

2019 Corporate Governance Statement



Part 1 Introduction

This is a summary of Beach's main corporate governance principles and practices. It explains how Beach followed the Corporate Governance Principles and Recommendations (third edition) (Principles) during the financial year ended 30 June 2019.

This statement is accurate and is up to date as at 16 August 2019. The Board approved this statement on that date.

Beach's vision is to be Australia's premier multi-basin upstream oil and gas company. It conducts a business that values safety, creativity, respect, integrity, performance and teamwork. It has policies, procedures and systems designed to promote high standards of governance.

Beach reviews its policies, procedures and systems. It updates them as required to reflect changes in governance standards and practice.

Details or summaries of Beach's main policies are on its website: www.beachenergy.com.au.

Front Cover

Otway Gas Plant, Victoria
Cooper Basin, South Australia



Haselgrove-4, South Australia

Part 2 The Board

The respective roles and responsibilities of the Board and management are in Beach's Board Charter. The Board Charter is available in the corporate governance section of Beach's website.

2.1 The role of the board and senior executives

The Board has general responsibility for overseeing the management of Beach. It approves Beach's corporate strategy and annual budgets. It appoints the Managing Director. The Board also oversees and monitors Beach's systems of risk management and internal control. It sets and monitors the performance of management against company goals. More specifically the Board:

- provides oversight and final approval of Beach's corporate strategy;
- monitors senior executives' implementation of Beach's corporate strategy;
- approves and monitors the business plan, budget and corporate policies;
- monitors and assesses the performance of Beach and the Board itself;
- oversees the risk management framework and monitors material business risks;
- requires and monitors legal and regulatory compliance;
- approves financial reports;
- monitors and reviews Beach's policies and performance in relation to health, safety, environment, community relations, climate change and other sustainability matters;
- ensures an effective system of internal controls exists and operates as expected;
- establishes Beach's vision, mission, values and ethical standards to be reflected in its Code of Conduct;
- delegates an appropriate level of authority to management;
- appoints or dismisses, manages the performance and determines the remuneration of the Managing Director;

- approves and monitors the progress of major capital expenditure, capital management and acquisitions and divestments.

The Board Charter was reviewed and updated during the reporting year to strengthen the governance of climate change and sustainability all the way to Board level.

The Board has delegated management of the company to the Managing Director and to senior executives. The Board has made the delegation through the Board Charter and an approved delegation of authority. The Managing Director and senior executives:

- implement the corporate strategy set by the Board;
- assume day to day responsibility for Beach's conformance with relevant laws and regulations and its compliance framework;
- seek to achieve performance targets set by the Board;
- develop, implement and manage Beach's risk management and internal control frameworks;
- provide sufficient and relevant information to the Board to enable the Board to effectively discharge its responsibilities;
- conduct the business of Beach.

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

2.2 Board composition and skills, diversity and competencies

At the date of this report, the Board has nine directors. The Directors' Report in the 2019 Annual Report summarises the following:

- the skills, experience, qualifications and expertise of each director;
- their special responsibilities; and
- their term of office.

Beach conducts regular Board reviews. The reviews ensure directors have continuing capacity and commitment to meet the Beach vision.

The size and composition of the Board is also reviewed. The reviews ensure Beach has the right combination of experience, diversity and competence.

Beach links the mix of board skills to its goal to be Australia's premier multi-basin upstream oil and gas company. The Board has identified four strategic pillars to support this goal:

1. Optimise our core production hubs.
2. Grow additional production hubs.
3. Grow our east coast gas business.
4. Maintain financial strength.

Table 1 is the Board's own assessment against what it considers to be the desirable skills, experience and diversity.

Directors rated their capability against each area based on:

High - A clear strength based on tertiary qualification or extensive organisational experience leading in the area such that it is sufficient to be considered by peers (within the skill area) an expert. For example, an oil & gas geoscientist with seasoned exploration technical and leadership experience perceived as an expert by peer oil & gas leaders.

