

2018

SENEX ENERGY LIMITED  
CORPORATE GOVERNANCE STATEMENT

# DELIVERING WITH PURPOSE

This Corporate Governance Statement should be read in conjunction with the Directors' Report (including the Remuneration Report) on pages 42 to 64 of the Senex FY18 Annual Report. This statement summarises the company's main corporate governance principles and practices.

Senex seeks to deliver with purpose by providing oil and gas to improve lives and support the energy needs of Australia and the world. Our mission and values underlie the need for effective and fit for purpose corporate governance practices to ensure there is an appropriate framework for the company to deliver against stakeholder expectations.



## OUR PURPOSE

### We are Senex Energy

A growing and independent company, providing oil and gas to improve lives and support the energy needs of Australia and the world.



## OUR MISSION

### We are united

- » We protect our people and the environment
- » We build quality relationships with our customers, partners and stakeholders
- » We deliver what we promise
- » We attract and retain talented people with drive and energy
- » We create value for our investors



## OUR VALUES

### We value

- » Protecting our people and the environment
- » Integrity in everything we do
- » Striving for excellence
- » Winning together

# CORPORATE GOVERNANCE STATEMENT FOR FY18

In FY18 the following suite of corporate governance policies were in place:

- » Code of conduct
- » Compliance policy
- » Conflicts of interest policy
- » Diversity policy
- » Disclosure and communications policy
- » Environmental management policy
- » Health, safety and welfare policy
- » Privacy policy
- » Risk management policy
- » Remuneration policy
- » Securities trading policy
- » Tax risk management policy
- » Treasury risk management policy
- » Whistleblower policy

The company's approach to corporate governance has been modelled on the recommendations contained in the ASX Corporate Governance Council's Principles and Recommendations (3rd Edition) (**ASX Corporate Governance Council Guidelines**). The Board believes that Senex has complied with all of the ASX Corporate Governance Council Guidelines.

## PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### Board responsibilities

The company's Board Charter defines the functions reserved to the Board and those delegated to management in order to ensure the company delivers on its strategy and delivers results to its shareholders. A copy of the Board charter is available on the company's website in the corporate governance section. The discharge of the Board's responsibilities is discussed throughout this corporate governance statement. The Board Charter continues to be appropriate to the company's needs.

The Board delegates certain of its responsibilities to the Managing Director and senior management of the company through a Delegated Authorities Manual (DAM). The DAM is a confidential internal document that is regularly reviewed and is designed to allow appropriate levels of authority within a framework of controls.

The Board has established three standing committees – the Audit and Risk Committee, the People and Remuneration Committee and the Nomination Committee. The composition, structure, purpose and responsibilities of those committees are described in more detail below. The Board may also delegate specific functions to ad-hoc committees or certain Directors from time to time on an 'as needs' basis, typically for transaction related matters. The Board charter contains a procedure for the Directors to obtain independent professional advice at the expense of the company.

### Director Appointments and Resignations

The following changes to directors occurred in FY18:

- » Ms Yanina Barila resigned as a director on 21 December 2017
- » Mr Andy Zhmurovsky was appointed on 1 January 2018

Mr Andy Zhmurovsky is the nominated representative of EIG Global Energy Partners, a substantial holder in the company. Andy was the subject of the usual and appropriate checks prior to being appointed as a director and has received an induction to the company. He has almost 20 years' investment banking and private equity experience focused on companies and assets in the energy sector. Since 2008, Andy has been based in Sydney and focused on the Australian market. He was appointed Managing Director of EIG Global Energy Partners' Australian business in 2015.

### Company Secretary

On 18 April 2018, Mr Frank Connolly resigned as Company Secretary. Mr David Pegg (who served as joint Company Secretary when Frank Connolly was Company Secretary) continues to serve as Company Secretary in addition to his role as General Counsel.

The Company Secretary is accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

### Terms of appointment

The company has signed a letter of appointment between it and each Director that sets out the terms of their appointment, duties, rights and responsibilities, and entitlements on termination. The company also provided each Director with an induction to the corporate structure, governance, business and risk management systems, and operations.

