

# BEACH ENERGY

Driving Growth

Beach Energy Limited  
(ABN 20 007 617 969)

2017 CORPORATE  
GOVERNANCE  
STATEMENT

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Current and approved by the Board on 22 September 2017

issued pursuant to Listing Rule 4.10.3

## PART 1 – INTRODUCTION

This statement summarises Beach's main corporate governance principles and practices. The Board believes that Beach has complied with all of the Corporate Governance Principles and Recommendations Principles (Principles) for the current reporting period.

Beach's vision is to be Australia's premier multi-basin upstream oil and gas company. To achieve this, it is committed to conducting a business that values, among other things, safety, integrity, respect and performance. Beach has policies, procedures and systems designed to promote high standards of governance within Beach. Those policies, procedures and systems are regularly reviewed and revised as required to reflect changes in governance standards and practice.

Details of the main policies (or summaries of them) that form the basis of the corporate governance framework of Beach are available on Beach's website, [www.beachenergy.com.au](http://www.beachenergy.com.au) at Sustainability at Beach/Corporate governance.

This statement is accurate and is up to date as at 22 September 2017 and was approved by the Board on that date.

## PART 2 – THE BOARD

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

### 2.1 The role of the board and senior executives

The Board's responsibility is to oversee the management of Beach, approve its corporate strategy and annual budgets, appoint its Chief Executive Officer, oversee and monitor its systems of risk management and internal control and set and monitor the performance of management against company goals. More specifically the Board is responsible for:

- Providing oversight and final approval of Beach's corporate strategy;
- Monitoring senior executives implementation of Beach's corporate strategy;
- Approving and monitoring the business plan, budget and corporate policies;
- Monitoring and assessing the performance of Beach and the Board itself;
- Overseeing the risk management framework and monitoring of its material business risks;
- Requiring and monitoring legal and regulatory compliance;
- Approving financial reports;
- Ensuring an effective system of internal controls exists and is operating as expected;
- Establishing Beach's vision, mission, values and ethical standards to be reflected in a Code of Conduct;

- Delegating an appropriate level of authority to management;
- Appointment, succession, performance assessment, remuneration and dismissal of the Chief Executive Officer; and
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestments.

The Board has delegated management of the company through the Board Charter and an approved delegation of authority to the Chief Executive Officer and to senior executives. This includes:

- Implementing the corporate strategy set by the Board;
- Assuming day to day responsibility for Beach's conformance with relevant laws and regulations and its compliance framework;
- Achieving the performance targets set by the Board;
- Developing, implementing and managing Beach's risk management and internal control frameworks;
- Providing sufficient and relevant information to the Board to enable the Board to effectively discharge its responsibilities; and
- Conducting the business of the company.

The Board Charter confirms that the company secretary is accountable directly 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 eight directors, of a maximum of nine directors. The skills, experience, qualifications and expertise relevant to the position of each director who is in office at the date of this report, their special responsibilities and their term of office are detailed in the Directors' Report in the 2017 Annual Report.

Board reviews are conducted regularly, in part, to ensure that individual directors have continuing capacity and commitment to contribute to the fulfilment of the company's vision.

The Board regularly reviews the size and composition of the Board to ensure that it continues to have the right combination of experience, diversity and competencies to fulfil its responsibilities effectively. In addition the mix of board skills is linked to the company's goal to be Australia's premier multi-basin upstream oil and gas company. The Board has identified four strategic pillars to support this goal:

- Optimise our core in the Cooper Basin;
- Build a complementary gas business in east coast basins;
- Pursue compatible growth opportunities in Australia and nearby; and
- Maintain financial strength.

The matrix of skills and diversity that the Board regards as desirable to achieve is set out in Table 1 together with the current composition of skills, experience and diversity of the Board.

The matrix was reviewed during the year to add an additional skillset (Information Technology) and a new capability rating scale. The scale described below has assisted the company to demonstrate more accurately the depth of skills differentiation and better reflect the specific capability diversity of the Board.

Table 1: Skills, experience and diversity of the Board.

