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**CORPORATE GOVERNANCE STATEMENT**

For the year ended June 2019

ABN 88 113 436 141



# Corporate Governance Statement

## Compliance with Corporate Governance Principles and Recommendations

This corporate governance statement is provided by Byron Energy Limited ("Byron or the Company") pursuant to ASX Listing Rule 4.10.3 and measures the Company's governance practices against the recommendations in the 3rd edition of the Corporate Governance Principles and Recommendations ("ASX Principles and Recommendations").

The corporate governance statement discloses the extent to which the Company has followed the ASX Principles and Recommendations during the year ended 30 June 2019 and has been approved by the Board of the Directors of the Company ("the Board"). Byron has prepared an ASX Appendix 4G – Key to Disclosures which together with this corporate governance statement is lodged with the ASX.

## Principle 1 – Laying Solid Foundations for Management and Oversight

### Recommendation 1.1 – Role of the Board and Management

The Board is responsible for corporate governance, that is, the system by which the Company and its subsidiaries ("the Group") are managed.

The Board has adopted a Corporate Governance Charter, incorporating a Board Charter, which outlines the manner in which its powers and responsibilities are exercised and discharged having regard to principles of good corporate governance and applicable laws.

The Corporate Governance Charter, incorporating a Board Charter, is available on the Company's website: [www.byronenergy.com.au](http://www.byronenergy.com.au) (in the Corporate Governance section of the website).

The role of the Board is to create sustainable shareholder wealth in a manner consistent with the Company's Constitution, the Board Charter and all legal and regulatory requirements.

The Board achieves this by:

- (a) charting strategy and setting financial targets for the Group;
- (b) monitoring the implementation and execution of strategy and performance against financial targets;
- (c) appointing and overseeing the performance of executive management;
- (d) setting and overseeing the Company's values and corporate governance framework, and ensuring that the Company acts with integrity and in accordance with the highest ethical standards;

- (e) ensuring there is an effective balance between the delegation and responsibility for the day to day operation and management to the Managing Director/CEO and the role of the Board in monitoring, guiding and providing oversight; in setting, overseeing the Company's direction; and
- (f) ensuring effective communication with shareholders.

The Board has responsibility for the matters specified above and, in addition to those matters reserved to it by law, reserves to itself the following matters and all power and authority in relation to those matters:

- (a) oversight of the Group including its control and accountability systems;
- (b) appointing and removing the Managing Director/CEO;
- (c) ratifying the appointment and, where appropriate, the removal of the Company Secretary;
- (d) reviewing and overseeing the operation of systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and regulatory compliance;
- (e) monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- (f) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- (g) approving and monitoring financial and other reporting;
- (h) performance of investment and treasury functions;
- (i) monitor industry developments relevant to the Group and its business;
- (j) developing suitable key indicators of financial performance for the Group and its business;
- (k) input into and final approval of management's development of corporate strategy and performance objectives;
- (l) the overall corporate governance of the Group including the strategic direction, establishing goals for management and monitoring the achievement of these goals; and
- (m) oversight of Committees.

To assist in the execution of its responsibilities, the Board has the authority to establish Committees (and delegate powers accordingly) to consider such matters as it may consider appropriate including, by way of example only, audit matters, finance and business risks, remuneration, and nominations, and to establish a framework for the effective and efficient management of the Company and the Group.

**The Company complies with Recommendation 1.1 of the ASX Principles and Recommendations.**



# Corporate Governance Statement continued

## Recommendation 1.2 – Director Checks

The Company has processes in place to ensure the appropriateness of candidates for appointment and election as Directors.

Full details of each Director are announced in the initial appointment announcement and also included in the Annual Report. Where a Director is seeking election, shareholders are given full details.

**The Company complies with Recommendation 1.2 of the ASX Principles and Recommendations.**

## Recommendation 1.3 – Written Agreement with each Director and Senior Executive

The Company has written agreements with each Non-Executive Director.

The Company also had written agreements with the Executive Directors, including Managing Director/Chief Executive Officer.

**The Company complies with Recommendation 1.3 of the ASX Principles and Recommendations.**

## Recommendation 1.4 – Company Secretary

The Company Secretary reports directly to the Board, through the Chairman, on all matters regarding the functioning of the Board.

