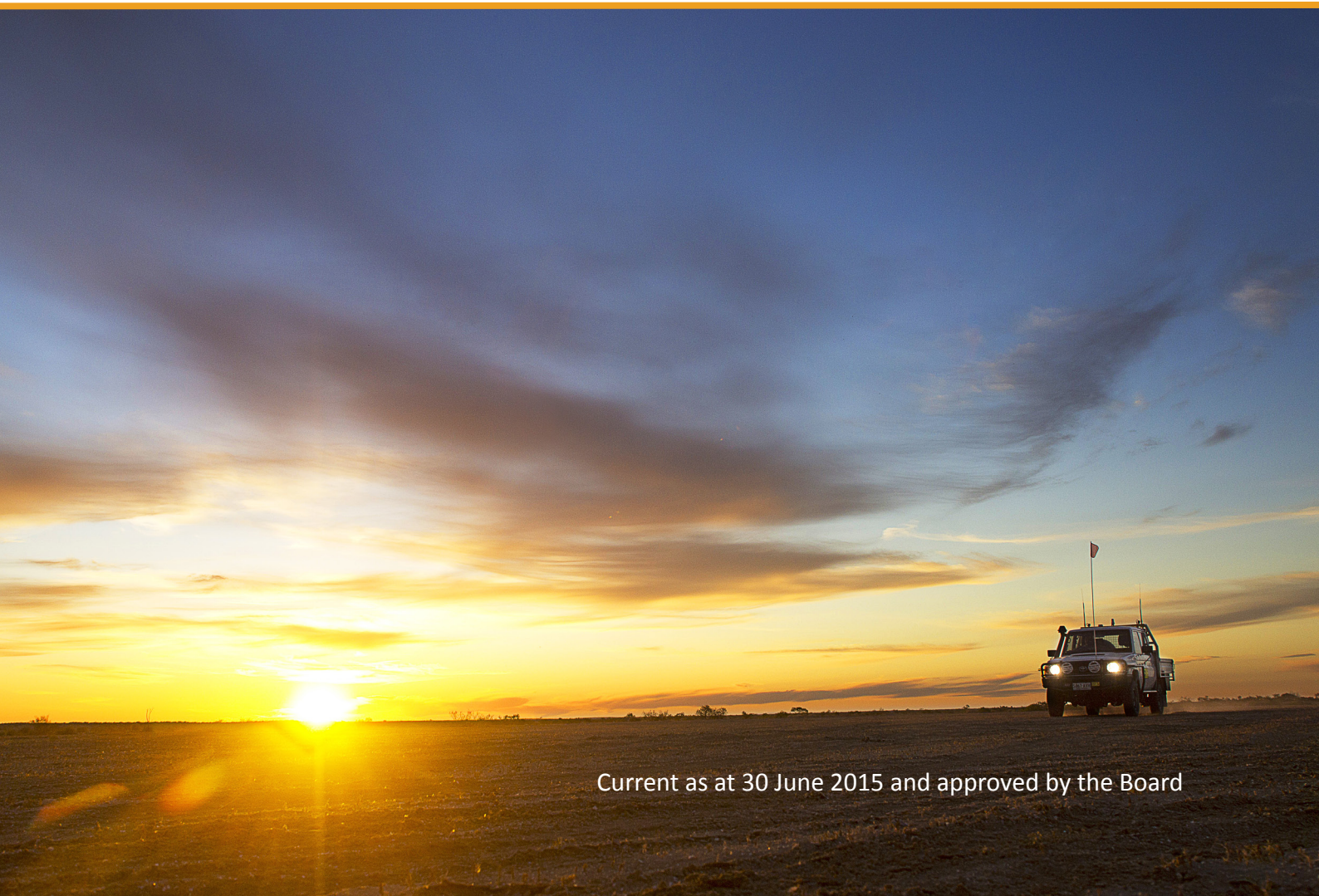




Beach Energy Limited

ABN 20 007 617 969

## 2015 Corporate Governance Statement



Current as at 30 June 2015 and approved by the Board

# 2015 Corporate Governance Statement

issued pursuant to Listing Rule 4.10.3

## PART 1 – INTRODUCTION

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 summarises Beach's main corporate governance principles and practices and the extent to which Beach complied with the third edition Corporate Governance Principles and Recommendations (Principles) over the reporting period. The transition to the third edition of the Principles commenced in the previous reporting period and was completed ahead of this reporting period. The Board believes that Beach has complied with all of the Principles for the current reporting period.

