

# Corporate Governance Statement 2015



**This Corporate Governance Statement is current as at 8 September 2015 and was adopted by the Board on 7 September 2015.**

The Board is committed to preserving and enhancing shareholder value through adhering to the highest standards of corporate governance across all of its activities. Fundamental to this commitment is transparent reporting of compliance with current guidelines. Therefore, in accordance with ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations with 2014 Amendments (3rd Edition)" the Company reports as follows:

## **Principle 1 – Lay solid foundations for management and oversight - Comply**

### **Recommendation 1.1:**

*A Listed entity should disclose;*

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

The Board is accountable to the shareholders for the performance of the Company and has overall responsibility for its operations. 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 Managing Director.

The key responsibilities of the Board include:

- charting the strategic direction and related objectives of the Company and monitoring management performance in the achievement of these objectives;
- adopting budgets and monitoring the financial performance of the Company;
- reviewing the performance of, and succession planning for, the Managing Director;
- overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems;
- overseeing the implementation and management of effective safety and environmental performance systems;
- ensuring all major business risks are identified and effectively managed; and
- ensuring that the Company meets its legal and statutory obligations.

In performing these responsibilities the Board acts in a manner designed to create and build sustainable value for all shareholders in accordance with the duties and obligations imposed upon them by the Company's Constitution and by law.

For the purposes of the proper performance of their duties, the Directors are entitled to seek independent professional advice at the Company's expense, unless the Board determines otherwise. The Board schedules meetings on a regular basis and other meetings as and when required and regularly reviews the division of responsibility between the Board and management. To view the Company's Board Charter please click [here](#).

The Company's Managing Director and key executives are responsible for implementing the strategic objectives with appropriate reference to the risk framework as set by the Board and all aspects of the day-to-day operation of the Company.

**Recommendation 1.2 - Comply:**

*A Listed entity;*

- (a) should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and*
- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*

The Company has an agreed process for the selection, nomination and appointment of Directors guided by the Board. An integral part of this process requires that the Board ascertain the qualifications and experience that a potential candidate should possess prior to shortlisting candidates. Appropriate background checks are carried out on any potential candidates before a person is appointed by the Board or put forward as a candidate for election as a Director.

Before each Annual General Meeting, the Board internally determines the suitability of candidates for re-election as Directors. Factors influencing this decision include the outcome of annual (or other) Board performance reviews and any other relevant matters. Sufficient background information including biographical detail, other directorships and status as independent or otherwise, is then provided in the Notice of Meeting for shareholders to inform them appropriately of potential candidates.

**Recommendation 1.3 - Comply:**

*A Listed entity should have a written agreement with each director and senior executives setting out the terms of their appointment.*

The Company has written agreements in place with all directors (which includes a signed consent to act) and key executives. Such agreements stipulate, amongst other items, in the case of non-executive directors the time commitment envisaged, remuneration and term of appointment and confidentiality obligations. In the case of key executives additional items include the reporting structure applicable to the executive and their duties and responsibilities in the role as well as termination provisions and benefits.

**Recommendation 1.4 - Comply:**

*The Company Secretary of the Company should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.*

The Company Secretary reports directly to the Board through the Chairman on Board matters and all Directors have access to the Company Secretary. The Company Secretary's responsibilities include advising the Board on governance matters, monitoring board and committee policy and procedures, ensuring conduct at Board meetings is accurately reflected in minutes and that appropriate induction of new directors is facilitated. The Company Secretary also performs a management function and on these operational matters reports directly to the Managing Director.