Sufficient - Sufficient skill and expertise to be a respected contributor in the area.

Only the 'high' ratings are reported in Table 1 to properly reflect the skills, experience and diversity across the Board.



Cooper Basin, South Australia

Skills and Experience	No of Directors
Industry experience	
<ul style="list-style-type: none"> Oil & gas Infrastructure Engineering or science qualification Depth of experience in one area or across Exploration, Development, Major Projects, Production & Abandonment Membership of industry related organisations 	6
Executive leadership/management	
<ul style="list-style-type: none"> Outside directorships Senior management positions 	8
Financial acumen	
<ul style="list-style-type: none"> Financial literacy Accounting or finance qualification 	7
Health, safety and environment	
<ul style="list-style-type: none"> Experience related to managing HS&E issues in an organisation 	5
Governance	
<ul style="list-style-type: none"> Experience in the governance of organisations Membership of governance industry bodies or organisations 	8
Public policy	
<ul style="list-style-type: none"> Government engagement Experience in regulatory policy Community/stakeholder engagement 	4
Strategy	
<ul style="list-style-type: none"> Ability to analyse information, think strategically and review and challenge management in order to make informed decisions and assess performance against strategy including organic and inorganic (particularly M&A) Experience in setting and delivering on strategy 	8
International experience	
<ul style="list-style-type: none"> Experience in a global organisation Experience with international assets, business partners, cultures and communities 	7
Risk	
<ul style="list-style-type: none"> Experience in risk management and oversight 	8
Information Technology	
<ul style="list-style-type: none"> Experience in Information Technology governance including privacy, cyber security or overseeing the implementation of major technology projects 	6

Table 1

Board Diversity

Gender

Male	Female
7	2

Tenure

Years	No. of directors
9+	1
>6-9	0
>3-6	2
0-3	6

2.3 Directors' independence

The Board consists of a majority of independent non-executive directors. The Board Charter requires that the roles of Chairman and Managing Director are not held by the same person. The Chairman should also be an independent director. Beach's Chairman, Mr Davis, is an independent non-executive director.

The Board assesses director independence against its director independence policy. Directors must disclose information that may have an effect on their independence. Applying the criteria in the independence policy the majority of directors are independent. The independent directors are Mr Bainbridge, Mr Beckett, Ms Morton, Mr Davis, Ms Layman and Dr Moore.

The director independence policy defines an independent director as a non-executive director (not a member of management) who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment. In determining the independence of a director, the Board considers whether the director:

- is a substantial shareholder of Beach or an officer of, or otherwise associated with, a substantial shareholder of Beach;
- is employed, or has previously been employed in an executive capacity by Beach or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;

- is or has within the last three years been a partner, director or senior employee of a provider of material professional services to Beach, or another group member;
- is, or has been in the last three years, in a material business relationship (for example as a supplier or customer) with Beach, or another group member, or an officer of or otherwise associated with someone with such a relationship;
- has a material contractual relationship with Beach or another group member, other than as a director;
- has close family ties with any person who falls within the categories described above;
- has been a director of Beach for such a period that his or her independence may have been compromised.

The Board has adopted the following materiality thresholds to assist with determining independence:

1. A provider of material professional services is one where the fees charged to Beach or the group in a financial year are more than 5% of the annual gross revenue of the provider or \$0.5 million, whichever is the lesser. A business relationship such as a supplier to or a customer of Beach or another group member will be material if the value of the purchases or sales in a financial year accounts for more than 5% of the annual consolidated gross revenue of the supplier or more than 5% of the annual consolidated expenditure of the customer, as the case may be, or \$1 million, whichever is the lesser.
2. A contractual relationship will be material where the value of the contract in a financial year accounts for more than 10% of the annual gross revenue or income of the director, or the contract is for more than 3 years.

