

Corporate Governance Statement

The Board is responsible for the overall corporate governance of Capral Limited (ABN 78 004 213 692) and its subsidiaries (referred to in this statement as **Capral**), including setting Capral's strategic direction, policies and practices, establishing goals for management and monitoring the achievement of those goals.

Capral is committed to implementing the highest possible standards of corporate governance and ensures wherever possible, that its practices are consistent with the Australian Securities Exchange (**ASX**) *Corporate Governance Council's Principles and Recommendations (Recommendations)*. This statement outlines the ways in which Capral has met or departed from the Third Edition of the Recommendations for the period ended 31 December 2019. This Statement has been approved by Capral's Board of Directors.

	Governance	Recommendation
1.	Lay Solid Foundations for Management and Oversight	
1.1	<u>Board and Management Roles</u>	
(a)	The Board's key responsibility is the creation, enhancement and protection of long-term shareholder value within an appropriate risk framework. The Board has adopted a formal charter that sets out the responsibilities of the Board and Management and is available on Capral's website at https://www.capral.com.au/about-capral/general-information/corporate-governance/ . The Charter is reviewed and amended from time to time, the last review occurred in August 2019.	1.1
(b)	Management's role is to manage Capral in accordance with the direction and delegations of the Board and it is the Board's responsibility to oversee the activities of management in carrying out these delegated duties.	1.1
(c)	Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a director of Capral and accordingly, any director candidate is required to confirm that they have sufficient time to devote to their Board position prior to appointment.	1.2
(d)	Non-executive directors receive formal letters of appointment setting out the key terms, conditions and expectations of their appointment.	1.3
(e)	Capral undertakes appropriate checks before each director appointment.	1.2
1.2	<u>Evaluation of senior executives</u>	
(a)	The Managing Director and other senior executives are provided with a formal job description and executive contract or letter of appointment describing to whom they report, their position, duties, responsibilities and termination circumstances and entitlements. Details of Capral's executive management are available on Capral's website at https://www.capral.com.au/about-capral/general-information/executive-team/ .	1.3, 6.1
(b)	Senior executives are subject to a formal performance planning and review process on at least an annual basis, with performance being measured against qualitative and quantitative key performance indicators linked to applicable short term and long term incentive components of each senior executive's remuneration package. The last annual review process occurred in February 2020.	1.7
(c)	The senior executives are appraised of Capral's financial position, its strategies, operations and risk management framework and of the respective roles of the Board and Management.	1.1

1.3	<u>Company Secretary</u>	
	The Company Secretary is appointed by the Board and reports to the Managing Director. The Company Secretary is also responsible to the Board through the Chairman on all matters concerned with governance matters and the proper functioning of the Board and its Committees. Details of the Company Secretary are set out in Capral's Annual Report.	1.4
2.	Structure the Board to add value	
2.1	<u>The Directors</u>	
(a)	As at the date of this statement, the Board consists of 5 directors: the non-executive Chairman, the Managing Director and 3 other non-executive directors.	2.3
(b)	Details of the directors, their term of office and their qualifications, skills and experience are detailed on Capral's website at https://www.capral.com.au/about-capral/general-information/directors/ .	2.2, 2.3, 6.1
2.2	<u>Independence of Directors</u>	
(a)	The Board considers independent decision-making to be critical to effective governance. Independent directors are those who have the ability to exercise their duties unfettered by any interest, position, association or relationship that might influence or reasonably be perceived to influence in a material respect his or her capacity to bring an independent judgment to bear on issues before the board and to act in the best interests of the company and its security holders generally. The factors taken into account by the Board when assessing and determining the independence of a non-executive director of Capral include:	2.3
	(1) The approach and attitude of the non-executive director; and (2) The following examples in the Recommendations of interests, positions, associations and relationships that might cause doubts about the independence of a director:	2.3
(i)	is a substantial shareholder of Capral or an officer of, or otherwise associated directly with a substantial shareholder of, Capral;	
(ii)	is, or has previously been, within the last 3 years, employed in an executive capacity by Capral or another group member, and there has not been a period of at least 3 years between ceasing such employment and serving on the board;	
(iii)	is, and has been, within the last 3 years, a principal or employee of a provider of material professional services to Capral or another group member;	
(iv)	is a material supplier or customer of Capral or other group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;	
(v)	has a material contractual relationship with Capral or another group member other than as a director of Capral;	
(vi)	has close family ties with any person who falls within the categories described above;	
(vii)	has been a director of Capral for such a period that independence may have been compromised.	
(b)	A majority of the Board, four of the five Board members, are considered by the Board to be independent. The Directors considered by the Board to be independent during 2019 were Mr Wood-Ward, Mr Pettigrew, Mr Blair and Mr Jobe.	2.3, 2.4