**The Company complies with Recommendation 1.4 of the ASX Principles and Recommendations.**

## Recommendation 1.5 – Diversity

Having regard to the size of the Company (including a small complement of staff) and the nature of its activities, a separate formal diversity policy has not been adopted.

The Company does not discriminate on the basis of age, ethnicity or gender in any employment matters and when a position becomes vacant the Company seeks to employ the best candidates available for the position.

The Company currently has no women in senior executive positions or women on the Board. The Board fully supports the gender diversity concept and is committed to establishing measurable objectives for achieving gender diversity as the business expands.

**The Company does not comply with Recommendation 1.5 of the ASX Principles and Recommendations.**

## Recommendation 1.6 - Board Performance Assessment

The Company has a process for periodically evaluating the performance of its Board and each Director. The performance of all the Directors is reviewed by the Chairman each year. The performance of the Chairman is reviewed and assessed each year by the other Directors. The Chairman determines the evaluation criteria and process.

The performance of the committees is reviewed by the Chairman each year. The Chairman determines the evaluation criteria and process.

**The Company complies with Recommendation 1.6 of the ASX Principles and Recommendations.**

## Recommendation 1.7 – Performance Evaluation of Senior Executives

The Company has a process for periodically evaluating the performance of its Managing Director/Chief Executive Officer and other senior executives. The performance of Managing Director/Chief Executive Officer and other senior executives is reviewed by the Board each year. In addition, the performance of the Managing Director/Chief Executive Officer and other senior executives is constantly reviewed by the Board as part of the ordinary course of meetings of Directors.

**The Company complies with Recommendation 1.7 of the ASX Principles and Recommendations.**

## Principle 2 – Structure the Board to Add Value

### Recommendation 2.1 – Nomination Committee

The Board has not formed a Nomination Committee as recommended by Recommendation 2.1 of the ASX Principles and Recommendations.

The Board as a whole reviews the composition of the Board and appointment of new Directors, to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction.

The composition of the Board is currently determined according to the following principles:

- the Board must comprise members with a broad range of experience, expertise, skills and contacts relevant to the Group and its business;
- the Board must consist a minimum of three Directors and a maximum of ten Directors;
- the number of Directors may be increased where the Board considers that additional expertise is required in specific areas or when an outstanding candidate is identified;
- the Chairman must be a Non-Executive Director; and
- at least half of the Board must be Non-Executive Directors.

# Corporate Governance Statement continued

Having regard to the size, current ownership structure of the Company and the nature of its activities, the Board believes that the current composition of the Board is appropriate as it adds value by ensuring there is a broad range of experience, expertise, skills, qualifications, and contacts which are deemed relevant to the business of the Company.

The Board also considers it more efficient for the selection and appointment of Directors to be considered by the Board itself at this stage. The Board may also engage an external consultant where appropriate to identify and assess suitable candidates who meet the Board's selection criteria.

Directors are initially appointed by the full Board subject to election by shareholders at the next annual general meeting. Under the Company's Constitution the tenure of Directors (other than Managing Director Chief Executive Officer) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the *Corporations Act 2001* (Cth), the Board does not subscribe to the principle of a compulsory retirement age and there is no maximum period of service as a Director. A Managing Director Chief Executive Officer may be appointed for any period and on any terms the Directors think fit and, subject to the terms of the written agreement entered into, the Board may revoke this appointment according to the terms of this agreement.

As the Group's activities increase in size and scope, the size of the Board will be reviewed periodically to determine if a Nominations Committee is required for the Board to properly perform its responsibilities and functions.

**The Company does not comply with Recommendation 2.1 of the ASX Principles and Recommendations.**

## Recommendation 2.2 – Board Skills Matrix

The Board endeavours to ensure that the Board comprises members with a broad range of experience, expertise, skills and contacts relevant to the Group and its business. Having regard to the size, current ownership structure of the Company and the nature of its activities, the Board considers that it has the necessary balanced mix of skills.

To date the Board does not consider that a specific skills matrix is required. However, the Board will continue to consider whether it would be appropriate for the Company to adopt a board skills matrix as the Company continues to develop and grow.