Mr Davis is a principal of law firm DMAW Lawyers, a firm which provides legal services to Beach. DMAW Lawyers has done specialist oil and gas work for Beach over many years. The fees charged by DMAW Lawyers to Beach are significantly below the threshold amounts detailed above. This, and the fact the Board has seen no evidence that

management's use of DMAW Lawyers impacts on the independence of Mr Davis, has led the Board to determine Mr Davis is independent.

Beach has two non-executive directors who are not independent. They are Mr Stokes who was appointed in July 2016 and Mr Richards who was appointed in February 2017. Mr Stokes is the Managing Director and Chief Executive of Beach's largest shareholder, Seven Group Holdings Limited (SGH) and related corporations who collectively have a relevant interest in 28.57% of the shares of Beach. Mr Richards is the Chief Financial Officer of SGH. Arrangements appropriate to the appointment of a director representing a large shareholder have been agreed with SGH, Mr Stokes and Mr Richards to protect the confidential information of the Beach group and address any potential conflicts of interest that may arise.

The Board has a Deputy Chairman, Mr Beckett. The Deputy Chairman's role is:

- to aid and assist the Chairman and to assume the role of the chairman if the Chairman is unavailable;
- to aid and assist the Chairman and the Board in ensuring effective corporate governance in managing the affairs of the Board and of Beach;
- to be available as a resource to consult with the Chairman and other directors on corporate governance practices and policies, and assume the primary leadership role in addressing issues of this nature if the Chairman is unavailable;
- if the Chairman is unavailable, to consider questions of possible conflicts of interest or breaches of the Code of Conduct by Board members, as such questions arise;
- for succession planning, to assist the Board selecting a new Chairman.

2.4 Re-election of directors, director selection and board renewal

The constitution of Beach and the ASX Listing Rules require that at each annual general meeting, one third of directors (excluding a Managing Director) together with any director appointed since the last annual

general meeting, retire from office. Retiring directors are eligible for re-election.

The Board reviews the performance of a retiring director before accepting their offer to stand for re-election.

The review includes an assessment of that director's competencies and ongoing capacity and commitment to fulfil the role. A director offering themselves for re-election must confirm they have enough time to meet their obligations to Beach. Beach gives shareholders all information that it has relevant to the decision whether to elect or re-elect a director. The procedure for re-election of directors is set out in the corporate governance section of Beach's website.

The Remuneration and Nomination Committee oversees the Board succession planning process. The procedure for selection and appointment of new directors is set out in the corporate governance section of Beach's website. The Board may, with the help of external consultants, select a candidate or candidates.

The Board assesses candidates against general criteria. The Board may also use specific criteria to assess a candidate's ability to meet Beach's current specific needs.

The Chairman approaches candidates selected by the Board to find out their interest in joining the Board. The Managing Director may approach candidates with the Chairman. The Chairman gives the candidate information about the role. This includes the time and other contributions required, and the remuneration offered. The candidate must confirm they have enough time to meet their obligations to Beach. Appropriate checks are made of the candidate's character.

Beach has a program for the induction of new directors. The program includes an HS&E induction, meetings with management and site visits as required.

Beach has a written agreement with each director and senior executive setting out the terms of their appointment.

2.5 Independent professional advice and access to information and professional development

Each director has the right to independent advice about their rights, duties and obligations in relation to Beach. Beach may pay the costs of any advice obtained with the Chairman's prior approval.

Directors have access to Beach information, records and employees. That access is subject to obligations of confidentiality and privacy.

Directors may ask Beach management for reports or information to help make informed decisions about Beach. This is separate to regular reports given by management. Directors make the requests through the Board or Managing Director.

Beach offers training to help directors maintain the skills and knowledge they need to perform their roles. During the reporting period, the Chairman asked directors to consider areas of need or interest for Beach to arrange training.

2.6 Performance evaluation

Beach evaluates the performance of the Board, each committee and individual directors. This occurs for each reporting period and occurred for this reporting period. Beach describes the process for reviews in the corporate governance section of its website. Each director and committee member completed a questionnaire. Each director and committee member were then separately interviewed by the Chairman.

