



**Board charter and  
relationship with  
management**

**Empire Energy Group Limited  
ABN 29 002 148 361**

Adopted by the Board on  
**31 March 2021**

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## Board charter and relationship with management

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### 1 Introduction

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The board of Directors (**Board**) of Empire Energy Group Limited ABN 29 002 148 361 (the **Company**) has adopted this board charter and relationship with management (**Charter**) to outline the manner in which its constitutional powers and responsibilities will be exercised and discharged, having regard to principles of good corporate governance, international best practice and applicable laws.

This Charter includes an overview of:

- (a) Board composition;
- (b) the Board's role and responsibilities;
- (c) the relationship and interaction between the Board and management;
- (d) the authority delegated by the Board to management and Board Committees; and
- (e) Board process.

This Charter and the charters adopted by the Board for its standing Committees have been prepared and adopted on the basis that strong corporate governance can add to the performance of the Company, create shareholder value and engender the confidence of the investment community.

In carrying out its responsibilities and powers as set out in this Charter, the Board will at all times recognise its overriding responsibilities to act honestly, fairly, diligently and in accordance with the law.

This Charter is to be reviewed by the Board as required and at least annually.

### 2 Board composition

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#### 2.1 Board composition and size

- (a) The Board, determines the size and composition of the Board, subject to the terms of the Company's constitution and applicable law, including the rules concerning board limits under the *Corporations Act 2001* (Cth) (**Corporations Act**). The number of Directors and the composition of the Board must at all times be appropriate for the Company to achieve efficient decision making and adequately discharge its responsibilities and duties.
- (b) The Board should ideally comprise:
  - (i) a majority of independent Non-Executive Directors;
  - (ii) Directors with an appropriate range of skills, knowledge, experience and expertise;

- (iii) Directors who can understand and competently deal with current and emerging business issues; and
  - (iv) Directors who can effectively review and challenge the performance of management and exercise independent judgement.
- (c) It is intended that the Chairperson of the Board (**Chairperson**) should be an independent Non-Executive Director.
- (d) The Board regularly reviews the skills represented by Directors on the Board and determines whether the composition and mix of those skills remain appropriate for the Company's strategy, subject to limits imposed by the constitution and the terms served by existing Non-Executive Directors.

## **2.2 Appointment and re-election of Directors**

- (a) The Board is appointed by the shareholders, other than in respect of casual vacancies.
- (b) Non-Executive Directors are engaged through a letter of appointment setting out the terms and conditions of their appointment. Executive Directors and other senior management will have their roles and responsibilities and the Company's expectations set out in a service contract.
- (c) When a vacancy arises, the Board (with assistance where necessary from external consultants) will identify candidates with appropriate skills, knowledge, experience, independence and expertise.
- (d) Before a candidate is nominated by the Board, they must confirm that they will have sufficient time to meet their obligations to the Company in light of other commitments.
- (e) When the Board considers that a suitable candidate has been found, that person may be appointed by the Board to fill a casual vacancy in accordance with the Company's constitution, but must stand for election by shareholders at the next annual general meeting.
- (f) Before each annual general meeting, the Chairperson will assess the performance of any Director standing for re-election and the Board will determine their recommendation to shareholders on the re-election of the Director (in the absence of the Director involved). The Board (excluding the Chairperson) will conduct the review of the Chairperson.

## **2.3 Director independence and tenure**

- (a) The Board only considers Directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. The Board has adopted a definition of independence that is based on that set out in the ASX Corporate Governance Council's Principles and Recommendations (see Annexure 1) and any materiality thresholds, standards or guidelines as the Board may adopt from time to time.