The profile of each Director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

**The Company does not comply with Recommendation 2.2 of the ASX Principles and Recommendations.**

## Recommendation 2.3 – Director's Independence

The Company's Corporate Governance Charter requires:

- the Board to comprise a minimum of three Directors;
- at least half of the Board must be Non-Executive Director; and
- the Chairman must be a Non-Executive Director.

The current Board comprises six directors with three Non-Executive Director and three Executive Directors.

The Board has followed the criteria outlined in Box 2.3 of ASX Principles and Recommendations when assessing the independence of the Directors. Based on the criteria in the ASX Principles and Recommendations Messrs Battersby, Smith, Kallenberger, Sack and Young are not considered independent. The profile of each Director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

**The Company does not comply with Recommendation 2.3 of the ASX Principles and Recommendations.**

## Recommendation 2.4 – Majority of Directors Independent

The Company does not currently have a majority of the Board who are independent Directors as recommended by Recommendation 2.4 of the ASX Principles and Recommendations.

Having regard to the size, current ownership structure of the Company and the nature of its activities, the Directors believe that the current composition of the Board is appropriate as it adds value by ensuring there is a broad range of experience, expertise, skills, qualifications, and contacts which are deemed relevant to the business of the Company.

The situation will be monitored and changed in line with best practice as and when the Directors feel the Company is of sufficient size.

To ensure that independent judgement is achieved and maintained in respect of its decision-making processes, the Board has adopted a number of measures which include the following:

- each Director has the right to seek independent legal or other professional advice at the Company's expense; and
- any Director having a conflict of interest in relation to a particular item of business must declare their interest and not vote on that item of business and excuse themselves from the Board meeting if required by the Board before commencement of discussion on the topic.

**The Company does not comply with Recommendation 2.4 of the ASX Principles and Recommendations.**

# Corporate Governance Statement continued

## Recommendation 2.5 – Independent Chairman & Chief Executive Officer

The roles of Chairman and Managing Director/Chief Executive Officer of the Company are separately held by Mr Doug Battersby and Mr Maynard Smith respectively. Although the Company's Chairman is a Non-Executive Director he is a substantial shareholder and as such is not an independent Director under the definition of the ASX Principles and Recommendations.

The Board considers Mr D. Battersby's role as Non-Executive Chairman essential to the success of the Company at this stage of its development.

**The Company does not comply with Recommendation 2.5 of the ASX Principles and Recommendations.**

## Recommendation 2.6 – Company Induction and Professional Development of Directors

The Board considers that its Directors are suitably qualified and experienced to fulfil their roles, and that the Board possesses the correct mix of skills for the Board to be able to carry out its function effectively.

Each new Director of the Company is, upon appointment, provided with an induction into the Company's assets and business including policies and procedures. This includes discussions with members of the existing Board, the Company Secretary and other key executives to familiarise themselves with the Company.

**The Company complies with Recommendation 2.5 of the ASX Principles and Recommendations.**

## Principle 3 – Act Ethically and Responsibly

### Recommendation 3.1 – Code of Conduct

The Board has adopted a detailed Code of Conduct For Directors (incorporated in the Corporate Governance Charter) and a Securities Trading Policy. Both are published on the Company's website: [www.byronenergy.com.au](http://www.byronenergy.com.au). The purpose of these codes is to guide Directors, senior executives and employees in the performance of their duties and to define the circumstances in which both the Directors and management, and their respective associates, are permitted to deal in securities.

**The Company complies with Recommendation 3.1 of the ASX Principles and Recommendations.**

## Principle 4 – Safeguarding Integrity in Corporate Reporting

### Recommendation 4.1 – Audit & Risk Management Committees

The Company has an Audit and Risk Management Committee which is governed by its own charter.

Part of the Committee's responsibilities includes:

- advising the Board on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company;
- provision of additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report; and
- reviewing the risk management framework and policies within the Company and monitoring their implementation.

The Company's Audit and Risk Management Committee comprises two Non-Executive Directors, Mr Paul Young (Chairman) and Mr Charles Sands. While Mr Young is not the Chairman of the Board he is not considered independent.

A copy of the Audit and Risk Management Committee Charter (incorporated in the Company's Corporate Governance Charter) is available on the Company's website: [www.byronenergy.com.au](http://www.byronenergy.com.au).