**Recommendation 1.5 - Comply:**

*A Listed entity should;*

- (a) have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;*
- (b) disclose that policy or a summary of it; and*

- (c) *disclose at the end of each reporting period measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:*
- a. the respective proportions of men and women on the board, in senior executive positions and across the whole organization (including how the entity has defined "senior executive3" 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 established a diversity policy which is available [here](#). The Company is cognisant of the positive impacts that diversity may bring to an organisation and as such the Company continues to assess all staff and Board appointments on their merits with consideration to diversity as a driver in decision making. The Managing Director is responsible for monitoring Company progress on diversity and reports to the Nomination and Remuneration Committee on the effectiveness of diversity related initiatives. The Company has adopted measurable objectives for the 2015 year end which are as follows:

- Objective 1: Maintain, or improve the current level of female participation across the Company.
- Objective 2: Promote flexible working arrangements within the Company to encourage work place diversity.

#### Reporting period 2014-2015

Objective 1: 2015: 7 of 18 staff employed were female (38%) vs 2014: 33%

Objective 2: 3 part-time positions (2015) vs 2 part-time positions (2014).

#### **Recommendation 1.6 – Does not Comply for period:**

*A Listed entity should:*

- (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors, and*
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in accordance with that process.*

No review was conducted in the 2014/2015 reporting period due to substantial changes to the Board and new appointments. It is the Company's intention to conduct these annually. It is proposed that an internal Board performance review will take place in Q4 2015. The results of each assessment in response to the performance reviews is documented and the achievement of these items is monitored by the Board on an ongoing basis. In relation to new appointments, induction procedures and materials outlining industry information, the Company's financial position, strategy and operations are made available to the incumbents.

#### **Recommendation 1.7 Comply:**

*A Listed entity should:*

- (a) have and disclose a process for periodically evaluating the performance of its senior*

*executives; and*

- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with the process.*

Recognising that the performance of key executives and management is integrally linked to the performance of the Company, a performance evaluation of key executives is conducted annually in accordance with the processes outlined in the Remuneration Report. Performance of key management is reviewed annually by the Board and Managing Director and has been conducted for the reporting period.

## **Principle 2 – Structure the Board to add value**

A Listed entity should have a Board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

### **Recommendation 2.1 – partially complies:**

*The Board of a Listed entity should;*

- (a) have a nomination committee which:*

- a. has at least three members, a majority of whom are independent, and*
- b. is chaired by an independent director; and disclose:*
- c. the charter of the committee.*
- d. the members of the committee; and*
- e. 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.*

A combined remuneration and nomination committee has been established with two members one of whom is an independent non-executive director. While the Board recognises this situation is not ideal it is a result of current circumstances and leave of absence of Chairman/independent director and is regarded as temporary. The remuneration and nomination committee has adopted a recruitment strategy for the purpose of identifying and securing an additional independent director. The members, number of times the committee met and individual attendances of the members at the meetings are disclosed in the Company's annual report. The charter of the committee is available [here](#).

### **Recommendation 2.2 - Comply:**

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

The Company recognises that the adoption and disclosure of a Board's skills matrix assists in providing confidence to shareholders. The Company considers that the members of its Board contribute the skills vital to the continued success of the Company and in the event that there are additional skills required these are outsourced where necessary to the Company's independent advisers. The Company has identified particular skills and attributes important to the Company at its current stage of development and with a view to its future needs. These skills are listed below:

Leadership  
experience  
Technical and geological expertise  
Finance and treasury expertise, particularly in the energy utilities sector  
Legal expertise especially in the corporate and public listed entity environment  
International company expertise and business acumen

## **Recommendation 2.3 - Comply:**

*A Listed entity should disclose:*

- (a) the names of the directors considered by the Board to be independent directors;*
- (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director; the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion;*
- (c) the length of service of each director.*

The following director is considered by the Company to be an independent director because he is free of any interest, position, association or relationship that might be perceived to influence in a material way his capacity to bring independent judgement to bear on issues before the Board:

- Mr John Cahill (length of service: 6 months) is considered as an independent director as he has no other material relationship or association with the Company or its controlled entities other than his directorship;

The length of service of the other directors is as follows:

- Ms Fiona Harris – 4 months
- Mr Richard Homsany – 1 year 9 months
- Mr Michel Marier – 7 months
- Mr Richard Patricio – 1 year 9 months
- Dr Vanessa Guthrie – 2 years 6 months

## **Recommendation 2.4 – does not comply for period:**

*A majority of the Board of a Listed entity should be independent directors.*

At the time of reporting there are five directors on the Company Board. One of the five directors is considered to be independent with regards to the criteria established in the ASX Corporate Governance Councils Principles and Recommendations. The Board recognizes this is not ideal and considers this a temporary solution due to current circumstances and has a recruitment strategy underway to identify an additional independent director.