	The Board also notes that in respect of Mr Blair, the Board took into account Mr Blair's more than 10 year tenure on the Board and considered the nature of Mr Blair's relationship with management in arriving at its decision that it is appropriate to characterise Mr Blair as independent. All current directors bring independent judgement to bear in Board deliberations and meetings of the independent directors are held as required.									
2.3	<u>Chair of the Board</u>									
	The Chairman, Mr Wood-Ward, is an independent non-executive director and there is a clear division of responsibility between the Chairman and the Managing Director.	2.5								
2.4	<u>Appointment of Directors</u>									
(a)	The composition of the Board is balanced, with directors possessing a broad range of skills, experience, expertise, diversity, qualifications and contacts relevant to Capral's business. The Board (through the Remuneration & Nomination Committee) considers the range of expertise of its members and the operational and technical expertise required to ensure Board effectiveness on an annual basis and as and when necessary during the course of the year. The Board recognises that it must be able to consider current and emerging business issues and challenge the performance of management. Further details of the procedure for the selection and appointment of new directors is set out in the Remuneration & Nomination Committee and Board Charters which are available on Capral's website at https://www.capral.com.au/about-capral/general-information/corporate-governance/ .	2.2								
(b)	The Remuneration & Nomination Committee last reviewed the Board Skills Matrix during November 2019 having regard to its current composition and succession for various competencies and experience and summarised below are the key skills and experience collectively contributed to by the Board. The Board is satisfied that its collective skills and experience are appropriate for Capral's current circumstances: <table><tr><th>No. of directors with that skill/experience</th><th>Skill/experience</th></tr><tr><td>5</td><td>General Management Finance/Accounting Marketing / Sales HR/Industrial Relations IT Systems Manufacturing Strategic Planning Project Management Building Industry Mergers / Acquisitions Investor Relations Organizational Culture/ Structure Regulatory Environment Other Listed Company Director Experience Audit & Risk Committees Remuneration Committee OH&S</td></tr><tr><td>4</td><td>Logistics, Warehousing, Distribution Industry Relationships Networking (Australia)</td></tr><tr><td>2</td><td>Legal Disaster recovery</td></tr></table>	No. of directors with that skill/experience	Skill/experience	5	General Management Finance/Accounting Marketing / Sales HR/Industrial Relations IT Systems Manufacturing Strategic Planning Project Management Building Industry Mergers / Acquisitions Investor Relations Organizational Culture/ Structure Regulatory Environment Other Listed Company Director Experience Audit & Risk Committees Remuneration Committee OH&S	4	Logistics, Warehousing, Distribution Industry Relationships Networking (Australia)	2	Legal Disaster recovery	2.2
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(c)	With the exception of the Managing Director:	2.1
(1)	directors appointed by the Board are required by Capral's constitution to submit themselves for re-election by shareholders at the Annual General Meeting following their appointment; and	
(2)	no director will hold office for a continuous period in excess of 3 years or past the third Annual General Meeting following the director's appointment, whichever is the longer, without submitting for re-election. Refer to Capral's Notices of Annual General Meeting (available on Capral's website at https://www.capral.com.au/about-capral/for-investors/.) in this regard.	
(d)	The Notice of Annual General Meeting includes information relevant to shareholders to vote on a director's election or re-election as well as a recommendation from the rest of the Board.	1.2
2.5	<u>Remuneration & Nomination Committee</u>	
(a)	The Board has established a Remuneration & Nomination Committee that is primarily responsible for determining remuneration and monitoring and reviewing the performance of the Board, Board Committees, individual directors and senior management. The Committee is responsible for assessing the necessary desirable competencies of Board members, reviewing Board succession plans and providing recommendations for the appointment and removal of directors. Recommendations of the Committee are given to the Board for their consideration and approval.	2.1, 8.1
(b)	The Committee Charter is reviewed regularly (last reviewed and approved in August 2018) and is available on Capral's website at https://www.capral.com.au/about-capral/general-information/corporate-governance/ .	2.1, 8.1
(c)	Given the number of directors, the Committee comprises all of the independent, non-executive directors. It consists of 4 members. The Committee is chaired by Mr Pettigrew.	2.1, 8.1
(d)	Details of Committee members, their Committee meeting attendance and their qualifications are set out in the 2019 Annual Report available on Capral's website at https://www.capral.com.au/about-capral/general-information/annual-reports/ .	2.1, 8.1
2.6	<u>Induction and Access to Information</u>	
(a)	Newly appointed non-executive directors will be given sufficient knowledge, via an induction program, to ensure that they have a sound working understanding of Capral and the aluminium industry. This includes meetings with key executives, tour of key operating site(s) (to the extent practicable), the provision of an induction package containing key corporate information and management presentations. In order to achieve continuing improvement in Board performance, directors are encouraged to undergo continual professional development. Directors receive briefings and information from time to time on relevant developments, including to accounting standards, legal and governance.	2.6
(b)	The directors have access to relevant information needed to fulfil their responsibilities. Directors may meet with, or independent of, management at any time to discuss any areas of interest or concern. Each director is entitled to seek independent professional advice to assist them to carry out their responsibilities, at Capral's expense, after approval of the Chairman is obtained. Where appropriate, a copy of this advice is to be made available to other members of the Board.	2.6