- (b) The Board will regularly assess whether each Non-Executive Director is independent and each Non-Executive Director must provide to the Board all information relevant to his or her assessment in this regard at least annually.
- (c) If a Non-Executive Director's interests change, the assessment should be made as soon as practicable after the Board becomes aware of the change.
- (d) If the Board determines that a Director's independent status has changed, that determination will be disclosed to the market in a timely manner.
- (e) All Directors are expected to continue as Directors only for so long as they have the confidence of their fellow Board members and the confidence of the Company's shareholders.
- (f) In accordance with the ASX Listing Rules, no Director except a Managing Director is permitted to hold office for a continuous period in excess of three years or past the third annual general meeting following that Director's appointment, whichever is the longer, without submitting himself or herself for re-election.
- (g) However, the Board does not believe that it should establish an arbitrary limit on tenure. While tenure limits can help to ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight in the Company and its operation and, therefore, an increasing contribution to the Board as a whole. Accordingly, tenure is just one of the many factors that the Board takes into account when assessing the independence and ongoing contribution of a Director in the context of the overall Board process.

#### **2.4 Performance evaluation**

At least annually, the Directors will undertake performance evaluations of the Board, its Committees and individual Directors.

The evaluations will assess, amongst other things:

- (a) the effectiveness of the Board and each Committee in meeting the requirements of its Charter;
- (b) whether the Board and each Committee has members with the appropriate mix of skills and experience to properly perform their functions;
- (c) the contribution made by each Director at meetings and in carrying out their responsibilities as Directors generally, including preparing for meetings; and
- (d) whether the content, format and timeliness of agendas, papers and presentations provided to the Board and each Committee are adequate for them to properly perform their functions.

### **3 Board role and responsibilities**

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#### **3.1 Board role**

The Board must act in the best interests of the Company as a whole and is accountable to the shareholders for the overall direction, management and corporate governance of the Company. In support of this, the Board's role is to:

- (a) represent, protect and serve the interests of shareholders by overseeing and appraising the Company's strategies, policies and performance. This includes overseeing the financial and human resources the Company has in place to meet its objectives and reviewing management performance;
- (b) protect and optimise Company performance and build sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- (c) set, review and ensure compliance with the Company's values and governance framework (including establishing and observing high ethical standards and promoting the responsible management and conduct of the Company); and
- (d) ensure shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

#### **3.2 Board key responsibilities**

The responsibilities/functions of the Board include:

- (a) providing leadership, defining the Company's purpose and setting the strategic objectives of the Company;
- (b) monitoring management's implementation and execution of the Company's strategy, instilling of the Company's values and its performance generally, and (when required) challenging management and holding it to account;
- (c) developing and reviewing the Company's core values and corporate governance policies in order to underpin the desired culture within the Company, and monitoring corporate culture;
- (d) with guidance from the Remuneration Committee:
  - (i) appointing the Chairperson;
  - (ii) reviewing the skills, experience, expertise and diversity represented by the Directors on the Board and determining whether the composition and mix remain appropriate for the Company's strategy;
  - (iii) selecting, appointing, removing and evaluating from time to time the performance of, determining the remuneration of, and planning succession of, the Managing Director (**MD**);
  - (iv) approving the appointment and removal of the Company Secretary;

- (v) approving the appointment of, determining the remuneration of, monitoring the performance of and planning succession of, members of key management personnel including Non-Executive Directors;
  - (vi) ensuring that there are appropriate resources available to fulfil the responsibilities of the key management personnel (including Non-Executive Directors);
  - (vii) approving the delegation of authority framework;
  - (viii) approving the Company's remuneration policies and practices in order to ensure they are aligned with the Company's purpose, values, strategic objectives and risk appetite; and
  - (ix) approving measurable objectives for achieving diversity on an annual basis;
- (e) with guidance from the Audit and Risk Committee:
- (i) contributing to and approving management development of corporate strategy, including setting performance objectives and reviewing cash flow forecasts;
  - (ii) reviewing, ratifying and monitoring systems of risk management, accountability, internal control and ethical and legal compliance, on a regular basis. This includes reviewing procedures to identify the main risks associated with the Company's businesses and the implementation of appropriate systems to manage these risks;
  - (iii) setting the risk appetite within which the Board expects management to operate;
  - (iv) approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;
  - (v) monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;
  - (vi) reviewing performance, operations and compliance reports from the Chairperson and MD, including reports and updates on strategic issues and risk management matters;
  - (vii) approving the selection and termination of the external auditor, subject to any shareholder approvals;
  - (viii) approving financial reports and other reports required at law or under the ASX Listing Rules to be adopted by the Board; and
  - (ix) reviewing and monitoring any related party transaction and recommending its approval;
- (f) ensuring that shareholders are kept informed of the Company's performance and major developments affecting its state of affairs and that the Company is

in compliance with its disclosure obligations at all times, in accordance with the Continuous Disclosure Policy;

- (g) performing such other functions as are prescribed by law or are assigned to the Board; and
- (h) satisfying itself that an appropriate framework exists for relevant information to be reported by management to the Board.