Skills, Experience & Diversity	No. of directors
<b>Industry experience:</b> <ul style="list-style-type: none"> <li>Oil &amp; gas</li> <li>Infrastructure</li> <li>Engineering or science qualification</li> <li>Depth of experience in one area or across Exploration, Development, Major Projects, Production &amp; Abandonment</li> <li>Membership of industry related organisations</li> </ul>	4
<b>Executive leadership/management</b> <ul style="list-style-type: none"> <li>Outside directorships</li> <li>Senior management positions</li> </ul>	7
<b>Financial acumen</b> <ul style="list-style-type: none"> <li>Financial literacy</li> <li>Accounting or finance qualification</li> </ul>	5
<b>Health safety and environment</b> <ul style="list-style-type: none"> <li>Experience related to managing HS&amp;E issues in an organisation</li> </ul>	3
<b>Governance</b> <ul style="list-style-type: none"> <li>Experience in the governance of organisations</li> <li>Membership of governance industry bodies or organisations</li> </ul>	7
<b>Diversity of the Board</b> <ul style="list-style-type: none"> <li>Gender</li> <li>Tenure</li> </ul>	7 males / 1 female 9+ years – 1 director > 6 - 9 years – no director > 3 - 6 years – 1 director 0 - 3 years – 6 directors

Directors rated their capability against each skill area based on:

**H = High** - A clear strength based on tertiary qualification and/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);

**S = 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 diversity of skills across the Board.

Skills, Experience & Diversity	No. of directors
<b>Public policy</b> <ul style="list-style-type: none"> <li>Government engagement</li> <li>Experience in regulatory policy</li> <li>Community/stakeholder engagement</li> </ul>	3
<b>Strategy</b> <ul style="list-style-type: none"> <li>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&amp;A)</li> <li>Experience in setting and delivering on strategy</li> </ul>	6
<b>International experience</b> <ul style="list-style-type: none"> <li>Experience in a global organisation</li> <li>Experience with international assets, business partners, cultures and communities</li> </ul>	5
<b>Risk</b> <ul style="list-style-type: none"> <li>Experience in risk management and oversight</li> </ul>	6
<b>Information Technology</b> <ul style="list-style-type: none"> <li>Knowledge of information technology governance including privacy, big data utilisation and impacts and cyber security</li> </ul>	1



In addition to particular skills, the Board views the following competencies as essential for its directors:

- Personal and professional integrity, good communication skills and ability to work harmoniously with fellow directors and management; and
- Ability to analyse information, think strategically and review and challenge management in order to make informed decisions and assess performance.

### 2.3 Directors' independence

The Board consists of a majority of independent non-executive directors. In accordance with its charter, the role of the Chairman and the Chief Executive Officer must be filled by different people. The Chairman should be an independent director.

The Board assesses independence of directors regularly against the criteria listed in its policy on director independence. In addition, directors are required to disclose information that may have an effect on their independent status. Using the criteria in its policy which is described below, the majority of the Board consists of independent directors. The independent directors are Mr Bainbridge, Mr Beckett, Ms Bennett, Mr Davis, Mr McKerlie and Dr Moore.

The policy on director independence 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 independent status 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 (eg 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; and
- Has been a director of Beach for such a period that his or her independence may have been compromised.

During the year, the Board engaged an external consultant to undertake an independent review of the policy with a particular focus on materiality. The policy was benchmarked against its peers by industry and market capitalisation. The report made a number of recommendations which were adopted by the Board which are highlighted below. The following materiality thresholds to assist with determining independence are:

- 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% (pre review: 10%) of the annual gross revenue of the provider or \$0.5 million (pre review: \$1.5m), 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% (pre review: 10%) of the annual consolidated gross revenue of the supplier or more than 5% (pre review: 10%) of the annual consolidated expenditure of the customer, as the case may be or \$1 million (pre review: \$7.5m), whichever is the lesser.
- 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.

Until his retirement in November 2014, Mr Beckett was an executive at Chevron Australia Pty Ltd (Chevron). Between 2013 and March 2015 Beach was in a material business relationship with a Chevron group company through the farm out of a portion of its interest in the NTNG joint ventures. Mr Beckett joined the Board in April 2015. Mr Beckett had no involvement with the NTNG joint ventures during his employment with Chevron. On this basis the Board has determined that his previous role at Chevron does not compromise his independence.