(c)	The Board participates in an annual performance evaluation, with the outcomes addressed, as appropriate. The last evaluation was concluded in December 2019. The Board performance evaluation process was conducted by way of a questionnaire appropriate in scope and content to effectively review the performance of the Board and each of its Committees and the individual performance of the Chairman and each Director, including the Board composition, meeting conduct, interaction between the Board and management, processes to monitor business performance, compliance and risk.	1.6
3.	Promote Ethical and Responsible Decision-Making	
3.1	<u>Code of Conduct</u>	
(a)	The Board acknowledges the need for, and continued maintenance of, the highest standard of ethics, and seeks to ensure that all directors, senior management and employees of Capral act honestly, transparently, diligently and with integrity.	3.1
(b)	Capral has implemented a Code of Conduct which has been designed to assist employees make the right decisions and remain true to Capral's values. The Code of Conduct is intended to promote ethical and responsible decision-making in all stakeholder relationships in order to maintain confidence in Capral's integrity. The Board, senior management and other employees of Capral are committed to implementing this Code of Conduct and each individual is accountable for such compliance.	3.1
(c)	Capral has established a Whistleblower Policy which sets out the process to be followed should an individual wish to lodge a whistleblower report as well as the process Capral will follow on receipt of a whistleblower report. The Policy is intended to provide encouragement to employees to speak up about wrongdoing without fear of retribution or detriment. This Policy was last reviewed and approved in August 2019 and is available on Capral's intranet and website at https://www.capral.com.au/about-capral/general-information/corporate-governance/ .	3.1
(d)	A copy of the Code of Conduct and Whistleblower Policy is given to employees, contractors and relevant personnel. The Code of Conduct was last reviewed and approved in December 2018 and is available on Capral's intranet and website at https://www.capral.com.au/about-capral/general-information/corporate-governance/ .	3.1
3.2	<u>Diversity</u>	
(a)	Capral has a Diversity Policy and an Equal Employment Opportunity Policy, a copy of which is available on Capral's website at https://www.capral.com.au/about-capral/general-information/corporate-governance/ . Capral respects the benefits arising from workplace diversity to broaden perspective, improve performance and increase shareholder value. Capral aims to promote an environment conducive to the appointment of diverse well qualified employees, senior managers and directors to maximise the achievement of Capral's corporate goals.	1.5
(b)	Capral has recruited women in non-traditional roles in its operations and ensures that its employees have access to flexible work arrangements (including part-time and job sharing) where appropriate.	1.5
(c)	Capral submitted a workplace program report for the period 1 April 2018 to 31 March 2019, and achieved compliance with the <i>Workplace Gender Equality Act</i> 2012. The report is available through the WGEA website.	1.5
(d)	Around 15% of Capral's workforce are women and around 17% of senior management positions (2 down from the Managing Director) are held by women. Capral acknowledges that it does not currently have gender diversity within the Board the Board has agreed to adopt a target for FY20	1.5