This statement is current as at Beach's balance date, 30 June 2015 and was approved by the Board.

## 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. A summary of the roles and responsibilities is set out below.

### 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 Managing Director, 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 Managing Director; and
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures.

The Board has delegated management of the company through the Board Charter and an approved delegation of authority 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 seven directors, the maximum specified in Beach's constitution. 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 2015 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 matrix of skills and diversity that the Board regards as desirable to achieve this are set out in the table below together with the composition of skills and experience and diversity of the Board.

Skills, Experience & Diversity	Number of directors
<b>Industry experience:</b> <ul style="list-style-type: none"> <li>• Resources including oil and gas/ minerals</li> <li>• Infrastructure</li> <li>• Engineering or science qualification</li> <li>• Relevant industry representative organisations</li> <li>• Major projects (including mergers &amp; acquisitions)</li> </ul>	7
<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>	3
<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>	7
<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>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</li> <li>• Experience in setting and delivering on strategy</li> </ul>	7
<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>	3
<b>Risk</b> <ul style="list-style-type: none"> <li>• Experience in risk management and oversight</li> </ul>	7
<b>Diversity of the Board</b>	
Gender	5 male / 2 female at 30 June 2015
Tenure	9+ years – 1 director > 6 - 9 years – 1 director > 3 - 6 years – 1 director 0 - 3 years – 4 directors

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 Managing Director must be filled by different people. The Chairman should be an independent director.

There is one executive director, Managing Director, Mr Cole. 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, the majority of the Board consists of independent directors. The independent directors are Mr Beckett, Ms Bennett, Mr Butler, Mr Davis, Ms Robinson and Dr Schwebel.

Until his retirement in November 2014, Mr Beckett was an executive at Chevron Australia Pty Ltd (Chevron). In 2013 Beach entered into a material business relationship with a Chevron group company through the farm out of a portion of its interest in the NTNG joint ventures. In March 2015, after completion of stage 1 of the farmout, the Chevron group elected to withdraw from the joint ventures. Mr Beckett joined the Board in April 2015. Mr Beckett's role at Chevron was as the general manager responsible for the development of the Gorgon LNG and domestic gas project in Western Australia. He 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 eight 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 Beach board has a very clear procedure and policy as to how that conflict would be dealt with. That procedure and policy would be strictly adhered to. 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 by it and detailed below, 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.

The Board has also considered the question of whether Mr Butler's longevity as a director of Beach in some way compromises his independence. The Board does not believe it does or has not seen evidence that it does.

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 a 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.

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

- A provider of material professional services is one where the fees charged to Beach or the group in a financial year are more than 10% of the annual gross revenue of the provider or \$1.5 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 10% of the annual consolidated gross revenue of the supplier or more than 10% of the annual consolidated expenditure of the customer, as the case may be or \$7.5 million, 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.

The Board has also created the role of a lead independent director which is currently held by Mr Butler. The role is:

- 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; and
- To consider questions of possible conflicts of interest of or breaches of the Code of Conduct by Board members, as such questions arise.

## 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 the 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 the general criteria (see page 3). 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 Managing Director 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 3. Appropriate checks are undertaken regarding a potential new director's character.

This selection process was adopted in the appointment by the Board of a new director Mr Beckett in April 2015. Mr Beckett will stand for re-election at the next annual general meeting.

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 employees, information and records. In addition to regular reports to the Board, directors may request further reports or information necessary to make informed decisions from management through the Managing Director 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. In particular, the Board attended training to refresh its knowledge of Australian occupational health and safety laws during 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. A review was undertaken for this reporting period using an external facilitator in accordance with the process for reviews disclosed in the corporate governance section of Beach's website. It has been the case that the Board has used an external facilitator each alternate review. This year the Board conducted an externally facilitated review rather than an internal review. The evaluation was conducted by way of questionnaire, interviews with each director and feedback to 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 Managing Director 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 Nelson prior to his retirement 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 Managing Director and senior executives are set out in the Remuneration Report contained in the 2015 Annual Report.

## PART 3 – BOARD COMMITTEES

The Board has an Audit Committee, Remuneration and Nomination Committee, Corporate Governance Committee and a Risk 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 2015 Annual Report at page 47. Further details of the qualifications of each committee's members are set out in the Directors' Report in the 2015 Annual Report from page 45. 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 Committee meet the requirements of the Principles.

