



## **Energy One Limited**

### **Corporate Governance Policy**

Energy One Limited (the “Company”) and its board of Directors (the “Board”) are committed to achieving and demonstrating high standards of corporate governance.

Set out below is the Company's Corporate Governance Policy, the underlying principles are as follows :-

- 1 Lay solid foundations for management and oversight
- 2 Structure the board to add value
- 3 Promote ethical and responsible decision-making
- 4 Safeguard integrity in financial reporting
- 5 Make timely and balanced disclosure
- 6 Respect the rights of shareholders
- 7 Recognise and manage risk
- 8 Remunerate fairly and responsibly

Each of these principles are dealt with in detail below.

#### **Principle 1**

##### **Laying Solid Foundations for Management and Oversight**

###### ***Recommendation 1.1 - Role of the Board and Management***

The Board acknowledges that it is responsible for guiding and monitoring the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. To this end the Board is responsible for creating and safeguarding shareholder value.

The Board delegate's responsibility for the operation and administration of the Company, including the day-to-day management of Energy One's affairs and the implementation of corporate strategy and policy initiatives, to the Chief Executive Officer (the "CEO") and the Senior Executives.

The Board is responsible for ensuring that management's objectives and activities are aligned with those of the shareholders and the Board. The Board's functions include:

- Protecting and advancing the interests of the shareholders.
- Providing strategic guidance for the Company.
- Providing effective oversight of management.
- Ensure that the Company operates ethically and responsibly and in compliance with internal codes of conduct, legal and regulatory requirements.
- Ensuring that any significant risks are identified, assessed, appropriately managed and monitored.
- Overseeing and review the performance of the Senior Executives.
- Ensuring the integrity of financial reporting.
- Ensuring a high standard of corporate governance.
- Enhancing and protecting the reputation of Energy One.
- Ensuring the Board structure and its composition is effective.
- Overseeing shareholder communication.

**Recommendation 1.2 - Director Checks**

The Company performs checks on all potential directors and includes checks on a character, experience, education, criminal record and bankruptcy history. Directors are required to provide consent for the Company to perform such checks.

Directors' details, including their relevant qualifications and experience and the skills they bring to the Board are detailed on the Company website and within the Annual Report. Details of any other material directorships currently held are also provided within the Annual Report. Directors' are required to table at Board Meetings details of new commitments and specifically acknowledge that they have sufficient time to fulfil their duties as a Director of the Company.

**Recommendation 1.3 - Written Agreement with each Director and Senior Executive**

Non-Executive Directors are engaged by the Company under letters of appointment and senior executives are engaged under service contracts. These address the roles and responsibilities of individuals.

Details of the appointment of and service contracts for senior executives are provided in the Remuneration Report within the Annual Report.

**Recommendation 1.4 - Company Secretary**

The Company Secretary reports directly to the Board, through the Chairman, on all matters to do with the functions of the Board.

**Recommendation 1.5 - Diversity**

The Company recognises that diversity is a critical aspect of effective management of its people and their contributions to the success of the Company. This diversity is reflected in the differences in gender, race, age, culture, education, family or carer status, religion and disability which is found across the Company. With regard to the relatively small number of staff at present, the Board does not consider it necessary to establish a policy concerning diversity at this time.

The Company employs less than 100 staff and is not a "relevant employer" under the Workplace Gender Equality Act.

**Recommendation 1.6 - Board Performance Assessment**

The Board undertakes an informal process of self-assessment of its performance, and the performance of its committees. During the reporting period, the Board has undertaken an assessment of individual Directors performance informally via discussions between each Director and the Chairman.

**Recommendation 1.7 - Performance Evaluation of Senior Executives**

The Board regularly evaluates management's performance against various criteria and requires senior executives to formally address the Board on execution of strategy and associated issues.

Senior Executive performance evaluation is undertaken each year and was undertaken during the reporting period as follows :-

- the performance evaluation of the Chief Executive Officer was undertaken by the Remuneration Committee; and
- the performance evaluation of other Senior Executives was undertaken by the Chief Executive Officer, with the Remuneration Committee's oversight of their objectives and performance assessments.

