

# **Empire Oil & Gas NL**

## **Corporate Governance Statement**

The Board is responsible for establishing the Company's corporate governance framework, the key features of which are set out below. In establishing its corporate governance framework, the Board has referred to the 3rd edition of the ASX Corporate Governance Councils' Corporate Governance Principles and Recommendations.

The corporate governance statement discloses the extent to which the Company follows the recommendations. The Company will follow each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices will follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices will not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company will adopt instead of those in the recommendation.

The governance-related documents will be able to be found on the Company's website once established, under the section marked "Corporate Governance":

Board Charter  
Board Performance Evaluation Policy;  
Code of Conduct;  
Audit Committee Charter;  
Remuneration and Nomination Committee Charter;  
Security Trading Policy;  
Continuous Disclosure Policy;  
Shareholder Communication and Investor Relations Policy;  
Risk Management Policy;  
Whistleblower policy; and  
Diversity Policy.

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

#### **Recommendation 1.1**

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management, and has documented this in its Board Charter.

The responsibilities of the Board include but are not limited to:

- (a) setting and reviewing strategic direction and planning;
- (b) reviewing financial and operational performance;
- (c) identifying principal risks and reviewing risk management strategies; and
- (d) considering and reviewing significant capital investments and material transactions.

In exercising its responsibilities, the Board recognises that there are many stakeholders in the operations of the Company, including employees, shareholders, co-ventures, the government and the community.

The Board has delegated responsibility for the business operations of the Company to the Chief Executive Officer. The Chief Executive Officer is accountable to the Board.

#### **Recommendation 1.2**

The Company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect a director.

#### **Recommendation 1.3**

The Company has a written agreement with each of the Directors and senior executives setting out the terms of their appointment. The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Chief Executive Officer, any of its directors, and any other person or entity who is a related party of the Chief Executive Officer or any of its directors will be disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).

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### Recommendation 1.4

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The Company Secretary is responsible for the application of best practice in corporate governance and also supports the effectiveness of the Board by:

- (a) ensuring a good flow of information between the Board, its committees, and Directors;
- (b) monitoring policies and procedures of the Board;
- (c) advising the Board through the Chairman of corporate governance policies; and
- (d) conducting and reporting matters of the Board, including the despatch of Board agendas, briefing papers and minutes.

### Recommendation 1.5

The Company has a Diversity Policy, the purpose of which is:

- (a) to outline the Company's commitment to creating a corporate culture that embraces diversity and, in particular, focuses on the composition of its Board and senior management; and
- (b) to provide a process for the Board to determine measurable objectives and procedures which the Company will implement and report against to achieve its diversity goals.

As at 30 June 2017 there were no women on the Board. Owing to the Company being placed in Administration on 14 September 2017 the director are not able to state whether any women were employed at that date. The Board maintains full transparency of board processes, reviews and appointments and encourages gender diversity.

Given the Company's size the Board does not consider it appropriate to set quantitative objectives regarding gender diversity at this time. As the operations grow, the Board will give consideration to the setting of such objectives and their achievement through the appointment of appropriate candidates to the Board and senior executive positions as they become available

### Recommendation 1.6

The Chief Executive Officer will be responsible for evaluating the performance of the Company's senior executives in accordance with the process disclosed in the Company's Process for Performance Evaluations, which is currently being developed by the Board.

The Chair will be responsible for evaluating the performance of the Company's Chief Executive Officer in accordance with the process disclosed in the Company's Process for Performance Evaluations, which is currently being developed by the Board.

Owing to the Company being placed in Administration, the Company has not conducted an evaluation of its Chief Executive Officer.

### Recommendation 1.7

The Chair will be responsible for evaluating the performance of the Board, Board committees and individual directors in accordance with the process disclosed in the Company's Board performance evaluation policy.

This policy is to ensure:

- (a) individual Directors and the Board as a whole work efficiently and effectively in achieving their functions;
- (b) the executive Directors and key executives execute the Company's strategy through the efficient and effective implementation of the business objectives; and
- (c) committees to which the Board has delegated responsibilities are performing efficiently and effectively in accordance with the duties and responsibilities set out in the board charter.

This policy will be reviewed annually.

The Company will report on whether an evaluation of the Board, its committees and individual directors has taken place in the relevant reporting period, and whether the process was in accordance with the process disclosed, in each of its corporate governance statements.

Owing to the Company being placed in Administration, the Company has not conducted an evaluation of its Board.

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

#### Recommendation 2.1

Due to the size of the Board, the Company does not have a separate nomination committee. The roles and responsibilities of a nomination committee are currently undertaken by the Board.

The duties of the full Board in its capacity as a nomination committee are set out in the Company's Remuneration and Nomination Committee Charter which is available on the Company's website.