Mr Davis is a principal of law firm DMAW Lawyers which provides legal services to Beach. Mr Davis has been an employee of, or partner in, law firms that have provided legal services to Beach and the industry generally for more than 20 years. That collective knowledge and understanding of Beach and its assets and the industry generally was one of the reasons he was first appointed to the Board. DMAW Lawyers is instructed in the main in relation to operational oil and gas work. Within DMAW Lawyers Mr Davis does not provide any legal services to Beach, is not consulted by others in relation to the provision of those services and is not involved in the firm's engagement with Beach as a client. In nine years as a director of Beach a conflict of interest has not arisen in this context. In the unlikely event a conflict did arise the Board has a very clear procedure and policy as to how that conflict would be dealt with. Decisions to instruct DMAW Lawyers are made at management and not board level. DMAW Lawyers has specialist oil and gas experience that has been provided to Beach over many years. That expertise and accumulated knowledge is of separate value to Beach from Mr Davis' role as a director.

The Board has determined that Mr Davis is an independent director and Chairman. Using the materiality thresholds set

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by it and detailed above, the fees charged by DMAW Lawyers to Beach are below these threshold amounts. 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.

Previous Drillsearch Energy Pty Ltd (Drillsearch) directors, Mr Bainbridge and Mr McKerlie joined as directors of the Board following the merger with Drillsearch. Beach and Drillsearch were in joint ventures together in the Western Flank of the Cooper Basin. The Board does not consider that this previous relationship compromises their independence.

Beach has two non-executive directors who are not independent. They are Mr Stokes who was appointed 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 22.7% 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 also 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 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 remainder of the Board in assuring effective corporate governance in managing the affairs of the Board and the company;
- To be available as a resource to consult with the Chairman and other directors on corporate governance practices and policies, and shall 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 of or breaches of the Code of Conduct by Board members, as such questions arise; and
- 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. Retiring directors, offering themselves for re-election, will have a performance review before their offer is accepted by the Board which includes an assessment of that director's competencies and ongoing capacity and commitment to fulfil the role. When offering themselves for re-election a retiring non-executive director must indicate to Beach if he or she has sufficient time to devote to the tasks required of

a director of Beach. Beach will also provide shareholders with all material information that it has relevant to the decision whether or not to elect or re-elect a director. The procedure for re-election of incumbent 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. A candidate's suitability will be measured against general criteria. To meet the current needs of Beach, and to best complement Board effectiveness, additional or specific criteria may be utilised.

A candidate selected by the Board will be approached by the Chairman with or without the Chief Executive Officer to determine his or her interest in joining the Board. The candidate will be given information about the role, responsibility, contribution and time commitment such an appointment would entail and the remuneration, terms and conditions of the appointment. A candidate for appointment as a non-executive director must indicate if he or she has sufficient time to devote to the tasks required of a director of Beach. The competencies that are considered in an individual candidate include those listed on page 4. Appropriate checks are undertaken to check a potential new director's character.

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

All directors and senior executives have written agreements with Beach setting out the terms of their appointment.

#### **2.5 Independent professional advice and access to information and professional development**

A director has the right to seek independent professional advice concerning or in relation to the rights, duties and obligations of the director in relation to the affairs of Beach, at Beach's expense. The Chairman's prior approval of such expenditure is required.

Subject to obligations of confidentiality and privacy, directors have access to Beach's information and records and employees. In addition to regular reports to the Board, directors may request further reports or information necessary to make informed decisions from management through the Chief Executive Officer and/or the Board at any time.

Beach provides access to relevant professional development opportunities for directors to maintain their skills and knowledge to perform their roles effectively. During the reporting period, directors were requested to consider areas of specific need or interest relevant to their roles so that presentations to the Board could be scheduled over the reporting period.

## 2.6 Performance evaluation

A performance evaluation of the Board, each committee of the Board and individual directors is undertaken for each reporting period. An internal review was undertaken for this reporting period in accordance with the process for reviews disclosed in the corporate governance section of Beach's website. The evaluation was conducted by way of questionnaire for each director and committee, individual interviews conducted by the Chairman with each director and feedback by the Chairman of the review findings for action. The evaluation included a review of roles and responsibilities, composition of Board and committees, strategy and risk, management, boardroom behaviour and relationships, structure and the conduct of meetings. The outcomes of the review form the basis of an action plan to address high priority issues and to continue to improve Board performance and efficiency.

