives and the Company's progress in achieving them.

In accordance with the Diversity and Inclusion Policy and ASX Corporate Governance Principles, the Board has established the following measurable objectives in relation to gender diversity for FY2020. Our aim is to continue to achieve these objectives as positions become vacant and appropriately skilled candidates are available.

# Corporate Governance Statement



FOR THE YEAR ENDED 30 JUNE 2020

	FY2020 Objective	FY2020 Actual <sup>1</sup>
<b>Percentage of women employees in the whole Company</b>	20.00%	15.00%
<b>Percentage of women in Senior executive and management positions<sup>2</sup></b>	25.00%	33.33%
<b>Percentage of women on the Board<sup>3</sup></b>	25.00%	25.00%

1. The above actual figures are based on a report dated 30 June 2020
2. Senior executive and management positions include those that have a leadership and management specialty
3. FY2020 objective originally specified 'Percentage of women non-executive directors' at 33.33%. This objective has been restated to include both executive and non-executive directors

As at the 30 June 2020, the representation of women across the Company was 15% including non-executive directors. Females are currently represented within each position level of the workforce, including at Board level.

Silex is not required to report under the Workplace Gender Equality Act (WGEA).

### *Measurable Objectives*

The below table details the measurable diversity objectives, that have been established by the Board:

Objective for FY2020	Outcome
Review Diversity and Inclusion Policy annually	Reviewed
Undertake an annual gender pay audit to ensure equity in remuneration practices	This was undertaken as part of the annual remuneration review process
Report annual data across the Company on diversity in the workplace	Ongoing periodic reporting
Encourage training and development to assist in furthering career goals	Ongoing, including formal and informal training initiatives
Implement flexible working arrangements where possible, to support employee's personal or family commitments whilst continuing employment	The Company provides employees with flexible working arrangements
When the Board next recruits for an independent non-executive director, a broad selection of potential candidates will be presented to ensure that a cross section of candidates with diverse backgrounds, skills and experience are presented	Ongoing

## Principle 2: Structure the Board to add value

The Board is comprised of both executive and non-executive directors with a majority of non-executive directors. Non-executive directors bring a balanced perspective to the Board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management.

The Chair is an independent non-executive director and all Directors are required to bring independent judgement to bear in their Board decision making. The Chair is elected by the full Board.

The Company regularly reviews the Board's composition to ensure an appropriate mix of background with complementary skills and experience. A review was conducted in June 2020 and it was deemed that the current composition of the Board is appropriate. When a new director is to be appointed, the Board prepares a list of the requisite range of skills, knowledge, experience, independence and diversity based on the needs of the Company. From this, the Board prepares a short-list of candidates with appropriate skills and experience. A number of channels are used to source candidates to ensure the Company benefits from a broad range of individuals in the selection process.

Details of persons who held office during FY2020 and information on their skills, experience and qualifications can be found in Section 8 of the Directors' Report. The Directors of the Company in office as at the date of this statement are:

Name	Age	Position	Expertise	Year Appointed Director
Mr C A Roy	55	Chair, Independent non-executive director	Research and commercialisation strategy, innovation and entrepreneurship	2019
Dr M P Goldsworthy	62	CEO/MD	Physicist and co-inventor of the SILEX Technology and Company Management	1992
Ms M K Holzberger	44	Independent non-executive director	International nuclear law, regulatory compliance and trade, risk and governance	2019
Mr C D Wilks	61	Non-executive director	Investment Banking, Finance and Company Management	1988

## Directors' Independence

The Board has adopted specific principles in relation to Directors' independence. These state that to be deemed independent, a Director must be a non-executive and:

- Not be a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- Does not receive performance-based remuneration participate in an employee incentive scheme of the Company;
- Within the last three years, has not have been employed in an executive capacity by the Company or any other group member, or been a director after ceasing to hold any such employment;
- Within the last three years, has not been a principal of a material professional adviser or a material consultant to the Company or any other group member, or an employee materially associated with the service provided;
- Not be a material supplier or customer of the Company or any other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Must have no material contractual relationship with the Company or a controlled entity other than as a director of the Company;
- Has not been a director of the Company for such a period that their independence may have been compromised; and
- Be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. In addition, a transaction of any amount or a relationship is deemed material if it may interfere or reasonably be seen to interfere with the Director's capacity to bring independent judgement to bear.