The Board believes that given the size of the Company, the Committee will adequately fulfil its intended role. Nevertheless, it will reassess its ability to do this on a regular basis. The Company may consider appointing further independent Directors in the future at which time it may reconsider the composition of the Audit and Risk Management Committee.

The Company has disclosed the relevant qualifications and experience of the members of the Audit and Risk Management Committee in the Directors' Report.

The Audit and Risk Management Committee met a total of three times during the year ended 30 June 2019.

**While the Company has an Audit Committee in line with Recommendation 4.1 of the ASX Principles and Recommendations, the Company does not comply with Recommendation 4.1 (a) (1) and 4.1 (a) (2) in that it does not have at least three members, all of whom are Non-Executive Directors and a majority of whom are independent Directors, and is chaired by an independent Director, who is not the Chair of the Board.**

# Corporate Governance Statement continued

## Recommendation 4.2 – Declarations from the CEO and CFO

The Managing Director/Chief Executive Officer and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

**The Company complies with Recommendation 4.2 of the ASX Principles and Recommendations.**

## Recommendation 4.3 – External Auditors

The Company invites the auditors to attend the AGM. The auditors are available to answer any questions from shareholders relevant to the audit.

**The Company complies with Recommendation 4.3 of the ASX Principles and Recommendations.**

## Principle 5 – Make Timely and Balanced Disclosure

### Recommendation 5.1 – Disclosure Policy

The Company is committed to providing timely, complete and accurate disclosure of information to allow a fair, and well informed market in its securities and compliance with continuous disclosure requirements imposed by law including the Corporations Act and the ASX Listing Rules.

A copy of the Company's Continuous Disclosure Policy is available on the Company's website: [www.byronenergy.com.au](http://www.byronenergy.com.au).

**The Company complies with Recommendation 5.1 of the ASX Principles and Recommendations.**

## Principle 6 – Respecting the Rights of Shareholders

### Recommendation 6.1 – Information on Website

The Company provides information about itself and its governance to its investors via the Company's website: [www.byronenergy.com.au](http://www.byronenergy.com.au) which contains all relevant information about the Company. The Company will regularly update the website and its contents therein as deemed necessary.

**The Company complies with Recommendation 6.1 of the ASX Principles and Recommendations.**

## Recommendation 6.2 – Investor Relations Program

The Board aims to ensure that shareholders are informed of all major developments affecting the Group's state of affairs.

In line with ASX's continuous disclosure requirements, the Company keeps its shareholders informed through regular reports including the annual reports, half yearly reports, quarterly reports and specific ASX releases covering material developments and other price sensitive information. Shareholders are encouraged to attend and participate at general meetings. The Company's auditors attend the annual general meetings and are available to answer shareholders' questions. The Directors believe that the Company's policies comply with the Guidelines in relation to the rights of shareholders.

In addition, the Company has in place a key investor relations program that aims to facilitate effective two-way communication with investors. The program comprises:

- meetings with key existing and potential shareholders and brokers; and
- presentations to these key stakeholders on the Company's activities and outlook and the industry outlook. Those presentations are released to the ASX prior to those presentations in accordance with the ASX Listing Rules.

**The Company complies with Recommendation 6.2 of the ASX Principles and Recommendations.**

## Recommendation 6.3 – Participation at Meetings of Shareholders

All shareholders are notified in writing of general meetings and encouraged to participate in person or by to ensure a high level of accountability and understanding of the Group's strategy, activities and financial position and performance.

**The Company complies with Recommendation 6.3 of the ASX Principles and Recommendations.**

## Recommendation 6.4 – Electronic Communication

The Company's website, [www.byronenergy.com.au](http://www.byronenergy.com.au) has a facility for investors to send emails to the Company.

The Company's share registry, Boardroom Pty Ltd, has facilities for shareholders to receive and send communications electronically.

**The Company complies with Recommendation 6.4 of the ASX Principles and Recommendation.**

# Corporate Governance Statement continued

## Principle 7 – Recognising and Managing Risk

### Recommendation 7.1 – Risk Committee

The Company has an Audit and Risk Management Committee which is governed by its own charter.