**Principle 2****Structure the Board to Add Value****Recommendation 2.1 - Nomination Committee**

Given the small size of the Energy One Board, the Nomination Committee comprise the full Board. The Board

regularly review its composition to ensure that the Board continues to have the mix of skills and experience necessary for the conduct of the Company's activities. There is currently no Nomination Committee Charter. The Board meeting attendance is disclosed in the Annual Directors Report.

The Board continually monitors the need for additional skills on the Board and Board member succession issues. It will make Board appointments as appropriate. Any director appointed to fill a vacancy must stand for election by shareholders at the next Annual General Meeting. In addition, one-third of the Non-Executive Directors, and any other director who has held office for three years or more since last being elected, must retire from office and, if eligible, stand for re-election. The CEO is exempt from retirement by rotation.

#### ***Recommendation 2.2 - Board Skills Matrix***

The Company has informal process to review the Board skills at Board meetings without having a defined board skills matrix. The Board benefits from the combination of Directors' individual skills, experience and expertise in particular areas, as well as the varying perspectives and insights that arise from the interaction of Directors with diverse backgrounds.

The Directors believe the skill base of the current Directors is appropriate and adequate for the Company given its present size and stage of development.

#### ***Recommendation 2.3 - Directors Independence***

The following principles apply in respect of the Board:

- The majority of Non-Executive Directors on the Board should ideally be composed of independent directors, however based on the size of the Company and Board this may not be possible.
- All directors, whether independent or not, should bring independent judgment to bear on board decisions. A procedure will be agreed whereby, in appropriate circumstances, directors can have access to independent professional advice at the Company's expense.
- Non-executive directors are encouraged to confer regularly without management present, including at scheduled sessions.
- Specifically, the ASX Corporate Governance Principles and Recommendations 3<sup>rd</sup> Edition state that an independent director is a Non-Executive Director who:
  - is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
  - within the last three years has not been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
  - within the last three years has not been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided;
  - is not a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
  - has no material contractual relationship with the Company or another group member other than as a director of the Company;
  - has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company
  - is free from any interest and any business or other relationship, which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

The Company views that although a Director is a substantial shareholder they are deemed to be "independent" if they are independent of management and free of any business or other relationship that

could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

Where the independence status of a director changes, the Company will provide immediate notification of such change to the market. The Board regularly assess whether each non-executive director is independent.

Directors' independence and the length of service of each Director is reported within the Annual Report.

***Recommendation 2.4 - Majority of Directors Independent***

50% of the Non-Executive Directors on Board of the Company are Independent Directors. The remaining Directors are deemed "independent" as per recommendation 2.3. There is one non-independent Executive Director on the Board.

***Recommendation 2.5 - Independent Chairman & Chief Executive Officer***

The Chairman is deemed "independent" as per recommendation 2.3 and The Chairman and Chief Executive Officer are separate persons.

***Principle 2.6 - Company Induction and Professional Development of Directors***

The Company has an established program for the induction of new Directors. This induction covers all aspects of the Company's operations including the provision of information and meetings with relevant Senior Executives so as to ensure that new Directors are able to fulfil their responsibilities and contribute to Board decisions.

The Directors, the Board and the Board Committees may seek external professional advice, as considered necessary, at the Company's expense, with the consent of the Chairman and assistance of the Company Secretary. If appropriate, any advice received will be made available to all Directors.

**Principle 3**

**Act Ethically and Responsibly**

***Recommendation 3.1 - Code of Conduct***

The Board, in recognition of the importance of ethical and responsible decision-making has adopted a Code of Conduct for all employees and Directors, which outlines the standards of ethical behaviour and is essential to maintain the trust of all stakeholders and the wider community.

The Code requires high standards of personal integrity, objectivity and honesty in all dealings. The Code also requires a respect for the privacy of customers and others and compliance with the law and Energy One policies.

This Code is provided to all directors and employees as part of their induction process. The Code is subject to ongoing review and assessment to ensure it continues to be relevant to contemporary conditions and is available on the Company's website. All directors, executive officers and employees are responsible for taking appropriate action in proven cases of illegal behaviour outside the spirit of this Code in the workplace.

Energy One's Code of Conduct is endorsed by the Board and applies to all Directors and employees. The Board and management of Energy One Limited are committed to the Code of Conduct which is based on the Company's core values of acting with integrity, fairness and honesty along with legal and fiduciary obligations to all legitimate stakeholders including shareholders, customers, employees and the broader community.

