

# CORPORATE GOVERNANCE STATEMENT

Sun Resources NL (“Sun” or “the Company”) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of Shareholders. The Company and its controlled entities together are referred to as the Group in this statement.

The Company had no Managing Director/CEO from 11 November 2016 until 2 November 2017 as the Directors were monitoring costs closely. As a consequence of this, not all of the Corporate Governance procedures could be completed in the 2017 financial year.

A description of the Group’s main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the 2017 financial year.

The Principles of the ASX Corporate Governance Council (3<sup>rd</sup> Edition):

<b>Principle 1:</b>	<b>Lay solid foundations for management and oversight</b>
<b>Principle 2:</b>	<b>Structure the Board to add value</b>
<b>Principle 3:</b>	<b>Act ethically and responsibly</b>
<b>Principle 4:</b>	<b>Safeguard integrity in corporate reporting</b>
<b>Principle 5:</b>	<b>Make timely and balanced disclosure</b>
<b>Principle 6:</b>	<b>Respect the rights of security holders</b>
<b>Principle 7:</b>	<b>Recognise and manage risk</b>
<b>Principle 8:</b>	<b>Remunerate fairly and responsibly</b>

The Council has clarified the “if not, why not” approach to compliance. Non-compliance with one or more of the recommendations does not in itself indicate that the Company’s corporate governance practices are deficient. Investors and other market participants should consider the explanation given by the Company as to why it has chosen not to comply with a recommendation, and evaluate the Company’s practices in light of that explanation and the Company’s overall governance framework.

## **Principle 1: Lay solid foundations for management and oversight**

### **1.1) Roles and responsibilities**

The relationship between the Board and Management is critical to the Group’s long-term success. The Board is responsible to the Shareholders for the performance of the Group in both the short and long term. The Board seeks to balance sometimes competing objectives in the best interests of the Shareholders and the Group as a whole by carrying out responsibilities diligently in accordance with the law. The Board’s focus is to enhance the interests of Shareholders and other key Stakeholders and to ensure the Group is properly managed. The Board provides guidance to Management whilst overseeing and monitoring the Group’s corporate strategy, financial performance and the effectiveness of the Company’s governance practices. Management is directly accountable to the Board in delivering timely, accurate, relevant and clear information to enable the Board to efficiently perform its responsibilities. Management is responsible for operating within the relevant regulations and the risk appetite set by the Board to propose strategic objectives whilst supporting the Chief Executive Officer (“CEO”) in handling day-to-day business commitments of the Group’s affairs.

### **Role of the Chairperson**

The Chairperson is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board’s relationship with the Company’s Senior Executives. The focus should be on ensuring that the Board and the CEO act in an ethical manner with strong values that support the governance principles of the Company.

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### **Role of the CEO**

The CEO is responsible for implementing Group strategies and policies. The CEO is primarily responsible for the day-to-day running of the business and to ensure accurate and timely reporting to the Board. The CEO is delegated with the responsibility of managing the personnel and finances of the Company with the exception of any roles deemed important enough to involve the Board or its committees. The CEO is also required to be present at meetings of the various committees of the Board that meet from time to time.

### **The respective roles and responsibilities of the Board include:**

- Providing strategic guidance to the Group including contributing to the development of and approving the corporate strategy.
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives.
- Overseeing and monitoring:
  - Organisational performance and the achievement of the Group's strategic goals and objectives.
  - Compliance with the Company's codes of conduct.
  - Progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments.
  - Financial performance including approval of the annual and half-year financial reports and liaison with the Company's auditors.
  - Effectiveness of the Company's governance policies and procedures.
- Appointment, performance assessment and, if necessary, removal of the CEO.
- Ratifying the appointment and/or removal and contributing to the performance assessment for the members of the Senior Management team including the CFO and the Company Secretary.
- Ensuring there are effective management processes in place and approving major corporate initiatives.
- Enhancing and protecting the reputation of the organisation.
- Overseeing the operation of the Group's system for compliance and risk management reporting to Shareholders.
- Ensuring appropriate resources are available to Senior Management.