The evaluation reviewed:

- roles and responsibilities;
- board and committee composition;
- strategy and risk management;
- boardroom behaviour and relationships;
- structure and conduct of meetings.

The results of the review inform a plan to address material issues and improve Board performance.

The Managing Director and senior executives take part in annual performance reviews. Beach measures their performance against key performance indicators linked to Beach's objectives. Those reviews took place for this reporting period. Beach has a summary of its performance review process in the corporate governance section of its website.

2.7 Directors and senior executives' remuneration

The following is set out in the remuneration report contained in the 2019 Annual Report:

- details of Beach's remuneration policies and practices;
- the remuneration structure for non-executive directors, the Managing Director and other senior executives;
- the remuneration paid to non-executive directors, the Managing Director and other key management personnel.



Otway Gas Plant, Victoria

Part 3 Board Committees

The Board has the following committees to assist it to meet its responsibilities:

- Audit Committee
- Remuneration and Nomination Committee
- Risk, Corporate Governance and Sustainability Committee

Each committee operates under a specific charter approved by the Board. The charters are available in the corporate governance section of Beach's website.

Details of the number of committee meetings held and its attendees are set out in the Directors' Report in the 2019 Annual Report at page 54. Further details of the qualifications of each committee's members are set out in the Directors' Report from page 52. The Board considers the composition of each committee at least annually.

During the reporting period the composition and chairmanship of each committee met the requirements of the Principles.

3.1 Audit Committee

The Audit Committee's members during the reporting period were as follows:

- Ms Morton (chair)
- Mr Richards
- Mr McKerlie (until his retirement from the board on 23 November 2018)
- Mr Bainbridge (from 23 November 2018)

From 1 July 2019 Ms Layman was appointed chair and Mr Bainbridge retired from the committee.

A majority of the members are independent non-executive directors. The committee does the following:

- monitors the integrity of the statutory financial statements;
- reviews the statutory financial statements and reports and makes recommendations to the Board;
- liaises with external auditors and reviews their reports;

- reviews internal financial controls and internal control and risk management systems;
- makes recommendations to the Board about the appointment of Beach's external auditor.

The committee members have the following specific attributes relevant to the committee:

- financial acumen;
- technical industry knowledge;
- experience in risk management and oversight.

The committee meets at least three times each year. It may in its discretion invite the following people to meetings:

- the external auditor;
- the internal auditor;
- the Managing Director;
- the Chief Financial Officer.

The composition of the committee satisfies the requirements of the Principles. Even so, some proxy adviser and shareholder groups recommend that all Audit Committee members should be independent. One of Beach's Audit Committee members, Mr Richards, is a shareholder nominee director. Mr Richards has significant financial expertise and is an experienced Chief Financial Officer. He is not an independent director, but the majority of the committee are independent directors.

3.2 Remuneration and Nomination Committee

The majority of the members of the Remuneration and Nomination Committee are independent non-executive directors. The committee's members are Mr Beckett (chairman), Mr Davis, Mr Stokes and Dr Moore. The members of this committee have the following specific attributes:

- industry knowledge;
- governance expertise;
- experience in leadership and senior management roles.
- The role of the committee is to:
 - recommend to the Board and monitor the implementation of succession plans in relation to the Managing Director and the Managing Director's direct reports;
 - recommend to the Board a framework for setting the remuneration, and the individual remuneration packages, of the Managing Director and the Managing Director's direct reports;
 - recommend to the Board the remuneration of non-executive directors and oversee the process for obtaining shareholder approval, when necessary, of changes to the directors' fee pool;
- review and recommend to the Board the design of incentive plans and any amendments to the rules of approved incentive plans;
- recommend to the Board the selection of, and engage on behalf of the Company once approved by the Board, external remuneration consultants to assist in designing the Company's remuneration framework and implementing appropriate remuneration levels within the approved framework;
- recommend to the Board, the Board's membership succession plan;
- recommend to the Board and monitor the implementation of the annual process for evaluating the performance of the Board, its committees and individual directors;
- recommend to the Board nominees for appointment, election or re-election to the Board;
- make recommendations in relation to a diversity policy.