In considering whether a Director is independent, the Board refer to the above specific principles and the independence criteria of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the *Corporations Act 2001* and the ASX Listing Rules. The Board regularly assesses the independence of all Directors as appropriate. As at the 30 June 2020:

- Mr C A Roy is the independent non-executive Chair
- Ms M K Holzberger is an independent non-executive Director
- Mr CD Wilks is a non-executive Director

The Board has noted the 32-year tenure of Mr C D Wilks. Notwithstanding his period of service, the Board concluded that Mr Wilks retains independence in judgement and continues to be a major contributor to the Board. His extensive experience with Silex and his commercial acumen complements the contributions made by our other Directors.

It is noted that the current composition of our Board does not have a majority of independent Directors and this has been considered by the Board. For the year ended 30 June 2020, the Board was considered to be an appropriate size and the Directors deemed to have an appropriate mix of independent judgement, skills, experience and tenure.

## Board Skills Matrix

The Company's Board skills matrix sets out the mix of skills, experience and expertise that the Board currently has and is looking to achieve in its membership. Its structure reflects the areas particularly relevant to the key elements of our strategy (drive value from the core, development and commercialisation of disruptive technology, build new growth for the business), as well as other areas of importance to the composition of our Board.

Each of these areas is currently well represented on the Board. The Board benefits from the combination of Director's individual skills, experience and expertise in particular areas, as well as the varying perspectives and insights that arise from the interaction of Directors with diverse backgrounds.

The areas addressed in the Board skills matrix are:

Strategic Priorities/Areas	Skills Matrix
<p><b>Drive value from the core</b></p> <p><b>Development and commercialisation of disruptive technology</b></p> <p><b>Build new growth for the business</b></p>	<ul style="list-style-type: none"> <li>• General business management and entrepreneurship</li> <li>• Innovation, science and technology</li> <li>• Technology and research initiative</li> <li>• Government, government relations and policy</li> <li>• International business</li> <li>• External engagement</li> <li>• Marketing and growth</li> <li>• Strategic planning</li> <li>• Operations and asset optimisation</li> <li>• Understanding and appreciation of the global nuclear fuel market</li> <li>• Commercialisation of technology or scientific products</li> </ul>
<p><b>Other areas</b></p>	<ul style="list-style-type: none"> <li>• C-suite level experience</li> <li>• Other non-executive director experience</li> <li>• Accounting, finance and audit</li> <li>• Risk management</li> <li>• Legal, regulatory, governance and compliance</li> <li>• Business analysis</li> <li>• Labour relations, human resources and remuneration</li> <li>• Workplace health and safety</li> <li>• Investor relations</li> </ul>

## Non-executive directors

The non-executive directors met during the year, in scheduled sessions without the presence of senior executives and management, to discuss the operation of the Board and a range of other matters. Relevant matters arising from these meetings were shared with the full Board.

## Chair and CEO/MD

The Chair is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, and facilitating Board discussions. The CEO/MD is responsible for the day-to-day management of the Company's affairs, and for implementing Company strategies and policies as determined by the Board of Directors.

## Induction

The induction provided to new directors and senior executives enables them to actively participate in decision-making as soon as possible. It ensures that they have a full understanding of the Company's financial position, strategies, operations, culture, values and risk management policies. It also explains the respective rights, duties, responsibilities, interaction and roles of the Board and senior executives and the Company's meeting arrangements.

New directors are invited to attend briefing sessions with the CEO/MD, senior executives and Chair where they may ask questions. They are also encouraged to attend site visits, at appropriate times. Directors also agree to participate in continuous improvement and professional development programmes, as considered appropriate to ensure that each director is well placed to effectively discharge his or her responsibilities.

## Board Meetings

The Board meets formally at least 9 times a year to consider a broad range of matters, including progress with respect to the Company's various development programs, strategy, financial reviews, acquisitions and investments. Details of meetings and attendances are set out in the Directors' Report. Senior executives and management attend Board Meetings where necessary and present to the Board on operational matters. Additional ad-hoc meetings are held as required.

## Conflicts of Interest of Directors

The Board has guidelines dealing with disclosure of interests by directors and participation and voting at Board Meetings where any such interests are discussed. In accordance with the *Corporations Act 2001*, any director with a material personal interest in a matter being considered by the Board does not receive the relevant board papers, must not be present when the matter is being considered, and may not vote on the matter.