### *Gifts and benefits*

Employees shall not seek or accept gifts, payments, fees, services, privileges, vacations or pleasure trips without a business purpose, loans (other than conventional loans from lending institutions), or other favours from any person or business organisations that does or seeks to do business with, or is a competitor of Energy One. No employee shall accept anything of value in exchange for referral of third parties to any such person or business organisation. This does not prohibit an employee from accepting a gift of nominal value made in the course of a normal business relationship.

### *Confidentiality*

Information concerning Energy One and its clients is confidential and must not be released without authorisation from a manager. Information gained through dealings with clients should only be used in the course of employment.

### *Privacy Act obligations*

Employees must comply with the Privacy Act. Employees have an obligation and personal responsibility to respect clients', and all individuals' rights to privacy. This means doing everything the security of any personal information handled in the course of employment.

### *Protecting confidential information*

Commercially sensitive documents, records and files should be stored securely and not left where visible. Confidential information should not be left on computer screens and computer access passwords must not be shared with others.

### *E-mail and internet*

Computer systems should be secured and used for business purposes only. This ensures the long-term integrity of the systems and confidentiality of business, customer and employee data. Employees must not misuse email or Internet systems and should refer to Energy One's Email and Internet Usage policy, which they are required to sign at the time of employment.

### *Confidentiality after ceasing employment*

When signed, Energy One's Code of Conduct legally obliges staff to keep any information acquired during employment confidential, even after employment ceases. Staff cannot pass on information about Energy One's business, customers, suppliers or staff.

### *Drugs and alcohol*

The use of drugs and alcohol may impair an employee's capacity to perform their job safely, efficiently and with respect for work colleagues and clients. No employees are to work whilst under the influence of alcohol or drugs. Employees found to be under the influence of drugs or alcohol, or in possession of illegal drugs whilst at work will be subject to disciplinary action and in some cases, their employment may be terminated. Employees who from time to time require prescription medication that affects or has the potential to affect their ability to carry out their duties in a safe manner are required to report the taking of any such medication to their manager.

### *Securities trading policy*

The Company's Securities Trading Policy specifically prohibits Directors, officers and employees from entering into transactions or arrangements which limit the economic risk of unvested entitlements under an employee share scheme. A copy of the Securities Trading Policy can be found on the Investors page of the Company website.

## **Principle 4**

### **Safeguarding Integrity in Corporate Reporting**

#### ***Recommendation 4.1 - Audit & Risk Management Committees***

The Audit & Risk Committee provides assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reporting, internal control structure, risk management systems, and the internal and external audit functions.

The main responsibilities of the Audit & Risk Committee are to :-

- Recommending the external auditor's appointment/removal, reviewing the auditor's performance and audit scope.
- Consider the independence and competence of the external auditor on an ongoing basis.
- To help the Board oversee the risk management framework.
- Reviewing the Company's published financial results.
- Reporting to the Board on matters relevant to the committee's role and responsibilities.
- Review and monitor Energy One's compliance with law and ASX Listing Rules.
- Review and monitor related party transactions and assess their propriety.

The Audit & Risk Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party. Each Committee member has access to the external auditors and the auditor has access to each Committee member and members of management.

The Chairperson of the Audit & Risk Committee is a Non-Executive Director and is not chairperson of the Board and is deemed independent as per recommendation 2.3. The committee is made up of three non-executive directors, and the majority are deemed independent directors as per recommendation 2.3. Details of the relevant qualifications and experience of the members of the Committee and the number of times the Committee met are detailed within the Directors' Report with the Annual Report.

#### ***Recommendation 4.2 - Declarations from the CEO and CFO***

The Chief Executive Officer and the Chief Financial Officer are required to make a declaration in accordance with section 295A of the Corporations Act that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards, and to provide assurance that the declaration is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects.

#### ***Recommendation 4.3 - External Auditors***

The policy of Energy One and the Audit Committee is to appoint an external auditor, which clearly demonstrates quality and independence. The performance of the external auditor is reviewed and assessed annually. Should a change in auditor be considered necessary a formal tendering process will be undertaken. The Audit Committee identify the attributes required of an auditor and ensure the selection process is sufficiently robust so as to ensure selection of an appropriate auditor.