3.3 Risk, Corporate Governance and Sustainability Committee

The Risk Committee's members are Mr Bainbridge (chairman), Mr Beckett and Dr Moore all of whom are independent directors. The role of the committee is to assist the Board in:

- ensuring there is an appropriate corporate entity risk management framework and process, that is embedded in the Company, that identifies business, operational, financial and regulatory risks and the risk mitigation measures to manage those risks;
- articulating and periodically reviewing the risk appetite of the Company;
- providing oversight of the company insurance program;
- ensuring the Company has appropriate business conduct and corporate governance policies, standards and practices;
- developing and approving the annual corporate governance statement in accordance with the ASX Listing Rules;
- ensuring compliance with all corporate governance requirements;
- developing a business sustainability framework, annual objectives and annual sustainability reporting;

- monitoring performance and reviewing Beach's policies and performance in relation to health, safety, environment, community, climate change and other sustainability matters;
- reviewing the annual reserves audit process.

The Risk, Corporate Governance and Sustainability Charter was reviewed and updated during the reporting year to strengthen the governance of climate change and sustainability all the way to Board level.

The combined set of skills and attributes of these directors is important in understanding and undertaking the risk oversight role of the Board and in ensuring appropriate governance practices at Beach.



Otway Basin, Victoria

Part 4 Promote Ethical and Responsible Behaviour

4.1 Code of Conduct

Beach has a Code of Conduct that sets out standards of behaviour expected of its directors and employees and those Beach contractors who do work for it.

Those standards require:

- compliance with the laws that govern Beach and its operations;
- its people to act honestly and with integrity and fairness in all dealings with others and each other;
- avoidance or management of conflicts of interest;
- Beach's assets to be used properly and efficiently for Beach's benefit;
- a contribution to the wellbeing of Beach's key stakeholders;
- exemplary corporate citizenship.

There is also a procedure to report breaches or possible breaches of the Code of Conduct. To complement the Code of Conduct, Beach has a Whistleblower Policy to encourage the reporting of unethical behaviour free from reprisal or intimidation. The Code of Conduct is available in the corporate governance section of Beach's website.

4.2 Trading in Beach securities

Beach's share trading policy restricts directors and employees from dealing in its securities where price sensitive information is known within Beach but is not generally available. Dealing is also restricted in other non-trading periods.

Directors and employees must give prior notice if they intend to deal in Beach securities. They must also seek confirmation that the proposed dealing complies with the policy. If the dealing is then made, the details must be notified to Beach within two business days.

The policy also prohibits directors and employees from hedging unvested securities, such as unvested options or options that are vested but under a holding lock, issued under a Beach equity-based incentive plan.

Also, directors must provide details of their dealings in Beach securities, so Beach can give notice to ASX.

To ensure that the policy is being complied with, Beach monitors transactions through its share registry. Beach checks that a transaction corresponds with notice that has been made and approval that has been given. Beach's share trading policy can be viewed in the corporate governance section of Beach's website.

4.3 Diversity

Beach has adopted a diversity policy which is available in the corporate governance section of its website. Beach is committed to a workplace culture that promotes the engagement of capable, diverse, motivated and high-achieving people who contribute to Beach meeting its objectives. Key principles to implement this policy include:

- recruiting, rewarding, developing and promoting on the basis of the demonstrated application of skills, qualifications, abilities and ultimately demonstrated performance and achievements;
- encouraging participation of its people in professional development to benefit Beach and the individual;
- encouraging personal development for the benefit of Beach and the individual;
- aiming to be an employer of choice and to provide a family friendly work environment;
- promoting diversity through awareness and training;
- establishing measurable objectives for achieving gender diversity;
- assessing annually both the objectives and progress in achieving them.