## Independent Professional Advice

Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chair is required, but this will not be unreasonably withheld.

All Directors have access to Company records and information and received detailed financial and operational reports from senior management during the year to enable them to carry out their duties. Directors also liaise with senior management as required, and may consult with other employees and seek additional information on request.

## Board Committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the People & Remuneration and Audit Committees. Each committee is comprised of a majority of independent non-executive directors. The committee structure and membership are reviewed on an annual basis and a review was completed during the financial year.

Board approved charters set out the terms of reference and responsibilities of the committees. The committee charters are available in the Corporate Governance section of the Company's website.

## Nomination Committee

The Board has decided that it is in the Company's best interests that the full Board deals with nomination issues. As a result, a Nomination Committee has not been established. From time to time, the Board may establish a temporary sub-committee to assist the Board in fulfilling its nomination responsibilities.

## Principle 3: Act ethically and responsibly

### Code of Conduct

The Company has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all directors and employees.

In summary, the Code requires that at all times Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies. A copy of the Code is available on the Company's website.

### Whistleblower Policy

The Company introduced a Whistleblower Policy in December 2019 which protects directors, executives, employees, contractors, consultants, suppliers or associates who report the following conduct or the deliberate concealment of such conduct:

- dishonest, fraudulent, corrupt, or fraudulent conduct;
- an illegal activity (e.g. theft, violence, harassment or intimidation, criminal damage to property or other breaches of state or federal law);
- unethical or in breach of the Company's policies (e.g. dishonestly altering company records or data, adopting accounting practices that are questionable or wilfully breaching the Company's Code of Conduct or other policies or procedures);
- conduct that amounts to an abuse of authority or position;
- conduct that may cause financial loss to the Company or damage its reputation or be otherwise detrimental to the Company's interests;
- conduct that is potentially damaging to the Company, an employee of the Company or a third party, such as unsafe work practices, environmental damage, health risks or abuse of the Company's property or resources;
- conduct involving harassment, discrimination, victimisation or bullying;
- any misconduct or improper state of affairs or circumstances which may cause loss to the Company or be otherwise detrimental to the interests of the Company;
- or
- conduct that represents a danger to the public.

The Whistleblower Policy was approved by the Board in December 2019. It aligns to Australia's new whistleblower protection laws and will be reviewed at least every two years. Employee training and awareness of the Whistleblower Policy is conducted annually to ensure employees are aware of their rights and obligations under the Whistleblower Policy. Policy and procedure training was held during FY2020. The Board is informed of any material incidents reported under the Whistleblower Policy. A copy of the Whistleblower Policy is available on the Company's website.

## Anti-bribery and Corruption Policy

The Company introduced an Anti-bribery and Corruption Policy in August 2019 which applies to all directors, employees and contractors of the Company and service providers. The policy requires that they must not:

- authorise, offer, promise, give, facilitate, request, agree to receive and/or accept a bribe;
- demand, solicit or accept an improper benefit;
- make a donation or enter into a sponsorship agreement on behalf of the Company;
- enter into, or continue, and/or facilitate a business relationship with a third party if it cannot be satisfied that the entity will behave in a manner consistent with the Anti-bribery and Corruption Policy; and
- keep accounts or transactions relating to dealings with third parties to facilitate or conceal improper payments.

Any actual or likely breaches of the Anti-bribery and Corruption Policy are immediately reported to the CEO/MD. Details of material incidents and breaches of the Anti-bribery and Corruption Policy are reported immediately to the Board.

The Anti-Bribery and Corruption Policy is reviewed at least every two years and is subject to the oversight and approval of the Board. A copy of the Anti-bribery and Corruption Policy is available on the Company's website.

## Principle 4: Safeguarding integrity in corporate reporting

### Audit Committee

The Audit Committee consists of a majority of independent non-executive directors and the Chair is an independent non-executive director. The current members of the Audit Committee are:

Ms M K Holzberger | Chair  
Mr C A Roy  
Mr C D Wilks

Details of these Directors' qualifications and attendance at Audit Committee meetings are set out in the Directors' Report. The Audit Committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which the Company operates. The Audit Committee has its own charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. The Charter was reviewed in June 2020 and is available on the Company's website.

Minutes of committee meetings are tabled at the subsequent Board meeting.