The Chief Executive Officer and senior executives participate in annual performance reviews. Performance is measured against key performance indicators relevant to Beach's general objectives and to the executives' role. A performance evaluation for Mr Kay, the Chief Executive Officer, and other senior executives took place for the current reporting period in accordance with the process. A description of the performance evaluation process can be viewed in the corporate governance section of Beach's website.

## 2.7 Directors and senior executives remuneration

Details of Beach's remuneration policies and practices and the structure of and remuneration paid to non-executive directors, the Chief Executive Officer and senior executives are set out in the Remuneration Report contained in the 2017 Annual Report.

## PART 3 – BOARD COMMITTEES

The Board has an Audit Committee, Remuneration and Nomination Committee and a Risk, Corporate Governance and Sustainability Committee to assist it to meet its responsibilities. Each committee operates under a specific charter approved by the Board. The charters can be viewed 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 2017 Annual Report at page 51. Further details of the qualifications of each committee's members are set out in the Directors' Report in the 2017 Annual Report from page 48. The Board considers the composition of each committee at least annually. The composition and chairmanship of the Audit Committee, Remuneration and Nomination Committee and Risk, Corporate Governance and Sustainability Committee meet the requirements of the Principles.

During the year the Board reviewed the committee structure and membership. This review resulted in the Risk Committee and Corporate Governance and Sustainability Committee's combining into a single committee.

## 3.1 Audit Committee

The Audit Committee's members are Ms Bennett (chairman), Mr McKerlie and Mr Richards, a majority of whom are independent non-executive directors. The committee:

- 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; and
- Makes recommendations to the Board concerning the appointment of Beach's external auditor.

The specific attributes of committee members that are relevant to this committee include financial acumen, technical industry knowledge and experience in risk management and oversight. The committee meets at least three times a year and the external auditor, internal auditor, Chief Executive Officer and Chief Financial Officer are invited to attend the meetings, at the discretion of the committee. While the committee meets the composition requirements of the Principles, some proxy adviser and shareholder groups consider that an Audit Committee should comprise only independent directors. Beach considers that the expertise that shareholder nominee director, Mr Richards, an experienced Chief Financial Officer brings to the committee is balanced by the membership of this committee having a majority of independent non-executive directors.

## 3.2 Remuneration and Nomination Committee

The Remuneration and Nomination Committee's members are Mr Beckett (chairman), Mr Davis and Mr Stokes, a majority of whom are independent non-executive directors. The specific attributes that the members of this committee have are industry knowledge, governance and 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 Chief Executive Officer and the Chief Executive Officer's direct reports.
- Recommend to the Board a framework for setting the remuneration, and the individual remuneration packages, of the Chief Executive Officer and the Chief Executive Officer'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 Ms Bennett 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 Beach 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.
- Reviewing the annual reserves audit process.

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.

## 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 contracts to 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; and
- 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 in an environment free from reprisal or intimidation. The Code of Conduct can be viewed 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 and in other specified non-trading periods. Directors and employees are obliged to give prior notice of an intended dealing in Beach's securities and seek confirmation that the proposed dealing complies with the policy. If the dealing is subsequently 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, that were issued under a Beach equity based incentive plan. In addition, directors undertake to provide all details of their dealings in Beach securities so that this information can be notified to the ASX. To ensure that the policy is being complied with, Beach monitors and is advised immediately of share movements of its directors and employees through its share registry. The purpose is to check that a share movement corresponds with permission to trade in Beach shares. 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 Beach's website. Beach is committed to a workplace culture that promotes the engagement of capable, diverse, motivated and 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; and
- Assessing annually both the objectives and progress in achieving them.

The diversity policy is reviewed annually 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. Table 2 sets out the current areas of focus of Board approved measurable objectives for achieving gender diversity. Table 2 also details Beach's progress in achieving these objectives over the reporting period. In FY17 Beach, through its Human Resources Department, commenced implementing a number of foundation processes to the company aimed at improving the objectivity, rigour and quality of decision making, inclusive of gender diversity, in relation to performance, capability and talent identification. This includes six monthly capability reviews at both the corporate and divisional level. These reviews include specific measurement and review of targeted diversity improvement objectives relevant corporately and/or to each division/function. Induction of all new employees includes recently implemented new training on diversity, equal opportunity, bullying and related behaviour requirements for supporting diversity.