## **Recommendation 2.5 - comply:**

*The Chair of the Board of a Listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.*

The Chairman of the Company is an independent director and performs no executive responsibilities. The roles of the Company Chairman and Managing Director are not exercised by the same individual.



**Recommendation 2.6 - comply:**

*A Listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.*

The letter of appointment and induction pack provided to new directors when appointed covers sufficient information as regards the Company's internal policies and operations as well as general requirements of directors, for them to adequately perform their duties as directors. Continuing professional education and opportunities for technical skill enhancement are made available to the Board at appropriate times.

**Principle 3 - Promote ethical and responsible decision making****Recommendation 3.1- Comply:**

*A Listed entity should:*

- (a) have a code of conduct for its directors, senior executives and employees; and*
- (b) disclose that code or a summary of it.*

The Company recognizes that acting ethically and responsibly goes much further than simple compliance with governing law and regulations and that in order to retain the respect and confidence of stakeholders the Company must create a culture throughout the entity that promotes ethical and responsible behaviour. The Company has an established code of conduct for employees which outlines the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibilities of individuals for reporting and investigating reports of unethical practices. The code of conduct is available [here](#).

**Principle 4 - Safeguard integrity in corporate reporting****Recommendation 4.1 – partially compliant for the period:**

*The Board of a Listed entity should:*

- (a) have an audit committee which;*
  - a. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and*
  - b. is chaired by an independent director who is not the Chair of the board and disclose:*
    - c. the charter of the committee;*
    - d. the relevant qualifications and experience of the members of the committee; and*
  - e. 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 that processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

The Company has an established audit and risk committee and at the time of reporting the Company's audit committee consists of two members from the Board, an independent non-executive director as chair and a non-independent non-executive director and the Company Secretary. The chair of the committee is also the chair of the Board. This is due to the leave of absence of an independent director and is considered by the Board to be a temporary solution. There is a current recruitment strategy underway to identify an additional independent director. The audit committee has a formal charter, which is available [here](#), that sets out its role and responsibilities, composition, structure and membership requirements. The relevant qualifications and experience of the members, number of times the committee met and individual attendances of the members at the meetings are disclosed in the Company's annual report.

**Recommendation 4.2 - Comply:**

*The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.*

The CEO and CFO have stated in writing to the Board that the Company's financial reports for the year ended 30 June 2015 present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards. Included in this statement was the confirmation that the Company's risk management and internal controls are operating efficiently and effectively.

**Recommendation 4.3 - Comply:**

*A Listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.*

The Company's external auditor attends every AGM and is available to answers questions relevant to the audit.

**Principle 5 - Make timely and balanced disclosure**

**Recommendation 5.1 - Comply:**

*A Listed entity should;*

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and*
- (b) disclose that policy or a summary of it.*

The Company has an established continuous disclosure policy designed to ensure that all investors have equal and timely access to material information relating to the Company. The policy articulates the type of information that needs disclosure, the process of internal notification, the roles and responsibilities in the disclosure process, the process of promoting an understanding of disclosure requirements and external media and analysts communication protocols. This policy is available [here](#).

---

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

### **Recommendation 6.1 - Comply:**

*A Listed entity should provide information about itself and its governance to investors via its website.*

The Company has a detailed website which is maintained regularly to ensure accuracy of information. Investors and stakeholders can access all ASX announcements, presentations, annual financial statements and corporate governance information on this website. Company announcements available on the website are presented in a clear and balanced way containing both positive and negative information. The Company's senior management regularly participate in investor roadshows and conferences and those presentations are uploaded to the website.