The main responsibilities of the Committee are to:

- Review, assess and approve the financial reports and all other financial information published by the Company or released to the market;
- Assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
  - effectiveness and efficiency of operations;
  - reliability of financial reporting;
  - Compliance with applicable laws and regulations;
- Oversee the effective operation of the risk management framework;
- Recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance;
- Consider the independence and competence of the external auditor on an ongoing basis;
- Review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- Review and monitor related party transactions and assess their propriety; and
- Report to the Board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the Audit Committee received regular reports from management and the external auditors. It also meets with the external auditors at least twice a year – more frequently if necessary, and reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved. The external auditors attended all of the Audit Committee meetings held during the year. The external auditors have a clear line of direct communication at any time to either the Chair of the Audit Committee or the Chair of the Board.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

## **External auditors**

The Company and Audit Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. The review with respect to FY2019 was completed in September 2019.

In accordance with Section 324DA of the *Corporations Act 2001*, the audit partner of the external audit firm for listed companies is rotated at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the full year Financial Report. It is the policy of the external auditors to provide annual declarations of their independence to the Audit Committee.

The external auditor is requested to attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Audit Report. The external auditor attended Silex's AGM in November 2019.

The external auditors can meet with the Audit Committee without management present at any time and as required.

## Senior Management Assurance

In accordance with Section 295A of the *Corporations Act 2001*, the CEO/MD and CFO/Company Secretary make the following declarations to the Board prior to the Directors approving the financial statements for any reporting period:

- That the Company's financial records have been properly maintained in accordance with the Act and that the financial statements and notes for the financial year comply with accounting standards and give a true and fair view of the financial position and performance of the Company; and
- That the above statement 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.

For the year ended 30 June 2020, the Board received the appropriate declarations from the CEO/MD and CFO/Company Secretary.

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

### **Continuous disclosure and shareholder communication**

The Company is committed to giving all shareholders timely and equal access to information concerning the Company.

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote effective communication with shareholders and encourage participation at general meetings. A copy of the Company's Continuous Disclosure Policy is available on the Company's website.

The Company Secretary is responsible for ensuring that announcements are communicated to the ASX (and OTCQX) in accordance with applicable laws, listing rules and obligations.

All presentation materials provided at briefings to new, substantive investors and/or analysts are released to the ASX ahead of the briefings and are made available on the Company's website.

As soon as information is disclosed to the ASX and OTCQX, it is posted on the Company's website and an email alert is sent to subscribing shareholders. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

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## Principle 6: Respect the rights of security holders

### The rights of shareholders

The Company provides detailed information regarding its operations, affairs, major developments and governance practices on its website. The Board aims to ensure that the shareholders are informed of all appropriate information regarding the Company and its governance.

### Shareholder engagement

The Company's investor relations program involves engaging with shareholders at the AGM, responding to queries and meeting with investors as requested.

The Annual Report is distributed to all shareholders who have elected to receive it and is made available on the Company's website. The Board ensures that the Annual Report includes relevant information about the operations of the Company, changes in the state of affairs of the Company and details of likely future developments, in addition to the other disclosures required by the *Corporations Act 2001*.

Shareholders may elect to receive communications from the Company and our share registry electronically and the Company ask shareholders regularly if they wish to amend their election.

### Annual General Meeting (AGM)

The Board promotes effective communication with shareholders and encourages their participation at the AGM to ensure a prominent level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions. The Notice of Meeting details any supplementary information for important issues and resolutions being raised and discloses the procedures for voting either in person or via our direct voting facility managed by our share registry.

A detailed question and answer session is hosted by our CEO/MD at each AGM where shareholders have the opportunity to ask questions or make comments.

The shareholders are responsible for voting on the appointment of Directors.

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

The Board, through the Audit Committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These policies are detailed in the Audit Committee Charter. In summary, the Company policies are designed to ensure strategic, operational, legal, reputational, and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives. Information about the composition of the Audit Committee has been provided in Principle 4 above.

Considerable importance is placed on maintaining a strong control environment. There is an organisational structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

Detailed control procedures cover management accounting, financial reporting, project appraisal, environment, workplace health and safety, IT security, regulatory, compliance and other risk management issues.

### **Annual Review of Risk Management Framework**

The Company's risk management framework has been designed in accordance with AS/NZS ISO 31000:2018 and this framework is reviewed annually. The review for FY2020 was completed in June 2020. This includes the review and update of the Company's Risk Appetite Statement, Risk Management Policy and the maintenance of a risk register, which sets out all of the enterprise risks that have been identified and includes an assessment of the risk (risks analysed and evaluated), and treatment plans to mitigate risks.