The diversity policy is reviewed periodically by the Remuneration and Nomination Committee. Beach's policy requires the Board to set measurable objectives for achieving gender diversity and Beach's progress in achieving them.



Cooper Basin, South Australia

The Board approved measurable objectives for achieving gender diversity and Beach's progress in achieving these objectives over the reporting period are as follows.

Objective	Goal	Metric	Progress
Gender composition at board and senior levels	Ensure there is appropriate diversity of membership on the Board. 30% female is our aspirational goal.	In FY19 progress to at least two female Board members (25%).	Beach has two female Board Members: Joycelyn Morton and Sally-Anne Layman.
	Progress female representation at the Executive (WGEA category KMP) and Senior Manager (WGEA category Other Executive and GM) level to be at least consistent with the WGEA Oil and Gas Extraction Industry representation.	In FY19 progress Executive female representation to at least 23.3%.	Beach continues to exceed its target of at least 23.3%, maintaining 38% female representation in the WGEA category KMP.
		In FY19 deliver Senior Manager representation to at least WGEA level (16.9%), with FY20 goal of 28%.	Beach is 0.9% below the WGEA target of 16.9%.
	Ensure females are short-listed for each available position on the Board & senior leadership roles, where practicable.	% of females to males shortlisted for each available Board position. Target to be at least 30%.	All shortlisted candidates for the available Board positions in 2019 were female.
		% of females to males shortlisted for each available Executive (WGEA category KMP) and Senior Manager (WGEA category Other Executive and GM) position.	18.2% of shortlisted applicants were female.
		Manager (WGEA category Other Executive and GM) position.	

Objective	Goal	Metric	Progress
Talent Pipeline	Maintain a minimum composition of 25% female representation in our workforce. Aspire to a minimum of 30% by end of FY20.	Maintain a minimum composition of 25% females in the workforce.	Female representation across the Beach workforce was 25%.
	Retention – ensure retention of female employees. Target zero gap between female and male turnover as a minimum. Objective 30% female representation in shortlists and appointment to technical roles. (Goal % equivalent to WGEA O&G Professional Staff representation).	Each turnover measure should not have a greater % of female turnover than female representation.	See below.
		Female to male total employee turnover.	(M:F) 72:28. Down 2% from FY18, however total female turnover is 3% above total female workforce representation.
		Female to male voluntary turnover % (employees only, excludes Board).	(M:F) 72:28. Down 4% from FY18, however female voluntary turnover is 3% above total female workforce representation.
		Female to male involuntary turnover % (employees only, excludes Board).	(M:F) 71:29. Up 6% from FY18, however female involuntary turnover is 4% above total female workforce participation.
		% of females to males recruited.	(M:F) 65:35. Up 4% on FY18. More females are joining Beach than exiting (35% vs 28% turnover).
		% females to males appointed to technical (geoscience, HSER technical authorities, operations) at superintendent, supervisor and technician level, project management, subsurface, surface, technical (geotechnical and engineering) roles.	(M:F) 92:8. Down 7% on FY18. Whilst more females are joining than in previous years, females are entering the organisation in non-technical capacities. This is 21% from Beach's target of 30% females to be appointed to technical roles.
		% of females to males attending leadership development programs.	(M:F) 78:21. There are 61 leaders in the population eligible to attend this leadership development series. 16% of the leader population are female. The entire female leader population attended leadership training in FY19.
		Development Plan process rolled out in FY19 (SuccessFactors) to all employees.	All employees had the Development Planning process deployed throughout FY19.
		% of females hired as graduates to be at least 50%.	No formal graduate program in place for FY19.
		% of females on University vac work or work experience to be at least 50%.	(M:F) 75:25. Pilot program run in FY18.