### Diversity

The company has a diversity policy which aims to create a workplace culture that attracts and retains well-qualified, diverse and motivated people. The sustainable development section of this annual report contains a breakdown of the number of men and women employed by the company and their relative seniority. A copy of the company's diversity policy is available on the company's website in the Corporate Governance section.

### Senior executive performance

The company undertakes an annual performance evaluation process for all Senior Executives and did so in FY18. The Remuneration Report on pages 48 to 64 of the FY18 Annual Report sets out details of the FY18 annual performance evaluation process undertaken for Senior Executives.

## PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

### Composition of the Board

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

- » The Board, advised by the People and Remuneration Committee, determines the size and composition of the Board and each Board committee, subject to the terms of the Constitution.
- » The directors should bring appropriate qualifications and experience to the Board in order to contribute to business needs and the company's overall strategy.
- » The Board should comprise a majority of independent non-executive directors.
- » The Chairman must be an independent non-executive director.
- » The Board and each Board committee should meet regularly in a pre-arranged cycle and follow agreed meeting guidelines to ensure all directors are made aware of all agenda items and are provided with all necessary information to enable them to participate in informed discussion.

The Directors in office at the date of this statement are:

Name	Position
Trevor Bourne	Chairman, Independent Non-executive Director
Ian Davies	Managing Director and Chief Executive Officer
Ralph Craven	Independent Non-executive Director
Timothy Crommelin	Non-executive Director
Debra Goodin	Independent Non-executive Director
John Warburton	Independent Non-executive Director
Andrey Zhmurovsky	Non-executive Director

Further information regarding Board committee meetings and the level of attendance by committee members for FY18 is set out in the Directors' report at page 42 of the FY18 Annual Report.

### Independence

The company complied with recommendation 2.1 of the ASX Corporate Governance Council Guidelines throughout FY18. A majority of the Non-executive Directors were considered to be independent throughout FY18. The roles of Chairman and Managing Director are exercised by different individuals.

As at the date of this report, the Directors' status is as follows:

NAME	INDEPENDENT	COMMENT
Mr Trevor Bourne (Chairman)	Yes	
Dr Ralph Craven	Yes	
Ms Debbie Goodin	Yes	
Dr John Warburton	Yes	
Mr Ian Davies	No	Managing Director and Chief Executive Officer
Mr Andrey Zhmurovsky	No	Employee of a substantial shareholder (EIG)
Mr Crommelin	No	Executive Chairman of Morgans Financial Limited, a material professional advisor to the company

### People and Remuneration Committee

The Board has a People and Remuneration Committee, which has two primary functions:

- » support and advise the Board on remuneration and remuneration-related matters; and
- » to advise the Board on alignment of the interests of employees and shareholders in remuneration matters.

### Nomination Committee

The Board also has a Nomination Committee whose role includes Board succession planning and the selection and appointment practices of the company in relation to the Board and Senior Executives and advise the Board regarding these matters.

The People and Remuneration Committee and Nomination Committee have charters which set out the roles and responsibilities, composition and structure and can be found on the company's website in the Corporate Governance section.

### Director performance review and evaluation

It is the policy of the Board to ensure that the directors are equipped with the knowledge and information they need to discharge their responsibilities effectively. Performance of Directors is continually monitored by the Chairman of the Board. The Board has not formally documented the results of performance evaluations to date. A Director whose performance is unsatisfactory may be asked to retire.

The composition of skills and experience of the Board as at the date of this report is shown in the table below.

SKILLS AND EXPERIENCE AND DIVERSITY	SENEX BOARD REPRESENTATION (OUT OF 7 DIRECTORS INCLUDING MANAGING DIRECTOR AND CEO)
<b>Strategy:</b> Prior experience in setting and delivering company strategy.	7
<b>Industry experience:</b> Experience in the resources and energy sector, with an upstream explorer/producer or service provider.	6
<b>Financial expertise:</b> Senior executive experience in financial accounting and reporting; qualification in accounting or finance.	7
<b>Health, safety and sustainability:</b> Experience in oversight of health, safety, environmental and sustainability issues in an organisation.	4
<b>Governance:</b> Tenure as a non-executive director or member of governance bodies outside Senex.	6
<b>Risk Management:</b> Prior experience in risk management and internal controls.	7

The Board, through the Nomination Committee, will review the performance of each Director who is retiring by rotation under the Constitution and seeking re-election. The results of this review will form the basis of the Board's recommendation to shareholders on the proposal for re-election of the Director.

## PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

### Code of conduct

Senex's activities are underpinned by our purpose, mission and values. Certain standards of behaviour are expected of the company's Directors, employees, and contractors. These are set out in more detail in the company's code of conduct. The code of conduct is available on the company website in the Corporate Governance section.

### Securities dealings

The company has a securities trading policy that regulates dealing in its securities by directors, executives and employees (personnel) and their associates. The Board restricts personnel from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security price.

In addition to an overriding prohibition on dealing in securities when a person is in possession of inside information, personnel are prohibited from dealing in the company's securities during certain blackout periods as follows:

- » the period, typically 14 days, prior to, and the day of release by ASX of the company's annual and half yearly reports;
- » the period prior to release by ASX of a significant announcement by the Company; and
- » such other times as the company Secretary, Chief Executive Officer or Chairman advises.

A copy of the securities trading policy is available on the company's website in the Corporate Governance section.

## Handling Conflicts of Interest

The company manages actual and potential conflicts of interest in accordance with its Code of Conduct and its conflict of interest policy, both of which are available on the company's website in the Corporate Governance section. Directors have an obligation to identify, disclose, monitor and manage any conflict of interest. It is part of the role of the Chairman, under Board Charter, to monitor performance of Board including the management of conflicts of interest.

A director who has a material personal interest in a matter being considered at a directors' meeting must not be present while the matter is being considered at the meeting or vote on the matter unless the rest of the board have passed a consent resolution.

The Board has determined that a director or executive who has an interest in Senex shares is not, solely on the basis of that interest, in a position where their obligations to the company conflict with their personal interest, because their interest aligns with the interests of the company's shareholders as a whole.

Mr Tim Crommelin, a non-executive director of the company, is Executive Chairman of Morgans, and has given standing notice of a potential conflict of interest in any interaction or dealing between the company and Morgans.

Mr Andy Zhmurovsky, a non-executive director of the company, is Managing Director of EIG Global Energy Partners' Australian business and has given a standing notice of a potential conflict of interest in any interaction or dealing between the company and EIG and EIG related entities.

## PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

### Audit and Risk Committee

The company has an Audit and Risk Committee that comprises three non-executive directors, the majority of whom are independent, and each of whom possesses sufficient financial expertise and knowledge of the industry in which the company operates. The Audit and Risk Committee is chaired by Ms Goodin, an independent Non-executive Director. The Audit and Risk Committee charter setting out its role, responsibilities, composition and structure can be found on the company's website in the Corporate Governance section.

### Financial integrity

The Board received assurance from Mr Davies as Managing Director and Mr Mallett as Chief Financial Officer that in their opinion, the financial records of the entity have been properly maintained and that the financial statements on the basis of a sound system of risk management and internal control which is operating effectively.

The company's external auditor attended the 2017 annual general meeting in order to answer questions from shareholders.

## PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The company has a disclosure and communications policy that seeks to ensure timely and balanced disclosure and accountability at senior management level for compliance with its continuous disclosure obligations. The disclosure and communications policy is available on the company's website in the Corporate Governance section.

The company is committed to providing timely, full and accurate disclosure and to keeping the market informed through quarterly releases detailing exploration, development and production, and through annual and half-yearly reports to shareholders. Updates on material drilling activities are also provided as and when required. The company has an internal investor relations function that works with analysts and shareholders as another means of keeping the market fully informed.

As required by ASX Listing Rules, all material matters are disclosed to the ASX immediately (and subsequently to the media, where relevant). All material investor presentations are released to ASX and are posted on the company's website. Shareholders, and indeed any interested parties, can subscribe to a free email notification service and receive notice of any announcement released by the company.

## PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

The company's public website provides a high standard of communication and information to all stakeholders to allow them to make informed decisions regarding risks and potential returns from the company's assets and operations.