### **3.3 Director responsibilities**

- (a) Directors will act at all times with honesty and integrity and will observe the highest standards of ethical behaviour.
- (b) Directors are required to comply with Board policies in relation to disclosing and managing conflicts of interest, dealing in the Company's securities and other rules applicable to Directors as adopted by the Board from time to time.
- (c) Non-Executive Directors are required to consult with the Chairperson before accepting any new commitments which may impact on the time they have available to undertake their responsibilities as a Director of the Company.
- (d) All Directors must maintain the skills required to discharge their obligations to the group and its shareholders and are expected to take part in a range of internal and external training and continuing education programs.

### **3.4 Conflicts of interest**

- (a) Directors must ensure that no decision or action is taken that has the effect of prioritising their personal interests over the Company's interests.
- (b) Directors must:
  - (i) disclose to the Board any actual or potential conflict of interest or duty, or matter that may bear on their independence, that might reasonably be thought to exist as soon as the situation arises;
  - (ii) take all necessary and reasonable action to resolve or avoid any actual or potential conflict of interest or duty; and
  - (iii) comply with all applicable law and the Company's constitution in relation to disclosing material personal interests and restrictions on voting.
- (c) If a conflict exists, it is expected that any Director to whom the conflict relates will recuse himself or herself when the Board is discussing any matter to which the conflict relates.
- (d) Directors are expected to inform the Chairperson of any proposed appointment to the Board or executive of another company as soon as practicable.



## **4 Delegation of duties and powers**

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### **4.1 Relationship with management**

- (a) Directors may delegate their powers as they consider appropriate. However, ultimate responsibility for strategy and control, and the performance of the Company, rests with the Directors.
- (b) The management team (being the MD and other officers to whom the management functions are properly delegated):
  - (i) is responsible for implementing the strategic objectives, plans and budgets approved by the Board and instilling and reinforcing the Company's values; and
  - (ii) is accountable to the Board for matters within its delegated authority.
- (c) Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. This includes information about the financial performance of the Company, compliance with material legal and regulatory requirements and any conduct that is materially inconsistent with the Company's values or its Code of Conduct.
- (d) Directors are entitled to request additional information from the management team at any time they consider appropriate.
- (e) The Board will regularly review the separation of functions and responsibilities between management and the Board to ensure that they are appropriate to meet the Company's needs and develop best practice standards, by reference to the ASX Listing Rules and relevant laws.

### **4.2 Delegation to the MD**

- (a) The Board delegates to the MD the authority to manage the day-to-day affairs of the Company and the authority to control the affairs of the Company in relation to all matters other than those reserved for the Board and its Committees under their charters or under specific limitation or guidance from the Board.
- (b) The Board may impose further specific limits on MD delegations, but will not fetter the ability of the MD to manage the day-to-day affairs of the Company or control the affairs of the Company in relation to all matters other than those reserved for the Board and its Committees under their charters or under specific limitation or guidance from the Board.
- (c) The Board approves corporate objectives for the MD to satisfy and, jointly with the MD, develops the duties and responsibilities of the MD.
- (d) The MD is responsible for implementing strategic objectives, plans and budgets approved by the Board, and providing effective leadership, direction and supervision of the management team to achieve the objectives, plans and budgets adopted by the Board.

- (e) The MD has authority to delegate to the senior management team.