Objective	Goal	Metric	Progress
Ensure adequate female representation on company-wide leadership development programs	Ensure adequate female representation on company-wide leadership development programs.	% females to males identified in the capability matrix as 'high talent' and 'demonstrating leadership growth'.	(M:F) 78:22. The new succession and talent process adopted in FY19 measures High Potential and Demonstrating Leadership Growth. This metric is 3% from the total female workforce representation.
		% of females to males that participate in the Building our Leaders Series (for those with direct reports).	(M:F) 82:18. Launched in November FY19. This is broadly reflective of the workforce population.
		% females to males identified as under performers.	The FY19 Performance Calibration occurs in August and data was not available at the date of this report.
Flexibility Practices	Ensure flexible work options are available including encouraging females to return to work from maternity leave.	% of females returning from maternity leave.	100%
		No of female and male employees on flexible arrangements.	(M:F) 15:85. 'Flexible' covers part-time only.

Part 5 Recognise and Manage Risk

5.1 Risk oversight and management

Managing risk is critical for Beach to achieve its purpose of delivering sustainable growth in shareholder value.

5.2 Risk management framework

The Beach risk management framework provides guidance to identify, understand, manage and report risks.

As specified in its charter, the Board has responsibility for overseeing Beach's risk management framework and monitoring its material business risks.

Beach has a Risk Management Committee comprising the Managing Director and senior executives. It meets regularly and reports to the Risk, Corporate Governance and Sustainability Committee through the Managing Director.

The Risk, Corporate Governance and Sustainability Committee comprises non-executive directors. An independent director chairs the committee. The committee's role is set out in its charter and is available on Beach's website. The committee's role includes the following:

- the design and implementation of the risk management framework and internal systems to manage material business risks;
- developing and articulating a Risk Management Policy for approval by the Board;
- implementing the policy and any risk management plans;
- assisting the Board to review the effectiveness of those management systems;
- reporting to the Board on whether Beach's material business risks are being managed effectively.

The key documents that record the risk management process at Beach are the following:

- the risk management policy and procedure (found in the governance section on Beach's website);
- the Risk, Corporate Governance and Sustainability Committee Charter;
- the Risk Management Committee Charter.

The Board reviews and approves these documents.

Beach's risk management framework is based on the International Standard for Risk Management (ISO 31000). The key documents aim to ensure:

- a consistent approach to managing risk, including use of the corporate risk matrix and maintaining a centralised corporate risk register;
- a consistent approach to monitoring and reviewing risk mitigation plans;
- regular reporting to relevant stakeholders including financial, operational and technical reports.

A brief description of the process follows.

Risks are identified and assessed using a consequence and likelihood methodology. Risks identified as material are included in a material risk register which is regularly reviewed by the Risk Management Committee to ensure that actions are implemented to manage and mitigate each of those risks. Each risk is assigned to a single accountable senior executive to consider and to monitor the risk control effectiveness.

Each business function is responsible for identifying, quantifying and managing the risks that relate to its function or responsibility. Once identified, risks are regularly reported on, together with the strategies developed to effectively control or mitigate them. This occurs through the Risk Management Committee and the Risk, Corporate Governance and Sustainability Committee for risks other than financial risks, which are reported through the

Audit Committee. The business functions have a responsibility to properly assess risks and manage them. The business functions must routinely check the effectiveness of their internal controls. A new risk or a risk whose profile changes (either to decrease or increase the risk) is identified by the business and the risk register is amended accordingly. The Risk Management Committee is notified of: any new material risk; where responsibility lies to manage the risk; and what plans are in place to manage the risk.

5.3 Reporting on risk management framework

Over the reporting period, the Risk, Corporate Governance and Sustainability Committee received regular reports from the Risk Management Committee which included details of new material risks, progress on the mitigation of existing risks, alteration of risk profiles and current issues for consideration. The highest ranked material risks are considered in more detail on a quarterly basis by the Risk, Corporate Governance and Sustainability Committee or as the need arises from time to time as risks and their magnitude change. The Audit Committee continues to assist the Board to oversee issues concerning financial reporting risk management and internal control and to test the effectiveness of systems.