The risk register is compiled and is reviewed regularly and as required by the CEO/MD and CFO/Company Secretary and senior management to ensure adequate risk control measures have been identified.

The Board requires management to design and implement the risk management system and internal control processes to manage the Company's material business risks. The Board discusses these policies at regular intervals. Risks are managed in accordance with the risk management system in place and periodically reviewed. Management has reported to the Board on the effectiveness of the Company's management of its material business risks.

The Board requires that each major proposal submitted to the Board for decision is accompanied by sufficient due diligence and risk review.

## Internal Audit

The Company does not have an internal audit function due to its relatively small size. Throughout the year, the Board evaluated the risk management system and internal control processes. The evaluation and internal review process includes assessing how well risks are identified and managed, adherence to agreed procedures and the need for updating processes and procedures to implement efficiencies or innovations or improve controls. This internal review process is continuous and intended to ensure that the governance framework is, on an operational level, effective at all times. Further, in accordance with Section 295A of the *Corporations Act 2001*, the Company has received declarations from the CEO/MD and CFO/Company Secretary that a sound system of risk management and internal control is operating effectively in all material respects in relation to financial reporting risks.

## Environmental and Social Risks

The Company is unaware of any material exposure to unmanageable environmental and social sustainability risks, noting that due to its small size it does not produce a sustainability report.

The Board, through the Audit Committee, has oversight of environmental risks and compliance.

The Company's exposure to social risks are managed through its policies and practices including the Code of Conduct, Whistleblower Policy and Anti-bribery and Corruption Policy. Social risks are regularly reviewed by the Audit Committee.

## Work, Health and Safety

The Company recognises the importance of safety, health and wellbeing of employees, contractors and the community. A healthy workforce contributes to business success and aligns with the Company's aim for zero injuries. The Company encourages safe behaviour and conduct by employees and contractors, establishes a mindset that injuries are preventable, provides safety education and training and conducts safety risk assessments. The Company regularly evaluates and measures its safety and health performance through established internal reporting and external audits where appropriate.

## Principle 8: Remunerate fairly and responsibly

### People & Remuneration Committee

The People & Remuneration Committee consists of a majority of independent non-executive directors and the Chair is an independent non-executive director. The current members of the People & Remuneration Committee are:

Mr C A Roy | Chair  
Ms M K Holzberger  
Mr C D Wilks

Details of these Directors' attendance at People & Remuneration Committee meetings are set out in the Directors' Report. The People & Remuneration Committee has its own charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. The Charter is reviewed regularly and was reviewed in June 2020. It is available on the Company's website. Minutes of Committee meetings are tabled at the subsequent Board meeting.

The main responsibilities of the Committee are to assist the Board with respect to remuneration by reviewing and making appropriate recommendations on:

- Remuneration packages of directors and senior executives;
- Employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed;
- The adoption of policies that attract and maintain talented and motivated directors and employees so as to encourage enhanced performance.

The ASX Listing Rules and Constitution require that the maximum aggregate amount of remuneration to be allocated among the non-executive directors be approved by the shareholders in a general meeting. In proposing the maximum amount for consideration by shareholders and in determining the allocation, the People & Remuneration Committee will take into account the time demands made on Directors, the complexity of the Company's affairs and other relevant factors including fees paid to non-executive directors in comparable Australian companies.

The policies and practices regarding remuneration paid to Directors and senior executives are set out in the Remuneration Report, forming part of the Directors' Report. The Remuneration Report also contains details of remuneration paid to directors and Key Management Personnel (KMP). Executive and non-executive directors' fees are clearly separated in the Directors' Report. Where bonuses are paid, details of the reason for the bonus are described. In the event equity awards are to be issued to executive directors, these are required to be pre-approved by shareholders at the AGM.

Additional information on performance evaluation and remuneration is provided in the Directors' Report.

## **Securities Trading Policy**

The Company has in place a formal securities trading policy which places certain prohibitions on the trading of the Company's shares or related securities of the Company. The policy is on the Company's website. All Silex securities dealings by Directors are promptly notified to the Australian Stock Exchange (ASX). All Directors and employees are prohibited from buying and selling Silex shares at any time if they are aware of any material price sensitive information that has not been made available to the public.