Beach is a relevant employer under the *Workplace Gender Equality Act* and its most recent report (2017), which includes Gender Equality Indicator details for Beach, can be viewed on Beach's website under Sustainability at Beach/Public notices. Beach was notified in June 2017, on the basis of this report, that it is compliant with the *Workplace Gender Equality Act*. There is additional workforce profile detail included in the Sustainability Report which can also be viewed on Beach's website and on ASX.

## PART 5 – RECOGNISE AND MANAGE RISK

### 5.1 Risk oversight and management

Managing risk is a critical component in Beach achieving 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 Board Charter, the Board has responsibility for overseeing Beach's risk management framework and monitoring its material business risks.

The Risk, Corporate Governance and Sustainability Committee comprises a subset of the Board. It is chaired by an independent director. The role of the committee is set out in its Risk, Corporate Governance and Sustainability Committee Charter which appears on Beach's website.

Beach has a Risk Management Committee comprising the Chief Executive Officer and senior executives. It meets regularly and reports through the Chief Executive Officer to the Risk, Corporate Governance and Sustainability Committee. The committee's role includes:

- 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; and
- Reporting to the Board on whether Beach's material business risks are being managed effectively.

The risk management policy and procedure (found in the governance section on Beach's website), the Risk, Corporate Governance and Sustainability Committee Charter and the Risk Management Committee Charter are the key documents that record the risk management process at Beach. They are reviewed at least every two years and any alterations are approved by the Board.

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

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

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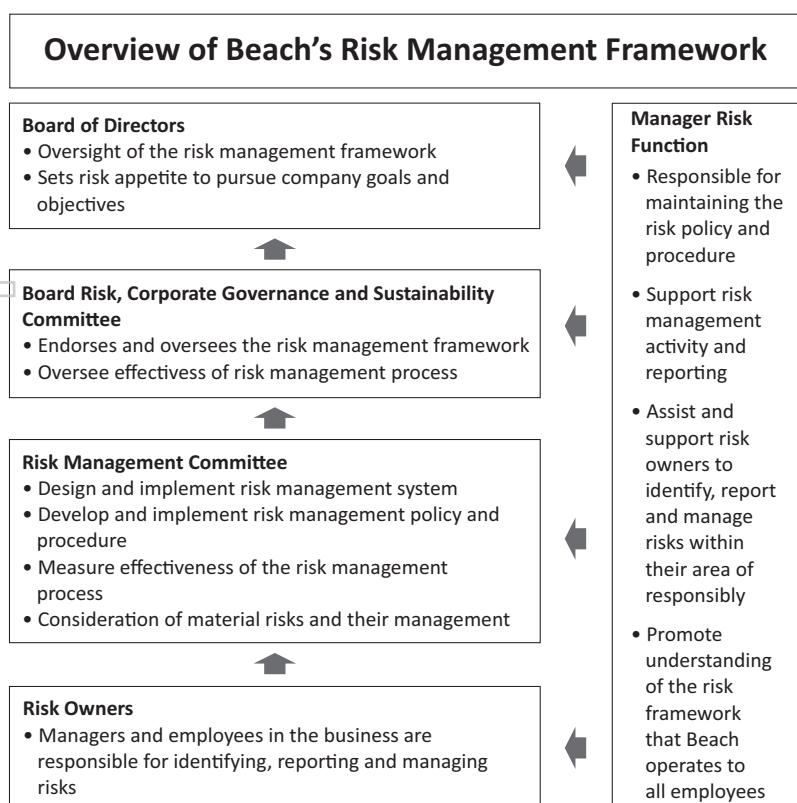
Table 2: Board approved measurable objectives for achieving gender diversity.