The Board has also received written declarations from the Managing Director and the Chief Financial Officer for the full year ended 30 June 2019 that in their opinion, the declaration provided in accordance with section 295A of the Corporations Act has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

5.4 Business and sustainability risks

Given the nature of Beach's operations, there are many factors that could impact Beach's activities and results. The material business risks that could have an adverse impact on Beach's financial prospects or performance include economic risks, health, safety and environmental risks and social licence to operate risks. A description of the nature of the risk and how such risks are managed is set out in the Operating and Financial Review in the 2019 Annual Report. There is more information on the exposure that Beach has to these risks and in particular economic,

environmental and social sustainability risks and how they are managed in its Sustainability Report which is on Beach's website and on the ASX website.

5.5 Internal audit

The Board continues to engage the services of internal audit adviser, PwC. Its role is to:

- on a risk basis, develop and deliver an internal audit plan reviewed and approved by the Audit Committee focused on the controls that manage Beach's key risks;
- conduct internal audit reviews as described in the plan and report;
- results and recommendations to the Audit Committee and management;
- status and progress to the Audit Committee, as well as any additional internal audit review outcomes as requested; and
- follow up on agreed internal audit actions and report to the Audit Committee.

5.6 External audit

Beach's external auditor is Ernst & Young. The Audit Committee is responsible for making recommendations to the Board on the selection, appointment, reappointment or replacement (subject, if applicable, to shareholder ratification), remuneration, monitoring of the effectiveness, and independence of the external auditors, including resolution of disagreements between management and the auditor regarding financial reporting and rotation of audit partners. The lead audit partner and review partner of the external auditor must rotate every five years.

The external auditor is not engaged to perform any non-audit services that may impair the judgment of the external auditor or independence in respect of Beach. In line with Beach's non-audit services policy, the Chief Financial Officer must seek the prior approval of the Audit Committee before the external auditor can be engaged to provide non-audit services that might exceed \$50,000 for an engagement or exceed or be likely to exceed thirty percent of the external auditor's annual audit fees.

Part 6 Disclosure to and communication with shareholders

6.1 Timely and balanced disclosure

Beach operates under ASX's continuous disclosure regime. Information that may affect the price or value of securities in Beach is immediately disclosed to ASX. The release is also placed on Beach's website.

Beach's process for meeting its continuous disclosure obligations is in its Continuous Disclosure Policy. The policy is available in the corporate governance section of Beach's website.

6.2 Communication with shareholders

Beach's website is available for all shareholders and other interested parties to access current, publicly available information on Beach. In addition to the annual report, Beach distributes a half yearly review of its activities and results. It also releases quarterly operations reports. These are also posted on the website.

Shareholders can elect to receive communications by post or by email notification through Beach's website.

Beach regularly undertakes campaigns through its share registry to encourage shareholders to receive communications electronically. Beach also has an electronic 'Contact Us' facility which can be accessed by shareholders through Beach's website. Beach has a dedicated investor relations team to assist in responding to shareholder enquiries.

Beach encourages its shareholders to attend its annual general meetings and to discuss and question the Board and management. Early notice of meeting dates is provided on Beach's website under its Corporate Calendar and in other publications. The notice of annual general meeting includes a form that shareholders are invited to submit ahead of the meeting with questions or to make comments on matters relating to Beach.

These are answered at the meeting generally by inclusion in the presentation material.

Representatives of the external auditor attend the annual general meeting and are available to answer questions from shareholders concerning the conduct of the audit and the preparation and content of the auditor's report.

Beach has an investor relations program designed to facilitate two-way communications between the company and its investors. Beach conducts regular roadshows and gives a range of updates and presentations to investors and the investment community throughout the year. It also webcasts key presentations including the half and full year results presentations. The annual general meeting is also webcast live and made available for viewing for those unable to view it live. A description of the arrangements Beach has in place to promote communication with shareholders and participation at shareholder meetings can be viewed in the corporate governance section of Beach's website.



Kupe platform, New Zealand