### 3.1 Audit committee

The Audit Committee's members are Mr Butler (chairman), Ms Bennett and Dr Schwebel, all 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, experience in risk management and oversight. The committee meets at least three times a year and the external auditor, Managing Director and Chief Financial Officer/Company Secretary are invited to attend the meetings, at the discretion of the committee.

### 3.2 Remuneration and nomination committee

The Remuneration and Nomination Committee's members are Ms Robinson (chairman), Ms Bennett and Mr Davis, all 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 review and make recommendations to the Board about:

- Senior executives' remuneration and incentives;
- Superannuation arrangements;
- The remuneration framework for directors;
- Equity incentive schemes for employees;
- Approval by the Board of any remuneration consultancy contract that is for services that include making key management personnel remuneration recommendations;
- Ensuring compliance with the requirements for remuneration recommendations in relation to key management personnel;
- Beach's remuneration, recruitment, retention and termination policies for senior executives;
- The necessary and desirable competencies of Board members;
- The development of a process for the evaluation of the performance of the Board, its committees and directors;
- The appointment and re-election of directors;
- Reviewing Board succession plans; and
- A diversity policy.

### 3.3 Risk committee

The Risk Committee membership comprises all members of the Board. It is chaired by Ms Bennett and a majority of its members are independent directors. The role of the committee is to assist the Board to fulfil its corporate governance and oversight responsibilities relating to Beach's risk management framework. The combined set of skills and attributes of all of the directors is important in understanding and undertaking the risk oversight role of the Board.

### 3.4 Other board committees

The Corporate Governance Committee's members during the reporting period were Dr Schwebel (chairman from November 2014), Mr Butler (chairman from 1 July 2014 until Dr Schwebel's appointment) and Mr Davis. Its role is to oversee the corporate governance policies and procedures of Beach. The Board considered the role of this committee and recently amended its responsibilities to include oversight of the development of a business sustainability framework and annual public reporting on Beach's sustainability practices. The committee member's attributes to serve on this committee include experience in governance.

## 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;
- 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 securities 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 well qualified, diverse and motivated people across all levels to assist Beach to meet its objectives. Key principles to implement this policy include:

- Recruiting on the basis of skills, qualifications, abilities 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.

Beach’s policy requires the Board to set measurable objectives for achieving gender diversity and Beach’s progress in achieving them. The table below sets out the current Board approved measurable objectives for achieving gender diversity. The table also details Beach’s progress in achieving these objectives over the reporting period:

Objective	Initiatives	Commentary
Ensure there is gender diversity on the Board by having at least one female board director at all times		Currently 2 female board members
Increased representation of women in technical roles	Participation in university career expos, industry nights, meetings with students and school work experience programs to broaden awareness around opportunities available in the Resources sector	Beach exhibited at the 2015 University Adelaide career expo held in March 2015 with technical graduate expressions of interest have been received for engineering and geoscience positions since March 2015.  Technical employees participate and present at undergraduate events at the Universities.  Beach employees attended the University Adelaide Geological Society Sponsors evening.  An improved work experience program was implemented to include a structured technical project to be undertaken while student’s are placed in the business.  40% of technical graduates recruited were female.
	Re-branding of the Beach Careers Page to emphasise the diversity within Beach’s existing workforce and the opportunities available for both men and women at Beach	Rebranding completed.
	Development of a formal “Keep in Touch” program for employees on Parental Leave to ensure we retain women across the business by effectively facilitating their return to work	A Parental Leave guide has been developed.  The Parental Leave guide is an information resource available to all employees to help them identify their Parental Leave entitlements and how to apply for them, providing an overview of Beach’s ‘keeping in touch’ initiatives.
Increased participation in leadership initiatives and in training and career development opportunities	Implementation of Leading My Career (LMC) Program with OZ Minerals and Thiess to provide tailored training and development opportunities for high performing women in these organisations with mentors involved from the senior leadership teams	LMC Program commenced in May and concluded in October with 22 participants (5 from Beach).  Behind Closed Doors Scholarship recipients announced on December 4th. Beach offered 2 scholarships.  Significant outcomes have been achieved since the commencement of the program in 2012.  Specifically, 64% of Beach participants from the 2012 and 2013 programs achieved a promotion or secondment into a more senior role.  Most recently the program’s success was recognised at the 2014 Women in Resources National Awards when both Beach Energy and OZ Minerals were finalists in the Gender Equity in the Workplace category. This award built upon recognition previously received in 2013 when the program was awarded the 2013 SA Premiers Community Excellence Awards in Mining and Energy for Excellence in Leadership – Women in Resources.