#### **4.3 Delegation to Committees**

- (a) The Board from time to time establishes Committees to streamline the discharge of its responsibilities and assist the Board to carry out its functions effectively and efficiently.
- (b) The Board adopts a formal charter for each standing Committee setting out the matters relevant to the composition, responsibilities and administration of the Committee.
- (c) The permanent standing Committees of the Board are:
  - (i) the Audit and Risk Committee; and
  - (ii) the Remuneration Committee.
- (d) The Board may also delegate specific functions to ad hoc Committees on an 'as needs' basis.
- (e) The powers delegated to these Committees are set out in Board resolutions and the Committee charters or relevant policy documents.
- (f) Directors are entitled to attend Committee meetings and receive Committee papers where there is no conflict of interest. Committees will maintain minutes of their meetings. Committees, through their chairpersons, are entitled to obtain professional or other advice in order to effectively carry out their proper functions. The chairperson of each Committee will report back on Committee meetings to the Board at the next full Board meeting.
- (g) The role of a Committee is to operate within the terms of its charter and to make recommendations to the Board for decision.

## **5 Access to information and independent advice**

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- (a) Directors may have access to any information that they individually or collectively consider necessary to fulfil their responsibilities and to exercise independent judgment when making decisions.
- (b) Directors are entitled, with the approval of the Chairperson of the Board, to seek independent professional advice at the Company's expense. Whenever practicable, the advice must be commissioned in the joint names of the Director and the Company, and a copy of the advice should be made available to the entire Board.
- (c) Directors will be entitled to:
  - (i) access members of management, via the MD or Company Secretary, at any time to request relevant and additional information or seek explanations;
  - (ii) have access to external auditors, without management present, to seek explanations or additional information; and

- (iii) seek independent professional advice with the Chairperson's prior consent, which will not be unreasonably withheld or delayed, and which will be at the Company's expense.

## **6 Board process**

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### **6.1 Meetings**

- (a) The Board will meet regularly. Directors will use all reasonable endeavours to attend Board meetings in person, however it is acknowledged that it is not appropriate or necessary for Directors living outside of New South Wales to attend all Board meetings in person. Accordingly, the Board will utilise appropriate technology to facilitate participation at Board meetings.
- (b) The Company's constitution governs the regulation of Board meetings and proceedings.
- (c) The Board may conduct meetings by telephone, video conference or other electronic means.
- (d) Directors are committed to collective decision-making, but have a duty to question and raise any issues of concern to them. Matters are to be debated openly and constructively amongst Directors. Individual Directors must utilise their particular skills, experience and knowledge when discussing matters at Board meetings.
- (e) Directors, through the Chairperson, can raise agenda items to be considered during a meeting. Any Director-raised agenda items requiring a management response are to be formally placed on the agenda for a subsequent meeting.
- (f) Board papers are to be distributed by the Company Secretary in a manner and time that allows each Director to apply diligence and independence of thought to the matters at hand. Late papers will only be addressed in a meeting with the approval of the Chairperson.
- (g) Directors must keep Board discussions and resolutions confidential, except where they are required to be disclosed.
- (h) All Directors are generally expected to prepare adequately, attend and participate at each Board meeting. All Directors should actively consider the sufficiency of the contents of the Board papers that they have been provided for consideration. The Board should assess the information that it receives and the timing of its distribution to ensure the Board has sufficient time to examine the material provided to it for approval.
- (i) Periodically, Non-Executive Directors will meet without Executive Directors or management present, for example to discuss management's performance.
- (j) The Board may request or invite management or external consultants or advisers to attend Board meetings, where necessary or desirable.
- (k) The auditor will have direct access to the Board.

## **6.2 The Chairperson**

- (a) The Board will appoint one of its members to be Chairperson.
- (b) It is intended that the Chairperson should be an independent Non-Executive Director who is not a current or former CEO of the Company.
- (c) The Chairperson represents the Board to the shareholders and communicates the Board's position.
- (d) The role and responsibilities of the Chairperson are to:
  - (i) chair Board and shareholder meetings and set the Board's agenda, allowing adequate time for discussion of all agenda items, in particular strategic issues;
  - (ii) ensure the efficient organisation and conduct of the Board's function;
  - (iii) brief all Directors in relation to issues arising at Board meetings and lead the Board in reviewing and discussing Board matters;
  - (iv) facilitate effective contribution by all Directors;
  - (v) promote constructive and respectful relations between Board members and between the Board and management;
  - (vi) ensure that Non-Executive Directors meet separately, as appropriate, to consider, amongst other things, management's performance;
  - (vii) review corporate governance matters with the Company Secretary and report on those matters to the Board;
  - (viii) oversee the process for Board performance review; and
  - (ix) monitor the role of the Company Secretary.
- (e) Where the Chairperson is absent from a Board meeting, a chairperson for the meeting will be appointed by the present members of the Board.
- (f) The Board may nominate a senior independent Director to assume the role of Chairperson whenever the Chairperson is conflicted in relation to a particular topic.