The external auditor is required to attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

## **Principle 5**

### **Making Timely and Balanced Disclosure**

#### ***Recommendation 5.1 - Disclosure Policy***

The continuous disclosure requirements of the ASX are contained in Chapter 3 of the ASX Listing Rules and are adopted by the Company. The Company ensures all investors have equal and timely access to material information concerning the Company and to enable a normal investor to make an informed assessment of the Company's activities and trading results.

As soon as a Director, Senior Executive, employee, contractor or consultant becomes aware of material information, they are required to immediately notify the Chief Executive Officer or the Company Secretary, who will review the information to determine if it constitutes material information which should be disclosed to the market. If the notification constitutes material information, a draft announcement will be prepared for approval by the Chairperson and / or the Board. All Directors of the Company are provided with copies of the announcement when ASX confirmation is received.

The Chief Executive Officer and Company Secretary are responsible for:

- Making sure that the Company complies with the continuous disclosure requirements under the ASX Listing Rules;
- Overseeing and coordinating disclosure of information to the ASX, analysts, brokers, shareholders, the media and the public; and
- Educating directors and staff on the Company's disclosure policies and procedures and raising awareness of the principles underlying continuous disclosure.

Market sensitive and material information will be publicly released through the ASX before disclosing it to analysts or others outside the Company.

Where uncertainty arises as to the meeting of continuous disclosure obligations, the Company Secretary may seek external legal advice. The Board monitors the implementation and effectiveness of the continuous disclosure procedures and promotes the understanding of compliance.

## **Principle 6**

### **Respecting the Rights of Shareholders**

#### ***Recommendation 6.1 - Information on Website***

The Company provides information about itself and its governance to investors via its website and has a "Corporate Governance" landing page where all relevant corporate governance information can be accessed.

The company website also includes links to copies of its annual reports and financial statements; copies of its ASX announcements; copies of Notices of Meetings, as well as an overview of the Company's business activities in appropriate areas of the website.

#### ***Recommendation 6.2 - Investor Relations Program***

The Board aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. As per the continuous disclosure requirements in the ASX listing rules, Energy One Limited will immediately disclose any information that a reasonable person would expect to have a material effect on the value of our securities.

The Board seeks to inform shareholders of all major developments affecting the Company by allowing investors and other financial market participants to gain a greater understanding of the entity's business, governance, financial performance and prospects.

The Company's main objectives are for concise communication and easy access to information. Information is communicated to shareholders and stakeholders through a range of mediums, including :-

- ASX announcements;
- Annual Report, which is available in hardcopy, electronically and online;
- Presentation of full year reports;
- the Company's Annual General Meeting (AGM). Information related to the AGM are available on the Company's website and announced to the ASX;
- the Company's website is regularly updated.

**Recommendation 6.3 - Participation at Meetings of Shareholders**

The Board encourages the full participation of shareholders at its annual general meetings and welcomes questions from shareholders on relevant issues.

Energy One will request the External Auditor to attend the annual general meeting to be able to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditors report.

**Recommendation 6.4 - Electronic Communication**

Shareholders who have made an election receive communications including the Company's Annual Report on the Company's website or by email. The Company has the capability to communicate with shareholders electronically through its website, email communications and via the share registry. Electronic contact details are provided on the Company's website.

**Principle 7****Recognising and Managing Risk****Recommendation 7.1 - Risk Committee**

The Audit & Risk Committee determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

The main responsibilities of the Audit & Risk Committee are:

- to establish a sound system of risk oversight and management and internal control under which Energy One can identify, assess, monitor and manage risk;
- to inform the Board of material changes to the risk profile of Energy One and maintain appropriate risk management practices and systems throughout the operations of Energy One; These functions include but are not limited to :-
  - Ensuring Energy One's senior executives adhere to any monitoring program set down by the Risk Committee.
  - Identifying any un-hedged exposure and the rationale for such a position.
  - Ensuring appropriate risk limits are set and adhered to.
  - Ensuring the conditions of the Company's Australian Financial Services licence are being adhered to.

The Audit & Risk Committee members are all required to possess sufficient technical expertise and industry knowledge to fulfill the functions of the Committee. It is composed of at least three members, the majority of whom are independent, and it is chaired by a Director who is deemed to be independent. Details of the relevant qualifications and experience of the members of the Committee and the number of times the Committee met are detailed within the Annual Report.