### **The respective roles and responsibilities of Management include:**

- Daily management of the Group's affairs.
- Propose strategic corporate objectives for the Board's approval to put into action.
- Policies and procedures initiatives.
- Handling day-to-day commitments conforming to the Company's framework, relevant laws and regulations.
- Implementing and monitoring risk management.
- Securely maintaining important records and documentation.
- Assisting with signing of contracts, agreements and other documentation.
- Executing property transactions including leases, sales and acquisitions.
- Supervising of operations conducted at project sites.
- Carrying out vital tasks set by the Board.
- Analysis and interpret relevant oil and gas trends and environmental conditions in operating regions.

# CORPORATE GOVERNANCE STATEMENT

## 1.2) Appointment and re-election of Directors

Under the Constitution the minimum number of Directors is three and the maximum is ten. Directors are not appointed for a fixed term.

The composition of the Board is reviewed when a new Director is to be appointed, to ensure that a diverse range of skills, experience and expertise is maintained for the Board to properly fulfil its responsibilities. The Board identifies its needs and prepares a short-list of candidates with appropriate skills and experience. Where necessary, advice is sought from independent search consultants. The appointment of a new Director will be considered by the full Board.

The Board will identify and approach potential candidates they consider to be valuable to the composition of the Board. Once the Board has identified a candidate, formal interviews will be conducted by each member of the Board, in person or over conference call, to assess their character and integrity. Candidates must disclose to the Board details of any association they have that may influence independent judgement. Background checks are conducted upon consent of the candidate to support the Board's assessment in determining whether the candidate will act in the best interest of the Company and its Shareholders. Reference checks are run to confirm their experience, qualifications and education listed on their resumes are accurate. Legal verification in Australia is also obtained to confirm they have no criminal record or bankruptcy history. The full Board then appoints the most suitable candidate who must stand for election by Shareholders at the next annual general meeting of the Company.

A Company announcement is released to the market subsequent to the appointment of a new Director. The announcement provides information on the decision and purpose of appointment and the Director's range of expertise and experiences. The announcement will also disclose the Director's shareholding in the Company as well as remuneration details and material terms.

The Board's nomination of existing Directors for re-appointment is not automatic and is contingent on their past performance, contribution to the Company and the current and future needs of the Board and Company. At each Annual General Meeting one third of the Directors other than the Managing Director must retire by rotation, with those serving the longest retiring first. Retiring Directors may stand for re-election. The Company will provide Shareholders with all material information on whether they support the re-election.

## 1.3) Terms of appointment

**Non-Executive Directors receive formal letters of appointment setting out the following:**

- The Company's expectations for the position regarding involvement with committee work and other duties.
- Time commitment.
- Remuneration entitlements.
- Disclosure requirements
- Confidentiality obligations.
- Director's ongoing rights.
- Terms and conditions of their employment.
- Indemnity and insurance arrangements.

**Executive Directors are employed pursuant to employment agreements setting out the information above as well as the following:**

- Responsibilities and duties involved in the position.
- Who they report to.
- Termination circumstances.
- Entitlements on termination.

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Directors and Board committees have the rights, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairperson is required, but this will not be unreasonably withheld. The Company will reimburse the Director for the reasonable expense of obtaining that advice.

### 1.4) Role of the Company Secretary

The Company Secretary plays a crucial role ensuring the Board and its committees run successfully under relevant legislation and regulations. They are required to organise timely completion and despatch of Board and committee meeting agendas, and papers to all members of the Board at least three days before the meeting commences. The Company Secretary acts as a servant at Board and committee meetings, monitoring that the Board follows the agenda and briefing materials whilst complying with the Company's policies and charters. They are responsible to address the Board, through the Chair, on any governance matters or affairs that effect ethical functioning of the Board. Accurate minutes reflecting Board and committee meetings are produced by the Company Secretary and circulated to the Directors for approval.

### 1.5) Diversity policy summary

The Company has established a diversity policy, which includes requirements for the Board to establish measurable objectives for gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

The Board has set a measurable objective for achieving gender diversity going forward in accordance with the diversity policy which requires each pool of candidates for vacant positions to include at least one female candidate.

