



warrego  
energy

Warrego Energy Limited  
ACN 125 394 667

# **WARREGO ENERGY LIMITED**

## **CORPORATE GOVERNANCE POLICY**

The Board of Directors monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. To assist the Board in discharging its responsibilities, the Board has adopted the following principles of corporate governance that are considered appropriate for the present size of the Company and that unless otherwise explained, follow the recommendations of the ASX Corporate Governance Council.

## BOARD CHARTER

The Board is responsible for:

1. developing, approving and monitoring implementation of corporate policy, strategy and performance objectives;
2. developing and monitoring adoption of the most appropriate principles of corporate governance;
3. reviewing and ratifying systems of risk management and internal control, codes of conduct and legal compliance;
4. approving and monitoring the progress of major capital expenditure projects, funding programmes, acquisitions and divestments;
5. reviewing and approving annual business plans, operating and capital budgets;
6. reviewing and ratifying systems for health, safety, environment management and controls;
7. appointing and evaluating the performance of senior executives; and
8. selecting and appointing new directors to the board and evaluating the performance of all members of the Board.

## COMPOSITION OF THE BOARD

The composition of the Board is determined in accordance with the following principles and guidelines:

1. the Board shall comprise at least three Directors, increasing where additional expertise is considered desirable in certain areas to a maximum of nine Directors;
2. at each annual general meeting a Director (except for the Managing Director) appointed since the last annual general meeting, one third of the other Directors, and any Director for whom that annual general meeting would be his third annual general meeting or who has been in office for three years since his last appointment, shall automatically retire and be eligible for re-election;
3. the Board shall have a balance of non-executive and independent Directors; and
4. Directors may bring characteristics that allow a mix of qualifications, skills, expertise and experience.

The Board reviews its composition on an annual basis to ensure that it has the appropriate mix of expertise and experience. Where a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills and expertise, the Board selects that new Director from appropriate candidates with relevant qualifications, skills, expertise and experience.

### Nomination

Given the present size of the Company, the existing Board structure is able to meet the needs of the Company in the examination of, selection and appointment practices without the establishment of a nomination committee of the Board.

## **Independent Professional Advice**

Each Director has the right to seek independent professional advice at the Company's expense. However, prior approval from the Chairman is required, which cannot be unreasonably withheld.

## **Performance Assessment**

The performance of individual Directors is reviewed annually by the Board under a peer review procedure. Any identified areas of unsatisfactory performance are addressed with the individual Director concerned.

## **Remuneration Committee**

The Board has established a Remuneration Committee consisting of non-executive directors to meet the needs of the Company in the review of remuneration packages for key executives and board members.

## **Business Risk**

The Board monitors and receives advice as required on areas of operational and financial risk, and considers appropriate risk management strategies.

Specific areas of risk that are identified are regularly considered at Board meetings. Included in these areas are performance of activities, human resources, health, safety and the environment, continuous disclosure obligations, asset protection and financial exposures.

# **CODE OF CONDUCT**

## **Ethical Standards**

The Board's policy requires that the Directors and management conduct themselves with the highest ethical standards. All Directors and employees are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

In particular, Directors and employees must at all times: manage situations where their personal interests may conflict with the interests of the Company; not take advantage of property, information or position for personal gain; not compete with the Company; not use non-public information except where disclosure is authorised or legally mandated; deal fairly with customers, suppliers, competitors and employees; protect and make proper use of the Company's assets; comply with laws and regulations, and actively promote compliance; and report any unlawful or unethical behaviour knowing that they will have proper protection by the Board when making such reports in good faith.

## **Environment, Health & Safety Management**

The Board recognises the importance of environmental, occupational health and safety issues, and is committed to the highest standards of performance. All Directors and employees are required to comply with all relevant

legislation, continually assess and improve the impact of the Company's operations on the environment, and encourage the adoption of similar standards by the Company's principal suppliers, contractors and joint venture partners.

The Board regularly reviews risk management procedures with management at Board meetings.

## FINANCIAL REPORTING

To assist the Board in approving the Company's financial report, the Chief Executive Officer and the Chief Financial Officer are required to present a statement with regard to the integrity of the financial statements of the Company to confirm to the Board that the Company's financial statements present a true and fair view in all material respects of the Company's financial condition and that operational results are in accordance with applicable accounting standards and the Corporations Act 2001.

### **Audit**

The Board has ratified an Audit policy which states the services that may or may not normally be conducted by the Company's external auditing firm under the following guiding principals:

#### **Acceptable Services**

The auditing firm may provide audit and audit-related services that are consistent with the role of auditor, although outside the scope of the audit required under the Corporations Act 2001. These include audit-related services and reviews required by third parties.

Examples include:

- financial audits;
- audits of regulatory returns;
- reviews undertaken for trustees of convertible notes, bankers, joint venture partners and owners of royalty and net profit interests; and
- reviews of the adequacy of controls and recommendations for improvements.

#### **Unacceptable Services**

The auditing firm should not provide services that are perceived to be materially in conflict with the role of auditor. These include investigations and consulting advice and subcontracting of operational activities normally undertaken by management, and where the auditor may ultimately be required to express an opinion on its own work.

Examples include:

- due diligence on potential acquisitions or investments/divestments;
- advice on deal structuring and assistance in deal documentation;
- tax planning and strategy; designing or implementing new IT systems or financial controls;

- advice on sales and purchasing contracts;
- book-keeping; valuations;
- executive recruitment and appointment;
- senior management secondments; and
- internal audit activities.

Each Director has the right to seek independent professional advice at the Company's expense. However, prior approval from the Chairman is required, which cannot be unreasonably withheld.

### **Services Subject to Specific Approval**

The auditing firm may be permitted to provide non-audit services that are not perceived to be materially in conflict with the role of auditor, subject to the express approval of the Board. Examples include: advice on appropriate accounting standards; and review of legislation and advice on its application to the Company.

### **Exception**

An exception can be made to the above policy where the variation is in the interests of the Company and arrangements are put in place to preserve the integrity of the audit of the Company's accounts. Any such exception requires the approval of the Board.

### **Audit Committee**

The Board has established an Audit Committee chaired by a Non-Executive Director to oversee the whole audit process of the Company.

Their specific responsibilities include:

1. reviewing the quality and integrity of the Company's financial reporting to shareholders, ASX and the Australian Securities and Investments Commission;
2. reviewing the accounting policies, internal controls, practices and disclosures to assist the Board in making informed decisions, with direct access to management;
3. reviewing the scope and outcome of external audits, with direct access to external auditors;
4. nominating external auditors and reviewing the adequacy of existing external audit arrangements;
5. ensuring the independence of external auditors and reviewing any other services provided by them;
6. reviewing the Company's risk management systems; and environment management and controls;

## **LISTING RULES DISCLOSURES**

The Board's policy is for all investors to have equal and timely access to material information concerning the Company, including its financial position, performance, ownership and governance. The Board has delegated the function of continuous disclosure to the Chief Executive Officer and the Company Secretary to assess the type of information that needs to be disclosed and to ensure that Company's announcements are made in a timely manner, are factual, do not omit material information and are in compliance with the Listing Rules. Information which is considered to be price sensitive is approved by the Board before its release.

## SHAREHOLDER COMMUNICATION

The Board has established practices to facilitate communication with the Company's shareholders. The Chief Executive Officer and the Company Secretary oversee this process through the Company's website and direct mailing by email and/or post. Regular briefings are held with professional investors. Prior to such briefings, information to be given is first released to ASX and later broadcast to shareholders/investors who have registered their email address with the Company.

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