**Recommendation 7.2 - Annual Risk Review**

Management report to the Board on the effectiveness of the Company's material business risks.

The risk management framework is reviewed at least annually by the Audit & Risk Committee and has been reviewed for the year ended 30 June 2014.

The Chief Executive Officer and the Chief Financial Officer are required to make a declaration in accordance with section 295A of the Corporations Act that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards, and to provide assurance that the declaration is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects.

**Recommendation 7.3 - Internal Audit**

The Company does not have a formal internal audit function. The Company's Management periodically undertakes an internal review of financial systems and processes and where systems are considered to require



improvement these systems are developed. Authority delegations are review annually by the Audit & Risk Committee.

#### ***Recommendation 7.4 Sustainability Risks***

The Board is regularly briefed by management and involved in discussions in relation to material exposure to economic, environmental and social sustainability risks facing the Company.

### **Principal 8**

#### **Remunerate Fairly and Responsibly**

##### ***Recommendation 8.1 – Remuneration Committee***

The Remuneration Committee reviews and makes recommendations on Director and senior executive remuneration and overall staff remuneration and incentive policies.

The main responsibilities of the Remuneration Committee are:

- Non-executive director remuneration.
- Staff incentive plans including bonus, share and option plans.
- Salary, benefits and total remuneration packages of the Chief Executive Officer and senior executives.
- Employee succession planning.
- Review and approve the Chief Executive Officer's recommendation for annual salary for employee salary reviews.
- The company's recruitment, retention and termination policies and procedures for Chief Executive Office and senior executives.
- Report on executive remuneration, which is required pursuant to any Listing Rule or legislative requirement or which is proposed for inclusion in the annual report.

The Remuneration Committee is composed of the entire Board of Directors, the majority of whom are independent or deemed independent as per recommendation 2.3, and it is chaired by Chairman of the Board. Details of the relevant qualifications and experience of the members of the Committee and the number of times the Committee met are detailed within the Annual Report.

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

Energy One's remuneration policy ensures that remuneration packages properly reflect the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The Remuneration Committee reviews and makes recommendations to the Board on director and senior executive remuneration and overall staff remuneration and incentive policies.

When making recommendations, the Committee aims to design policies that attract and retain the executives needed to run the Company successfully and to motivate executives to pursue appropriate growth strategies while aligning shareholder return with remuneration.

Remuneration for senior executives typically comprises a package of fixed and performance based components. The Committee may, from time to time, seek advice from special remuneration consulting groups so as to ensure that the Board remains informed of market trends and practices, and did so in this financial year.

Executive remuneration and the terms of employment are reviewed annually having regard to personal and corporate performance, contribution to long-term growth, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, performance-related bonuses and fringe benefits.

Performance-related remuneration for key management during the 2014 financial year was tied to Company profitability.

Executives are also entitled to participate in the employee share and option arrangements. The executive directors and executives receive a superannuation guarantee contribution required by the government, which was 9.25% in the year ended 30 June 2014, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is measured at the cost to the Company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

Non-executive directors are entitled to be paid fees and those fees will be as agreed or adjusted by them, from time to time. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the employee option plan. Directors meet individually on a yearly basis with the chairman to discuss their performance.

#### *Key Management Personnel Remuneration Policy*

The remuneration structure for key management personnel is based on a number of factors, including the particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future.

Employment contracts stipulate various notice periods. The Company may terminate an employment contract without cause by providing written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment as per relevant legislation. The employment conditions of the Managing Director, Mr Ankers and other key management personnel are formalised in contracts of employment. All key management personnel are permanent employees of Energy One Limited. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

The remuneration committee determines the proportion of fixed and variable compensation for each key management personnel. Other than options and bonuses, compensation is not related to performance. Refer to the table on the next page.

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

The Company has an "Energy One Equity Incentive Plan", which was been approved by Shareholders at the 2014 Annual General Meeting.

The Company's Securities Trading Policy specifically prohibits Directors, officers and employees from entering into transactions or arrangements which limit the economic risk of unvested entitlements under an employee share scheme. A copy of the Securities Trading Policy can be found on the Corporate Governance page of the Company website.