Part of the Committee's responsibilities includes:

- advising the Board on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company;
- provision of additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report; and
- reviewing the risk management framework and policies within the Company and monitoring their implementation.

The Company's Audit and Risk Management Committee comprises two Non-Executive Directors, Mr Paul Young (Chairman) and Mr Charles Sands. While Mr Young is not the Chairman of the Board, he is not considered independent.

A copy of the Audit and Risk Management Committee Charter is included in the Company's Corporate Governance Charter available on the Company's website: [www.byronenergy.com.au](http://www.byronenergy.com.au).

The Board believes that given the size of the Company, the Committee will adequately fulfil its intended role. Nevertheless, it will reassess its ability to do this on a regular basis. The Company may consider appointing further independent Directors in the future at which time it may reconsider the composition of the Audit and Risk Management Committee.

The Company has disclosed the relevant qualifications and experience of the members of the Audit and Risk Management Committee in the Directors' Report.

The Audit and Risk Management Committee met a total of three times during the year ended 30 June 2019.

**While the Company has a committee to oversee risk as recommended by Recommendation 7.1 of the ASX Principles and Recommendations, it does not comply with Recommendation 7.1 (a) (1) & (2) in that it does not have at least three members, a majority of whom are independent directors and is chaired by an independent Director.**

### Recommendation 7.2 – Annual Risk Review

The Board annually reviews and approves the risk framework of the Company.

The Company undertook a review of the Company's risk management framework during the year ended 30 June 2019.

**The Company complies with Recommendation 7.2 of the ASX Principles and Recommendation.**

### Recommendation 7.3 – Internal Audit

Having regard to the size (including a small complement of staff), current ownership structure of the Company and the nature of its activities, the Company does not have an internal audit function. The Board as a whole, in conjunction with the Audit and Risk Management Committee and its external auditor, discharges the function of evaluating and continually improving the effectiveness of its risk management and control processes.

**The Company complies with Recommendation 7.3 of the ASX Principles and Recommendation.**

### Recommendation 7.4 – Economic, Environmental and Social Sustainability Risks

The Company's performance is subject to business, financial and operational risks including but not limited to:

- industry risks associated with exploration and production of oil and gas generally and offshore operations specifically, including inability to find or replace reserves;
- oil and gas price risk;
- economic risks, such as changes in economic conditions that may adversely impact the Company's business or operations;
- environmental risks due to oil spills, natural gas leaks, pipeline ruptures or discharges of toxic gases;
- financial risks including access to needed capital on satisfactory terms; and
- social sustainability risks.

The key areas of risk, uncertainty and material issues facing the Company in executing its strategy and delivering on its targets are included in the Directors' Report incorporated in the Company's Annual Report.

The Company's Risk Management Policy incorporates these risks into a formal risk profile prepared by management to keep the Board informed about risks of this nature facing the Company. This risk profile is reviewed and updated at least annually.

**The Company complies with Recommendation 7.4 of the ASX Principles and Recommendation.**



# Corporate Governance Statement continued

## Principle 8 – Remunerate Fairly and Responsibly

### Recommendation 8.1 – Remuneration Committee

Having regard to its size, with a small complement of staff and executive, the Company does not currently have a dedicated Remuneration Committee. The task of ensuring that the level of Director and executive remuneration is appropriate and competitive, and that its relationship to performance is clear, is dealt with by the Board.

**The Company does not comply with Recommendation 8.1 of the ASX Principles and Recommendation.**

### Recommendation 8.2 – Disclosure of Remuneration Policies and Practices

The Company's policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of Executive Directors and other senior executives is disclosed in the in the Remuneration Report which forms part of the Directors' Report.

**The Company complies with Recommendation 8.2 of the ASX Principles and Recommendation.**

### Recommendation 8.3 – Policy on Equity Based Remuneration Scheme

From time to time Executive Directors, employees and consultants may be offered options subject to approval by shareholders where required.

Under the Company's Securities Trading Policy, available on the Company's website: [www.byronenergy.com.au](http://www.byronenergy.com.au) senior executives and Directors are prohibited from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of any equity based remuneration packages, such as options and employee incentive rights.

**The Company complies with Recommendation 8.3 of the ASX Principles and Recommendation.**