	of 20% female representation on the Board. The Board is assessing the feasibility of setting measurable objectives for its workforce. . The Board will continue to monitor diversity within Capral.	
4.	Safeguard Integrity in Financial Reporting	
4.1	<u>Establishment of Audit & Risk Committee</u>	
(a)	The Board has established an Audit and Risk Committee that is primarily responsible for determining, monitoring and reviewing the reliability and integrity of Capral's financial information for inclusion in its financial statements; the effectiveness of internal financial controls; the independence, objectivity and competency of the external auditors; and Capral's policies on risk oversight and management.	4.1
(b)	The Audit and Risk Committee meets at least twice a year.	4.1
4.2	<u>Structure</u>	
(a)	Given the number of directors, the Committee comprises all of the independent, non-executive directors. The Committee is chaired by Mr Blair.	4.1
(b)	Details of Committee members, their Committee meeting attendance and their qualifications and financial expertise are set out in the 2019 Annual Report available on Capral's website at https://www.capral.com.au/about-capral/general-information/corporate-governance/ . It includes members who are all financially literate, and members with relevant financial experience and/or relevant industry experience.	4.1
(c)	The Committee's Charter is available on Capral's website at https://www.capral.com.au/about-capral/general-information/corporate-governance/ . The Charter is reviewed regularly; last reviewed in August 2018.	4.1
(d)	The external auditor and management attend meetings of the Audit and Risk Committee by invitation.	4.1
4.3	<u>External auditor</u>	
	The Audit and Risk Committee is responsible for reviewing the nomination, performance and independence of the external auditors. The external auditor must be able to demonstrate complete independence from Capral and an ability to maintain independence throughout their engagement in that role. The external auditor must have arrangements in place for the rotation of the audit engagement partner on a regular basis. The last rotation occurred during 2017. At the time of the half-year review and full-year audit of Capral's financial statements, the external auditor formally presents to the Audit and Risk Committee a declaration confirming their independence.	4.1
5.	Make Timely and Balanced Disclosure	
5.1	Capral has an established process to ensure that it complies with its continuous disclosure obligations and this process is reflected in Capral's Continuous Disclosure Policy. This Policy was last reviewed and approved in August 2018 and a copy of it is available on Capral's website at https://www.capral.com.au/about-capral/general-information/corporate-governance/ . This process includes a bi-annual confirmation by senior management that the area(s) for which they are responsible has complied with the Policy.	5.1
5.2	To enhance clarity and balance of reporting and to enable investors to make an informed assessment of Capral's performance, financial results are accompanied by commentary.	5.1

6.	Respect the Rights of Shareholders	
6.1	Capral has a Shareholder Communications Policy that promotes effective communication with shareholders, including beneficial holders, and outlines Capral's investor relations activities, a copy of which is available on Capral's website at https://www.capral.com.au/about-capral/general-information/corporate-governance/ . This Policy was last reviewed and approved in August 2019.	6.1, 6.2, 6.3
6.2	Shareholders can access information about Capral and its governance, share price, ASX announcements (including media releases and materials presented at significant investor briefings), Constitution, Charters and governance materials, via Capral's website, www.capral.com.au (under Who is Capral Aluminium?).	6.1, 6.4
6.3	The Annual Report, half-year report and the Annual General Meeting are all important communication forums. Capral invites questions from shareholders and these are answered within the confines of information that is already in the public domain and is not market sensitive. Shareholders can access these documents via Capral's website, www.capral.com.au (under Who is Capral Aluminium?). A key events calendar is published on Capral's website at https://www.capral.com.au/about-capral/for-investors/ . The external auditor attends the Annual General Meeting and is available to respond to relevant shareholder questions.	4.3, 6.1, 6.3, 6.4
6.4	Capral makes available on its website a telephone number and email address for shareholders to make enquiries, found at https://www.capral.com.au/about-capral/for-investors/ . Shareholders may also elect to receive electronic communications from Capral and its share register and may subscribe via Capral's website to receive email alerts regarding Capral announcements.	6.1, 6.4
6.5	Capral keeps a summary record for internal use of the issues discussed at investor/ analyst briefings.	6.2
7.	Recognise and Manage Risk	
7.1	<u>Risk Management Policies</u>	
(a)	The Board recognises that there are strategic, operational and financial risks in Capral's business and has established a sound system of risk oversight and management and internal control to identify, assess, monitor and manage risk.	7.1
(b)	Capral does not have a separate risk committee; this function is performed by the Board and Audit and Risk Committee. Capral's Board and Audit and Risk Committee Charters outline specific responsibilities regarding risk. Capral also has a Board approved Risk Management Policy that assists Capral in identifying and managing risk in accordance with best practice. The Charters and Risk Management Policy are published on Capral's website, www.capral.com.au (under Corporate/ Investors/ Corporate Governance). The Risk Management Policy was last reviewed and approved in August 2019.	7.1, 7.2
7.2	<u>Risk Reporting</u>	
(a)	Management is responsible for designing and implementing the risk management framework. Management identifies and reviews the key risks impacting each area of the business and develops strategies to effectively mitigate these risks. Management reports to the Board and Audit and Risk Committee on the effectiveness of Capral's management of its material business risks.	7.1