When the Board meets as a remuneration and nomination committee it carries out those functions which are delegated to it in the Company's Remuneration and Nomination Committee Charter. Items that are usually required to be discussed by a Remuneration and Nomination Committee are marked as separate agenda items at Board meetings when required.

The Board has adopted a Remuneration and Nomination Committee Charter which describes the role, composition, functions and responsibilities of a Nomination Committee and is disclosed on the Company's website.

#### Recommendation 2.2

The mix of skills and diversity which the Board is looking to achieve in its composition is:

- (a) a broad range of business experience; and
- (b) technical expertise and skills required to discharge duties.

#### Recommendation 2.3

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles and Recommendations.

Currently the Board is structured as follows:

- (a) Stephen Hewitt-Dutton, Non-Executive Director (Appointed 20 March 2018)
- (b) Sean McCormick, Non-Executive Director (Appointed 20 March 2018)
- (c) John Gilfillan, Non-Executive Director (Appointed 20 March 2018)

Messrs Hewitt-Dutton, McCormick and Gilfillan are considered independent.

#### Recommendation 2.4

Currently, the Board has a majority of independent Directors.

#### Recommendation 2.5

Mr McCormick is an independent non-executive Chairman.

#### Recommendation 2.6

It is a policy of the Company, that new Directors undergo an induction process in which they are given a full briefing on the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

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

#### **Recommendation 3.1**

The Company is committed to promoting good corporate conduct grounded by strong ethics and responsibility. The Company has established a Code of Conduct (Code), which addresses matters relevant to the Company's legal and ethical obligations to its stakeholders. It may be amended from time to time by the Board, and is disclosed on the Company's website.

The Code applies to all Directors, employees, contractors and officers of the Company.

The Code will be formally reviewed by the Board each year.

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

#### **Recommendation 4.1**

Due to the size of the Board, the Company does not have a separate Audit Committee. The roles and responsibilities of an audit committee are undertaken by the Board.

The full Board in its capacity as the audit committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The duties of the full Board in its capacity as the audit committee are set out in the Company's Audit and Risk Management Committee Charter which is available on the Company's website.

When the Board meets as an audit committee it carries out those functions which are delegated to it in the Company's Audit and Risk Management Committee Charter. Items that are usually required to be discussed by an Audit Committee are marked as separate agenda items at Board meetings when required.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board has adopted an Audit and Risk Management Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee and is disclosed on the Company's website.

#### **Recommendation 4.2**

Before the Board approves the Company financial statements for each financial period it will receive from the Chief Executive Officer and the Chief Financial Officer or equivalent a declaration that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the consolidated 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.

As a result of the Company being placed into Administration, in relation to the year ended 30 June 2017 the Directors have not received the above declarations.

#### **Recommendation 4.3**

Under section 250RA of the Corporations Act, the Company's auditor is required to attend the Company's annual general meeting at which the audit report is considered, and does not arrange to be represented by a person who is a suitably qualified member of the audit team that conducted the audit and is in a position to answer questions about the audit. Each year, the Company will write to the Company's auditor to inform them of the date of the Company's annual general meeting. In accordance with section 250S of the Corporations Act, at the Company's annual general meeting where the Company's auditor or their representative is at the meeting, the Chair will allow a reasonable opportunity for the members as a whole at the meeting to ask the auditor (or its representative) questions relevant to the conduct of the audit; the preparation and content of the auditor's report; the accounting policies adopted by the Company in relation to the preparation of the financial statements; and the independence of the auditor in relation to the conduct of the audit. The Chair will also allow a reasonable opportunity for the auditor (or their representative) to answer written questions submitted to the auditor under section 250PA of the Corporations Act.

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### Principle 5: Make timely and balanced disclosure

#### Recommendation 5.1

The Company is committed to:

- (a) ensuring that shareholders and the market are provided with full and timely information about its activities;
- (b) complying with the continuous disclosure obligations contained in the Listing Rules and the applicable sections of the Corporations Act; and
- (c) providing equal opportunity for all stakeholders to receive externally available information issued by the Company in a timely manner.

The Company has adopted a Continuous Disclosure Policy, which is disclosed on the Company's website. The Continuous Disclosure Policy sets out policies and procedures for the Company's compliance with its continuous disclosure obligations under the ASX Listing Rules, and addresses financial markets communication, media contact and continuous disclosure issues. It forms part of the Company's corporate policies and procedures and is available to all staff.

The Chief Executive Officer manages the policy. The policy will develop over time as best practice and regulations change and the Company Secretary will be responsible for communicating any amendments. This policy will be reviewed by the Board annually.