### **Recommendation 6.2 - Comply:**

*A Listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.*

The Company has an established Communications Policy that articulates how the Company will communicate with stakeholders to enhance their understanding of the Company, its business, policies, financial performance and progress. The Company website provides the opportunity for interested parties to join the mailing list to receive regular updates. The Communications Policy can be accessed [here](#).

### **Recommendation 6.3 - Comply:**

*A Listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.*

The Company recognizes the importance of shareholder meetings as a forum for communication and has an established Communications Policy that articulates how the Company will communicate with its shareholders including attendance at shareholder meetings. The Communications Policy is available [here](#).

### **Recommendation 6.4 - Comply:**

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

The Company utilizes the services of Computershare Investor Services Pty Ltd as its security registry and provides a link to their website from the Company's website so that security holders can obtain forms and select their method of interaction with the registry via its online portal.

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

### **Recommendation 7.1 – partially complies for the period:**

*The Board of a listed entity should;*

- (a) have a committee or committees to oversee risk, each of which;*
  - a. has at least three members, a majority of whom are independent directors, and*
  - b. is chaired by an independent director; and disclose:*
  - c. the charter of this committee; and*



- d. *the members of the committee; and*
  - e. *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendance of 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.*

The Company has established a combined Audit and Risk committee with responsibility to implement and maintain a sound risk management framework and periodically reviews the effectiveness of this framework. At the time of reporting the Company's Audit and Risk committee consists of two members from the Board, an independent non-executive director as chair and a non-independent non-executive director and the Company Secretary. This is due to the leave of absence of an independent director and is considered by the Board to be a temporary solution. There is a current recruitment strategy underway to identify an additional independent director. The Audit and Risk committee has a formal charter, which is available [here](#), that sets out its role and responsibilities, composition, structure and membership requirements. The relevant qualifications and experience of the members, number of times the committee met and individual attendances of the members at the meetings are disclosed in the Company's annual report.

#### **Recommendation 7.2 - Comply:**

*The Board or a committee of the board should:*

- (a) *review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and*
- (b) *disclose, in relation to each reporting period, whether such a review has taken place.*

The identification, monitoring and, where appropriate, the reduction of significant risk to the Company is primarily a responsibility delegated to the Audit and Risk Committee. The Audit and Risk Committee and the Managing Director monitor the Company's material business risks and reports are compiled and considered at regular meetings where it has been established that the internal control system is operating effectively in all material aspects. The Audit and Risk Committee met to review the Company's risk framework during this financial period and reviewed its own charter and performance.

#### **Recommendation 7.3 - Comply:**

*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 risk management and internal control processes.*

The Company does not have an internal audit function as it considers the ongoing processes in place for assessing risk and improving the effectiveness of internal controls to be adequate when supported by the external audit function. There is a register of internal controls and a register of risks reviewed and tested which are compiled as a result of a twice yearly risk profiling exercise undertaken by the executive and supported and reviewed by the Audit and Risk committee. At this review the Company assesses the risks, probability of occurrence, likely impact and mitigation strategies in detail.

**Recommendation 7.4 - Comply:**

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

The Company's core operations are uranium mineral exploration, acquisition and development. There are inherent risks by virtue of the nature of its business including economic, environmental and social sustainability risks. The Company has in place policies and procedures, including a risk management framework (as implemented under the Company's Audit & Risk Committee and its accompanying Charter), which is developed and updated to help manage these risks. A copy of this Charter is available for download from the website. The Company regularly assesses economic, environmental and social sustainability risks for their materiality and any impact on the Company's ability to create or preserve value for security holders over the short, medium or long term.

**"Economic sustainability"** – the long term ability of the listed entity to continue operating at a particular level of economic production.