The proportion of woman employees and contractors in the whole organisation, woman in Senior Executive positions and woman on the Board at the date of this report is set out in the following table:

	Proportion of women
Whole organisation	1 out of 5 (20%)
Senior Executive positions	0 out of 1 (0%)
Board	0 out of 3 (0%)

The Company's current business model means that it is not likely that the Company will be required to employ large numbers of employees in the future. As such, the ability of the Company to introduce formalised programmes to make substantive changes is limited and any objectives set by the Board are likely to be influenced by this structure.

The diversity policy is available in the corporate governance section of the Company's website.

## Performance assessments

### 1.6) Performance assessment of the Board and its committees

The Board is required to undertake an annual Board performance review and consider the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the Group. The Board also undertakes an annual self-assessment of its collective performance, the performance of the Chairperson and of its committees. The assessment also considers the adequacy of induction, access to information and the support provided by the Company Secretary. The results and any action plans are documented together with specific performance goals which are agreed for the coming year.

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### 1.7) Performance assessment of Senior Executives

The Chairperson undertakes an annual assessment of the performance of the CEO and meets privately to discuss this assessment. The CEO has an annual performance review completed by the Board. A Director's Questionnaire Evaluation of CEO Performance, is completed and discussed as part of this process.

The CEO, Mr Battrick resigned on 11 November 2016. Sun elected not to re-appoint a new CEO for the remainder of the 2017 financial year. For this reason no assessment evolution of the CEO had been undertaken.

### Performance assessment of Management

Management are evaluated every six months usually in June and December in terms of the completion of an Employees' Questionnaire: Employee Performance and Development Review, with a subsequent discussion.

Due to the Board changes no performance assessments for Management were undertaken during the 2017 financial year.

## Principle 2: Structure the Board to add value

### Board composition

**The Board composition at 30 June 2017 consisted of the following Directors:**

Mr Ian McCubbing	(Independent, Non-Executive Director and Chairman)
Mr William Bloking	(Independent, Non-Executive Director)
Mr Alexander Parks	(Independent, Non-Executive Director)

The Board is usually comprised of both Executive and Non-Executive Directors with a majority of Non-Executive Directors. Non-Executive Directors bring a fresh perspective to the Board's consideration of strategic, risk and performance matters.

The Chairperson is elected by the full Board and is required to communicate regularly with the CEO. The Company is to maintain a mix of Directors on the Board from different backgrounds with complementary skills and experience.

**The Board seeks to ensure that:**

- At any point in time, its membership represents an appropriate balance between Directors with experience and knowledge of the Group and Directors with an external or fresh perspective.
- The size of the Board is conducive to effective discussion and efficient decision-making.

Details of the members of the Board, their experience, expertise, qualifications, term of office, relationships affecting their independence and their independent status are set out in "Board of Directors and Management" section of the Company's website.

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### **Board Committees**

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current separate committees of the Board are the audit and risk committee and the remuneration committee. The committee structure and membership is reviewed on an annual basis. A policy of rotation of committee members applies. Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All matters determined by committees are submitted to the full Board as recommendations for Board decisions. The commitments of Non-Executive Directors are considered by the Board prior to the Director's appointment to the Board of the Company. Minutes of committee meetings are tabled at the subsequent Board meeting. Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committees.

#### **2.1) Nomination Committee**

The Company does not have an existing nomination committee as suggested in Recommendation 2.1. As the whole Board only consists of three (3) members, it would not be a more efficient mechanism than the full Board for focussing the Company on specific issues.

The Board addresses all nomination matters at regular Board meetings, considering the overall balance and efficiency of the Board's composition and size. The Board considers and reviews both Director succession and CEO succession plans to ensure the Board maintains an appropriate and wide range of skills and experience across the Board. The Board also addresses and makes recommendations for induction procedures, professional development programmes, recruiting processes, appointment and re-election of Directors. In the event a new Director is required, all members of the Board partake in the process of identifying potential candidates, and are required to advise other Board members of their search processes.

The Board held thirteen (13) Board meetings during the 30 June 2017 financial year.