*Continued next page*

Objective	Initiatives	Commentary
Increased participation in leadership initiatives and in training and career development opportunities <i>(continued)</i>	Industry support through Women in Resources SA (WinRSA) Group by Beach sponsorship and participation by Beach employees	Beach sponsorship of guest speakers and active contribution to the 2015 WinRSA Strategy Day. Beach representation on the WinRSA Committee
	Development and implementation of a formal calendar of training and development opportunities available to all employees	FY15 Training Calendar released to the business in July. From July 2014 to 16th June 2015 46% overall female participation in courses offered as part of the Training Calendar only.
	Implementation of "Unconscious Bias" training across the business	"Unconscious Bias" training was provided to managers in February 2015. 89% of managers attended.
	Implementation of a formal Succession Planning process that applies gender equality principles	Tracking of previous LMC participants against long-term career goals and succession plans Draft succession plans for critical roles are on hold, pending outcomes from the Organisational Review underway by the new Managing Director
Ongoing measurement of a range of issues around conditions of employment	Analysis and regular reporting to the Executive and Board on access to and provision of training and development opportunities; focus groups or surveys	Monthly executive updates and Board reporting. Full update on all training and development provided in a 6-monthly Organisational Development Board Report.
	Introduction of a Performance Feedback process across the business that covers a broad range of topics relating to gender equity principles	Performance Feedback Process introduced in November 2013 and was refined with an online system implemented.
	Review of gender pay equity particularly in technical and professional roles	Initial pay equity review completed in July 2014 and a further review undertaken in January 2015 using data as at December 2014. WGEA benchmark data has been obtained and a report summarising outcomes was provided to the executive.
	Implementation of a recruitment applicant tracking system that provides standard reports on gender equity during recruitment.	A recruitment tracking system was implemented. Overall 33.33% of all technical employees recruited in the reporting period were female.

Beach is a relevant employer under the Workplace Gender Equality Act and its most recent report which includes Gender Equality Indicator details for Beach can be viewed on Beach's website at Sustainability at Beach/Public notices. There is additional workforce profile detail included in the Sustainability Report in the 2015 Annual Report.

## PART 5 – RECOGNISE AND MANAGE RISK

### 5.1 Risk oversight and management

Beach recognises that the management of risk is a critical component in Beach achieving its purpose of delivering sustainable growth in shareholder value.

### 5.2 Risk management framework

The company has a framework 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.

As detailed in section 3.3, the Risk Committee is comprised of every member of the Board. It is chaired by an independent director. The role of the committee is set out in its Risk Committee Charter which appears on Beach's website.

Beach has a Risk Management Committee comprising the Managing Director and senior executives. It meets regularly and reports through the Managing Director to the Risk 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 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 2 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.

A brief description of the process follows. Risks are identified and ranked using a likelihood and consequence methodology. Risks identified as material are included in a material risk register which is regularly reviewed by the Risk Management Committee to ensure that action is implemented to manage and mitigate each of those risks. Each risk is assigned to a single accountable representative to give on-going consideration to that risk.

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 for risks other than financial risks, which are reported through the Audit Committee. The business functions have a responsibility to properly assess