Objective	Initiatives	Progress in Achieving Objectives
Aspire to 30% female representation on the Board, with a goal of 22.2% in FY18.	<p>During FY17, the Board changed this goal from 'at least one female board director at all times' to the new aspirational objective of 30% representation.</p> <p>Target female candidates for the vacant Board position which requires an experienced oil and gas geologist.</p> <p>With the approval of the expansion of the Board to 9, sourcing commenced late FY17 will target appointment of a female director.</p>	<p>There is currently one female director. This achieved the goal originally set in previous years.</p> <p>For 6 months in FY17 research and sourcing strategies focused solely on identifying female candidates for the 'subsurface geology expert' board vacancy. This included engaging a top tier director search group to assist. Unfortunately, no suitable candidates were identified and a male candidate was subsequently engaged and commenced in July 2017.</p> <p>A targeted search commenced at the end of FY17 for a female director with financial/commercial background. When secured, the female representation will be 22.2% (2/9).</p>
Increase the female talent pipeline with a focus on increasing the representation of females in technical roles	<p>Initial objective of 30% female representation in shortlists and appointment to technical roles.</p> <p>At least 50% female graduates hired into the graduate program.</p> <p>Actively support female participation in Beach's work experience program, with at least 50% female participation.</p>	<p>In FY17 females represented 33% of shortlisted candidates and 29% of appointments for technical positions.</p> <p>Beach did not conduct any graduate program recruitment in FY17.</p> <p>50% of participants in Beach's work experience programs were female.</p>
	Implement a six monthly capability review process, including competency based identification of future talent and implementation of specific tailored development plans for talent.	<p>Capability review process implemented in FY17. 25% of those identified as 'high talent' or 'extend development' are female. This figure provides our baseline measure. Specific development plans implemented for talent and an executive sponsor and mentor assigned.</p> <p>At manager level, female representation at Beach is 25% (2017 WGEA report) which is encouraging given comparison with the 2016 oil and gas industry average of 16%.</p>
	Monitor and increase participation of females in our key leadership development initiatives	For Beach's key management development initiative in FY17, 25% of participants were female. This is consistent with our female representation at manager level.
	Retention – ensure retention of female employees. Female turnover is not to be greater than the female composition.	<p>Beach had two separate redundancy rounds in its head office in FY17. Its involuntary turnover for female staff was lower than the female representation in the head office. Total turnover (voluntary and involuntary) was very similar with female turnover at 22.6% and male turnover at 22.1%.</p> <p>Beach's overall voluntary turnover was low at 5.1%. Five of the ten employees who left were female, meaning that female voluntary turnover was higher than female representation. However no trend, common or specific issues were identified from exit interviews.</p>
	Maternity leave retention rate to be 100%	Beach's maternity leave return rate continued at 100%, with flexible work options being utilised on returning to work.

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 give on-going consideration to that risk 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.

A diagram of the structure of Beach's risk management framework appears below.



During the reporting period, the Board Risk, Corporate Governance and Sustainability Committee requested and received 'deep dive' presentations from management on a range of risks or emerging risks.

The committee also reviewed and was satisfied that Beach's risk management framework continues to be sound in identifying and managing risks.

### 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 the systems.

The Board has also received written declarations from the Chief Executive Officer and the Chief Financial Officer for the full year ended 30 June 2017 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. These may be further categorised as operational, commercial, regulatory, reputation and financial 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 2017 Annual Report. There is additional 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.

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### 5.5 Internal audit

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

- On a risked basis, develop and deliver a rolling three-year 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.

One example of an internal audit review in the current three-year plan is the business resilience review. This review will address existing internal controls used to promote business continuity during periods of crisis management and disaster recovery. A broad range of risk factors will be addressed to ensure Beach has the appropriate framework and processes in place to continue operations and support functions during major disruptions. Any areas identified for improvement will be reported and remedial actions recommended. The business resilience review will be completed during the first quarter of FY18.

### 5.6 External audit

Beach's external auditor is KPMG. 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 a particular 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 the ASX's continuous disclosure regime whereby relevant information that could be seen to affect the share price in any way is immediately made available to shareholders and the public as a release to the ASX. The release is also placed on Beach's website. Beach's Continuous Disclosure Policy sets out the requirements and processes put in place by Beach to ensure that its obligations to disclose relevant information are met and to ensure accountability at senior executive level for that compliance. 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 monthly and 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.