## **6.3 The Company Secretary**

- (a) The Board will appoint at least one Company Secretary to act as secretary of the Board.
- (b) The Company Secretary is accountable to the Board, through the Chairperson, on matters to do with the proper functioning of the Board.
- (c) In addition to responsibilities under the Corporations Act, the Company's constitution, and matters specifically delegated, the role and responsibilities of the Company Secretary are to:

- (i) act as a point of contact between the Board and management;
  - (ii) assist the Board and its Committees on governance matters;
  - (iii) monitor that policies and procedures of the Board and Committees are followed;
  - (iv) organise Board and Committee meetings, calendar invites and Director attendance, notices of meetings and resolutions for approval, and coordinate the dispatch of Board and Committee meeting papers via an appropriate secure online digital platform or in hard copy;
  - (v) capture the business of Board and Committee meetings in the minutes. Circulate minutes from Board and Committee meetings to the Board in subsequent Board Packs for Board comment and approval of those minutes as being a true, complete and accurate reflection of the Board and Committee deliberations;
  - (vi) Ensure as required, that all Board material is appropriately redacted before providing it to a Director in the case where they have declared a real or perceived conflict of interest;
  - (vii) help organise and facilitate the professional development of Directors so that they can develop and maintain the skills and knowledge needed to perform their role as Directors effectively; and
  - (viii) advise the Company on compliance with its requirements under the Corporations Act regarding its registered office, annual returns and notices to be lodged with the Australian Securities and Investments Commission and ASX.
- (d) All Directors will have direct access to the Company Secretary.

## **7 Language of Director**

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If a Director who is not fluent in the language in which Board meetings or general meetings of shareholders are held or in the language in which key documents of the Company are written, the Company will ensure such meetings and documents are translated into the language the relevant Director understands so that the relevant Director can contribute to the discussions at those meetings and is able to understand, and discharge, their obligations in relation to key documents of the Company.

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**Guidelines of the Board of Directors – Independence of Directors**

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Section 2 of the Charter refers to the 'independence' of Directors. Without limiting the Board's discretion, the Board has adopted the following guidelines to assist in considering the independence of Directors.

In general, Directors will be considered to be 'independent' if they are not members of management (a Non-Executive Director) and they:

- (a) are not employed in an executive capacity by the Company or another group member, and there has been a period of at least three years between ceasing such employment and serving on the Board;
- (b) do not receive performance-based remuneration (including options or performance rights) from, and do not participate in, an employee incentive scheme of the Company;
- (c) have not within the last three years been in a material business relationship (e.g. as a supplier, professional adviser, consultant or customer) with the Company or other group member or an officer of or otherwise associated directly or indirectly with someone with such a relationship;
- (d) are not a substantial shareholder of the Company ('substantial' meaning a greater than 5% holding, directly or indirectly), officer or employee of, professional adviser to, or otherwise associated directly or indirectly with, a substantial shareholder of the Company;
- (e) have no material contractual relationship with the Company or another group member, other than as a Director of the Company;
- (f) have not been a Director of the entity for such a period that his or her independence from management and substantial holders may have been compromised;
- (g) do not have close personal ties with any person who falls within any of the categories described above; and
- (h) are free from any other interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect the Director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its shareholders generally.

**Materiality**

If a Director does not satisfy one or more of the above criteria, the Director will ordinarily be considered not to be independent unless it is clear that the interest, position or relationship in question is not material and will not interfere with the Director's capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of Company as a whole, rather than the interests of an individual security holder or other party.

In making this assessment, the Board will consider the materiality of the Directors' interests, position, association or relationship on a case by case basis, having regard to both quantitative and qualitative principles.