The ability to fund future operations during the Company's development phase is dependent on the equity, debt and uranium market. In this regard key practices undertaken by the Board and senior executives to manage economic sustainability risk are:

- Combining internal and external research to model uranium market price recovery and timing;
- Alignment of working capital application with the anticipated recovery in the uranium market;
- Investor relations programs designed to maintain open communication with shareholders, investors and debt providers;
- Cash management reviewed by the Board against approved budgets.

**"Environmental sustainability"** – the long term ability of a listed entity to continue operating in a manner that does not compromise the health of the eco-systems in which it operates.

Toro is aware of its responsibility to have as little impact as possible on the environment, and where there is any disturbance to rehabilitate sites. Toro's Environmental policy and exploration practices adhere to West Australian legislative and regulatory requirements as well as following state, national and international guidelines for best practice relating to uranium companies. Toro supports these approaches and is confident that it properly monitors and adheres to these guidelines.

**"Social sustainability"** – the long term ability of a listed entity to continue operating in a manner that meets accepted social norms and needs.

In considering its material social sustainability objectives Toro has regard to its Indigenous Relations Policy, Environmental Policy and its Community Policy. Toro is a signatory to the Mineral Council of Australia's Code of Enduring Value, these values can be accessed [here](#)

Toro's consultation process incorporated state, federal and local government agencies, Aboriginal people and representative organisations, and non-government organisations, and local and regional communities. Toro's community and stakeholder consultation program has adopted best practice guidelines including the Core Values for Public Participation (IAP2, 2010) and the Performance Standards and Guidelines on Impactive Stakeholder Engagement (IFC, 2006.)

A Socio-economic impact assessment was commissioned to identify and understand social impacts and recommend means to maximize opportunities and benefits for communities and minimize potential adverse impacts. Bush Tucker surveys were commissioned to consider and identify plant species having value for traditional owners. Toro has been undertaking heritage surveys with the Traditional Owners since 2007 utilising the services of the Traditional Owners assisted by anthropologists and archaeologists.

## **Principle 8 - Remunerate fairly and responsibly**

### **Recommendation 8.1 – partially complies for the period:**

*The Board of a listed entity should:*

- (a) have a remuneration committee which;*
  - a. has at least three members, a majority of whom are independent directors; and*
  - b. is chaired by an independent director; and disclose:*
  - c. the charter for the committee;*
  - d. the members of the committee; and*
  - e. as at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of members at those meetings; 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.*

A combined remuneration and nomination committee has been established with two members one of whom is an independent non-executive director. This is due to the leave of absence of an independent director and is considered by the Board to be a temporary solution. There is a current recruitment strategy underway to identify an additional independent director. The committee recognizes the objectives of a remuneration policy to attract and retain high calibre employees and to reward them fairly while complying with the legal framework appropriate to remuneration. The members, number of times the committee met and individual attendances of the members at the meetings are disclosed in the Company's annual report. The charter of the committee is available [here](#).

### **Recommendation 8.2 - Comply:**

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

The Company has a clearly distinguished structure of non-executive directors' remuneration from that of executive directors and senior executives. The Company is required to disclose in its annual report details of remuneration to directors. Please refer to the remuneration report for details regarding the remuneration structure of executive and non-executive directors and the Managing Director and senior executives.

**Recommendation 8.3 - Comply:**

*A Listed entity which has an equity-based remuneration scheme should;*

- (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and*
- (b) disclose the policy or a summary of it.*

The Company has an Employee Share Option Plan (ESOP) which entitles all employees after a 12 month qualifying period to participate. Options are granted at the discretion of the Board. A summary of the ESOP is provided in the notes to the annual financial statements. The Company has also implemented a Management Performance Rights Plan (MPRP) which entitles all employees after a qualifying period of 12 months to be eligible to participate, subject to the satisfaction of performance conditions and the discretion of the Board. A summary of the MPRP is provided in the notes to the annual financial statements. The Securities Trading policy which governs permitted trading and transactions, including in respect of employees, is available [here](#).