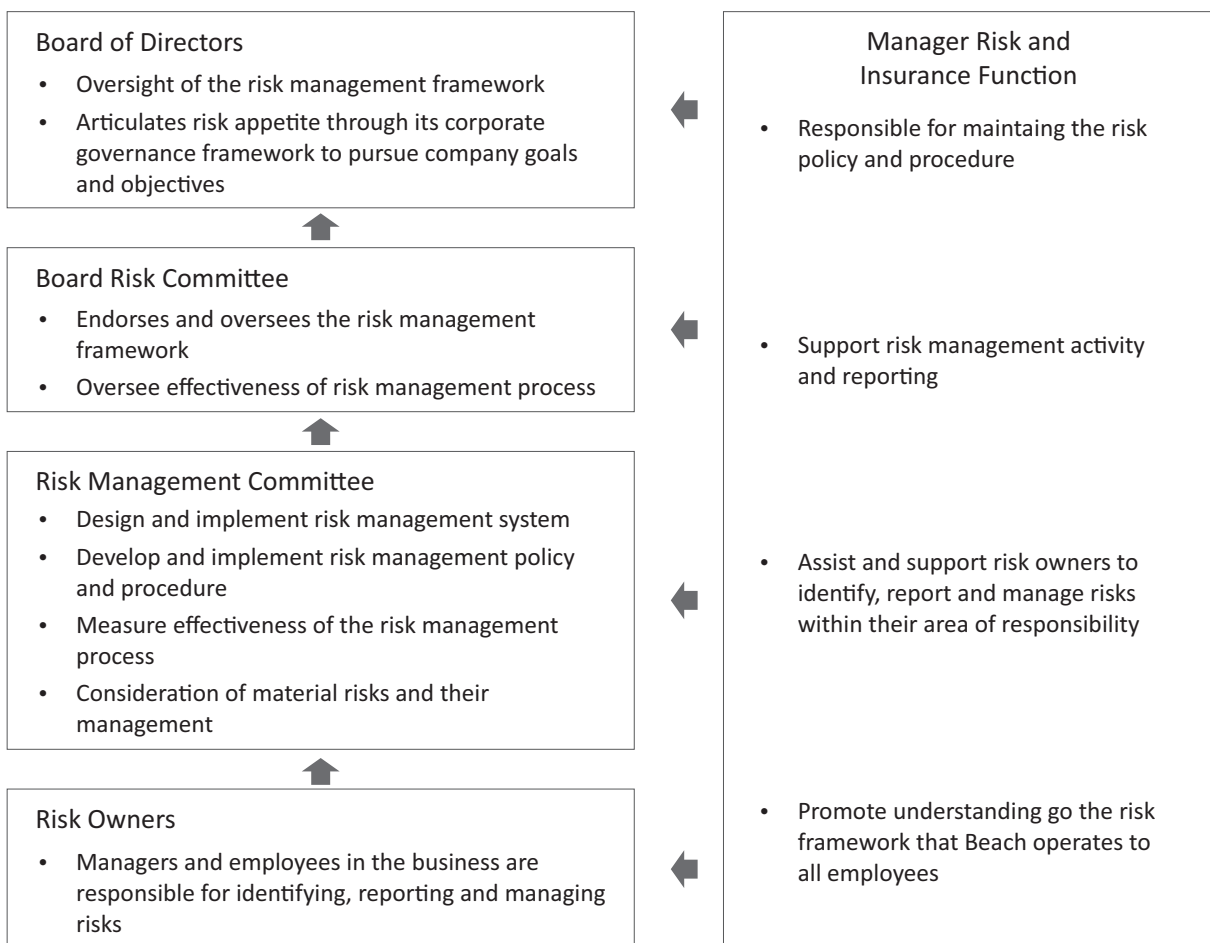
risks and manage them. The business functions must routinely check the effectiveness of their internal controls. A new risk or a risk whose profile changes (either to decrease or increase the risk) is identified by the business and the risk register is amended accordingly. The Risk Management Committee 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.

The risk management framework is being supported by an online system with plans to centralise the risk register and its sub-registers into a single platform with active monitoring of action items assigned to responsible employees for the actions related to relevant risks. A review of the risk management framework was undertaken in advance of implementation of the system including a testing phase and it is expected that the system will ‘go live’ over the coming reporting period.

During the reporting period, the Risk Committee reviewed the risk management framework and made minor modifications to it. These included adjusting categories in the risk register to improve the categorisation of risk and to enable more meaningful reporting of material risks. The committee and the Board also reviewed and were satisfied that Beach’s risk management framework continues to be sound.

### Overview of Beach’s Risk Management Framework



### 5.3 Reporting on risk management framework

Over the reporting period, the Board sitting as the Risk 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 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 system.

The Board has also received written declarations from the Acting Chief Executive Officer and the Chief Financial Officer 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 2015 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 in the 2015 Annual Report.

### 5.5 Internal audit

The Board has appointed an internal audit adviser, PriceWaterhouseCoopers to develop and deliver an internal audit plan focused on the controls that manage the most important risks to Beach. The role is to conduct internal audit reviews as described in the plan and report:

- The results to the Audit Committee and management;
- Report on status and progress to the Audit Committee, as well as conduct any additional internal audit reviews 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 KPMG. Shareholders approved the appointment of KPMG at the last annual general meeting replacing Grant Thornton who held the position since 1994. 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. It is the Audit Committee's role to assess and approve any audit and non-audit services that might be provided by the external auditor.

## 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. These are also posted on the website and sent to shareholders. 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. This was last conducted in 2014. 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 with it a form that invites shareholders to submit questions or comments relating to Beach ahead of the meeting. 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.