(b)	The Audit and Risk Committee is responsible for risk oversight, risk management and internal control. Details of the Committee members, their Committee meeting attendance and Charter are outlined in section 4 above. The Audit and Risk Committee completes a review of the risk management framework, at least on a bi-annual basis and this occurred during 2019.	7.1, 7.2
(c)	Given Capral's size, there is currently no designated Internal Audit resource. The function, which is undertaken by senior management, assists with regard to business risk management, and provides regular reports to the Audit and Risk Committee. Capral's Risk Management Policy discloses the processes employed for evaluating and improving the effectiveness of risk management and internal control.	7.3
(d)	Details of the key risks that may adversely affect Capral's future prospects are contained in the Managing Director's Operations and Financial Review section within Capral's Annual Report published on Capral's website at https://www.capral.com.au/about-capral/general-information/annual-reports/ .	7.1
7.3	<u>Sustainability</u>	
(a)	The Board and its Committees and management seek to manage and respond to Capral's operating environment, including any exposure to economic, environmental and social sustainability risks.	7.4
(b)	Capral's Sustainability Report and the Managing Director's Operations and Financial Review, which are contained within Capral's Annual Report detail how Capral manages these risks.	7.4
(c)	The Annual Report is published on Capral's website at https://www.capral.com.au/about-capral/general-information/annual-reports/ .	7.4
7.4	<u>Managing Director and Chief Financial Officer Declaration</u>	
	Before the Board approves the half and full-year results, the Managing Director and Chief Financial Officer declare to the Board that:	4.2
(a)	in their opinion, the financial records have been properly maintained, that the financial statements and notes comply with applicable accounting standards and that the financial statements and notes give a true and fair view of Capral's financial position and performance; and	
(b)	that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	
8.	Remunerate Fairly and Responsibly	
8.1	The Board has established a Remuneration & Nomination Committee to establish and review remuneration levels for the Managing Director and executive team members and incentive policies for all employees. Details of the Committee members, their Committee meeting attendance and Charter are outlined in section 2.5 above. As described in section 2.5 above, the Remuneration & Nomination Committee operates in accordance with its Charter and reviews executive remuneration and performance related matters, with reference to Capral's performance, executive performance, comparable available benchmarking information and independent advice, as appropriate.	8.1
8.2	The remuneration policies and practices of Capral are designed to remunerate fairly and responsibly, to attract qualified and experienced candidates and to retain and motivate senior management and employees. Details of Capral's remuneration policies and practices are set out in the Remuneration Report that is published in Capral's Annual Report found on	8.2

	Capral's website at https://www.capral.com.au/about-capral/general-information/annual-reports/ .	
8.3	The award of bonuses and other incentives are reviewed at least annually by the Committee and recommendations are put to the Board for its approval. Bonuses and incentives are linked to performance criteria. The Board can exercise its discretion in relation to approving bonuses and incentives but, changes are justified by reference to measurable performance criteria.	8.2
8.4	Remuneration for senior management is divided into three parts:	8.2
(a)	a fixed remuneration which is made up of base salary plus superannuation;	
(b)	short term incentives, directly earned upon the successful achievement of specific financial and non-financial measures. Incentives are based on performance criteria which are set and reviewed by the Committee at least annually; and	
(c)	long term incentives for selected senior managers, that vest upon the successful achievement of performance conditions which are determined by the Committee.	
8.5	Details of the key management personnel's employment contracts are set out in the Remuneration Report that is published in Capral's Annual Report which can be found on Capral's website at https://www.capral.com.au/about-capral/general-information/annual-reports/ .	8.2
8.6	Non-executive directors are entitled to receive fees (from a pool of funds, the limit of which is approved by shareholders in general meeting). There is no performance based remuneration for non-executive directors. There are no schemes for retirement benefits, other than statutory superannuation, for non-executive directors.	8.2
8.7	Under Capral's Securities Trading Policy, Capral's personnel are not permitted to enter into transactions with securities (or derivatives thereof) which limit the economic risk of unvested entitlements awarded under a Capral equity-based remuneration scheme. This Policy was last reviewed in August 2019 and is published on Capral's website at https://www.capral.com.au/about-capral/general-information/corporate-governance/ .	8.3
The Corporate Governance Statement and related governance materials are available on Capral's website at https://www.capral.com.au/about-capral/general-information/corporate-governance/ .		