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

#### Recommendation 6.1

The Company will provide information about itself and its governance to investors via its website (once established). The Company is committed to maintaining a Company website with general information about the Company and its operations and information specifically targeted at keeping the Company's shareholders informed about the Company. In particular, where appropriate, after confirmation of receipt by ASX, the following will be posted to the Company website:

- (a) relevant announcements made to the market via ASX;
- (b) media releases;
- (c) investment updates;
- (d) Company presentations and media briefings;
- (e) copies of press releases and announcements for the preceding three years; and
- (f) copies of annual and half yearly reports including financial statements for the preceding three years.

#### Recommendation 6.2

The Company has a Shareholder Communication Policy which aims to ensure that Shareholders are informed of all major developments of the Company. The policy is disclosed on the Company's website.

Information is communicated to Shareholders via:

- (a) reports to Shareholders;
- (b) ASX announcements;
- (c) annual general meetings; and
- (d) the Company website.

This Shareholder Communication Policy will be formally reviewed by the Board each year. While the Company aims to provide sufficient information to Shareholders about the Company and its activities, it understands that Shareholders may have specific questions and require additional information. To ensure that Shareholders can obtain all relevant information to assist them in exercising their rights as Shareholders, the Company has made available a telephone number and relevant contact details (via the website) for Shareholders to make their enquiries.

#### Recommendation 6.3

The Board encourages full participation of Shareholders at meetings to ensure a high level of accountability and identification with the Company's strategies and goals.

However, due to the size and nature of the Company, the Board does not consider a policy outlining the policies and processes that it has in place to facilitate and encourage participating at meetings of shareholders to be appropriate at this stage.

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### **Recommendation 6.4**

Shareholders are given the option to receive communications from, and send communication to, the Company and its share registry electronically. To ensure that shareholders can obtain all relevant information to assist them in exercising their rights as shareholders, the Company has made available a telephone number and relevant contact details (via the website) for shareholders to make their enquiries.

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

#### **Recommendation 7.1**

Due to the size of the Board, the Company does not have a separate Audit and Risk Management Committee. The Board is responsible for the oversight of the Company's risk management and control framework.

When the Board meets as a risk committee it carries out those functions which are delegated to it in the Company's Audit and Risk Management Committee Charter. Items that are usually required to be discussed by a Audit and Risk Management Committee are marked as separate agenda items at Board meetings when required.

The Board has adopted an Audit and Risk Management Committee Charter which describes the role, composition, functions and responsibilities of the Audit and Risk Management Committee and is disclosed on the Company's website.

Under Audit and Risk Management Committee Charter, responsibility and control of risk management is delegated to the appropriate level of management within the Company with the Chief Executive Officer having ultimate responsibility to the Board for the risk management and control framework.

The risk management system covers:

- (a) operational risk;
- (b) financial reporting;
- (c) compliance / regulations; and
- (d) system / IT process risk.

A risk management model is also being developed and will provide a framework for systematically understanding and identifying the types of business risks threatening the Company as a whole, or specific business activities within the Company.

#### **Recommendation 7.2**

The Board will review the Company's risk management framework annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board.

Owing to the Company being placed in Administration, the Company has not established a formal framework. Review is conducted by the Board as necessary.

#### **Recommendation 7.3**

The Company does not have, and does not intend to establish, an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the Audit and Risk Management Committee Charter.

#### **Recommendation 7.4**

Given the speculative nature of the Company's business, it will be subject to general risks and certain specific risks.

The Company will identify those economic, environmental and/or social sustainability risks to which it has a material exposure, and disclose how it intends to manage those risks in each of its corporate governance statements.

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### Principle 8: Remunerate fairly and responsibly

#### Recommendation 8.1

Due to the size of the Board, the Company does not have a separate remuneration committee. The roles and responsibilities of a remuneration committee are currently undertaken by the Board.

The duties of the full board in its capacity as a remuneration committee are set out in the Company's Remuneration and Nomination Committee Charter which is available on the Company's website

When the Board meets as a remuneration committee it carries out those functions which are delegated to it in the Company's Remuneration and Nomination Committee Charter. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required.

The Board has adopted a Remuneration and Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee and is disclosed on the Company's website.

#### Recommendation 8.2

Details of the Company's policies on remuneration will be set out in the Company's "Remuneration Report" in each Annual Report published by the Company. This disclosure will include a summary of the Company's policies regarding the deferral of performance-based remuneration and the reduction, cancellation or clawback of the performance-based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements.

#### Recommendation 8.3

The Company's Security Trading Policy includes a statement on the Company's policy on prohibiting participants in the Company's Employee Incentive Plan entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Employee Incentive Plan.

#### Security Trading Policy

In accordance with ASX Listing Rule 12.9, the Company has adopted a trading policy which sets out the following information:

- (a) closed periods in which directors, employees and contractors of the Company must not deal in the Company's securities;
- (b) trading in the Company's securities which is not subject to the Company's trading policy; and
- (c) the procedures for obtaining written clearance for trading in exceptional circumstances.

The Company's Security Trading Policy has been lodged with the ASX.