The company's internal corporate communications team ensures the website is regularly updated and that it contains all ASX announcements, both present and historical, quarterly, half yearly and annual reports, financial statements, and information on the company's various operations and assets. Webcasts, podcasts, videos and transcripts are also available on the website.

Communications with investors are handled by a dedicated investor relations team that, together with the corporate communications team, ensures that investors and other stakeholders have access to information about the company. Those communications take place by phone, in person, over email, at briefings, through analysts, and at the company's AGM. Shareholders are actively encouraged to use these channels to become more informed about the company and its operations. The company's share registry provider accepts email communications from shareholders.

The company's disclosure and communications policy contains further details of the manner in which the company seeks to promote effective communication and is available on the company's website in the Corporate Governance section.

## PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

The Board, supported by the Audit and Risk Committee and the Executive Committee, is responsible for implementing the company's enterprise risk management (ERM) framework, which has been designed based on guidance in the Australian standard for risk management AS/NZS ISO 31000:2009 and the following key principles:

- » Clear governance and management structure and documentation
- » Defined type of activities to be risk assessed
- » Defined key roles and responsibilities
- » Common risk definitions and categories
- » Common risk assessment tools and techniques
- » Consistent risk assessment recording (i.e. risk registers, forms, etc.)
- » Consistent risk assessment event format (i.e. meetings, workshops, etc.)

Under the Senex ERM Framework the company uses a common language around risk identification and management across field operations and office-based teams.

The Senex ERM Framework incorporates an entity-level view of risk, an understanding of risk management options and the use of consistently developed risk information to support decision making and management practices. The Senex ERM Framework focuses on the key risks to achieving organisation goals, from operational and business activities through to strategy implementation.

As part of the ERM, the Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The company's senior executives have implemented the company's ERM framework and internal controls in a manner that is consistent with the strategic risk appetite that is set by the Board.

The Senex ERM Framework is discussed further in the corporate governance and risk section (pages 38 to 41) of the FY18 Annual Report, including further detail regarding the material risks facing the company's business.

Copies of the risk management and compliance policies are available on the company's website in the Corporate Governance section.

The company does not currently have an Internal Audit function for a number of reasons:

- » the company's business management system continues to ensure adequate internal controls are in place and followed;
- » the company has dedicated management bodies to oversee significant or key transactions or expenditure, namely its Procurement Board and Investment Committee;
- » external auditors provide a high level of financial assurance;
- » internal and external resources are utilised where considered appropriate to assist with specific assurance activities; and
- » external consultants assist with assurance activities.

The Board, with advice from the Audit and Risk Committee, annually reviews the need for an in-house internal audit function.

Senex's external auditor is EY. The Audit and Risk Committee is responsible for making recommendations to the Board on the selection, appointment, reappointment and replacement (if applicable subject to shareholder ratification) and independence of the external auditor. For more information about the external auditor please refer to the Director's Report in the FY18 Annual Report and for more information about the role of the Audit and Risk Committee please refer to the Corporate Governance section on the company website.

## PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

### People and Remuneration

Dr Craven, an independent Non-executive Director, chairs the company's People and Remuneration Committee, which comprises three Non-executive Directors, the majority of whom are independent. The charter for the People and Remuneration committee can be found on the company's website in the Corporate Governance section.

The company's approach to remuneration is designed to ensure that Directors, senior executives and employees are motivated to drive strategic outcomes and deliver value to shareholders, within the context of the company's long-term financial stability and risk management framework.

Remuneration is structured to attract and retain the most appropriate and qualified personnel. Fixed and performance based remuneration, including a component of equity remuneration, is used by the company. The company's remuneration policy contains provisions for the clawback of remuneration from senior executives in certain circumstances. The company has a right to clawback the performance related component (including unvested or vested but unexercised entitlements) of a senior executive's remuneration where any measure of the company's performance as it relates to a performance condition is misstated or any incentive payments or rights vest incorrectly in reliance on the misstated level of performance.

The Remuneration Report on pages 48 to 64 of the FY18 Annual Report sets out details of the company's policies and practices for remunerating directors (executive and non-executive) and key management personnel.

The remuneration of Non-executive Directors is structured separately from that of the executive directors and Senior Executives. No Senior Executive or Director is involved in the decision-making process for their own remuneration.



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