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### 2.2) Skills Matrix – 2017 Financial year

Composition of skills and experiences across the Board out of five (5) Directors	# of Directors
<b>Capital Market and Fund Raising</b> <ul style="list-style-type: none"> <li>• Successful fund raising ability for resource industry related companies</li> <li>• Effective negotiating skills with lenders and investors</li> <li>• Experienced with equity capital markets</li> </ul>	<p style="text-align: center;">5 5 5</p>
<b>Financial</b> <ul style="list-style-type: none"> <li>• Accounting expertise</li> <li>• Financial acumen</li> </ul>	<p style="text-align: center;">1 5</p>
<b>Governance and Regulation</b> <ul style="list-style-type: none"> <li>• Policy and regulation awareness</li> <li>• Securities law knowledge</li> </ul>	<p style="text-align: center;">3 4</p>
<b>Health, Safety and Environment</b> <ul style="list-style-type: none"> <li>• Management of health, safety and environmental issues</li> </ul>	<p style="text-align: center;">4</p>
<b>International</b> <ul style="list-style-type: none"> <li>• Corporate and or Industry relations</li> </ul>	<p style="text-align: center;">5</p>
<b>Investor Relations</b> <ul style="list-style-type: none"> <li>• Effective written and verbal communications</li> <li>• Financial, industry and or market literate</li> </ul>	<p style="text-align: center;">5 5</p>
<b>Leadership/Management</b> <ul style="list-style-type: none"> <li>• Ability to influence others</li> <li>• Senior Management experience</li> </ul>	<p style="text-align: center;">4 4</p>
<b>Resource Industry</b> <ul style="list-style-type: none"> <li>• Expert in oil and gas or other resources</li> <li>• Geology expertise</li> <li>• Mechanical Engineering expertise</li> <li>• Petroleum Engineering expertise</li> <li>• Evaluating and/or sourcing acquisitions</li> <li>• Memberships of resource industry related organisations</li> </ul>	<p style="text-align: center;">4 2 2 3 4 3</p>
<b>Risk</b> <ul style="list-style-type: none"> <li>• Risk management ( identify, analyse, evaluate and treat risks)</li> <li>• Monitoring and reviewing risk management</li> </ul>	<p style="text-align: center;">4 4</p>
<b>Strategy</b> <ul style="list-style-type: none"> <li>• Strategic business planning and execution to add value and ensure long-term sustainability</li> </ul>	<p style="text-align: center;">5</p>

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## Director's independence

The Board has adopted specific principles in relation to Director's independence. These state that when determining independence, a Director must be a Non-Executive and the Board should consider whether the Director:

- Is a substantial Shareholder of the Company or an officer of, or otherwise associated directly with, a substantial Shareholder of the Company.
- Is or has been employed in an Executive capacity by the Company or any other Group member within the last three years.
- Within the last three years has been a principal of a material professional adviser or a material consultant to the Company or any other Group member, or an employee materially associated with the service provided.
- Is a material supplier or customer of the Company or any other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- Has a material contractual relationship with the Company or a controlled entity other than as a Director of the Group.
- Is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's independent exercise of their judgement.

Materiality for these purposes is determined on both quantitative and qualitative bases.

The Board assesses independence each year. To enable this process, the Directors must provide all information that may be relevant to the assessment. In the event that a potential conflict of interest may arise, involved Directors must withdraw from all deliberations concerning the matter. They are not permitted to exercise any influence over other Board members.

### 2.3) Directors independence and length of service

Length of service as at 30 June 2017 or date of retirement/resignation:

	Independence	Length of service
Mr Ian McCubbing	Assessed as independent	~ 8 months
Mr William Bloking	Assessed as independent	~ 8 months
Mr Alexander Parks	Assessed as independent	~ 1 year & 5 months
Dr Jaap Poll (1)	Assessed as independent	~ 8 months
Mr Matthew Battrick (2)	Deemed not independent	~ 9 years & 11 months

1. Dr Jaap Poll retired on the 25 October 2016.

2. Mr Matthew Battrick resigned on the 11 November 2016.

### 2.4) Independence across the Board

The majority of the Board are deemed as independent Directors.

### 2.5) Independence of the Chairman

In recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairperson Mr Ian McCubbing is an independent Non-Executive Director.

### 2.6) Induction of new Directors and Senior Management

The induction provided to new Directors and Senior Managers enables them to actively participate in Board decision-making as soon as possible. It ensures that they have a full understanding of the Company's financial position, strategies, operations and risk management policies. It also explains the respective rights, duties, responsibilities and roles of the Board and Senior Executives.

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### **Principle 3: Act ethically and responsibly**

#### **3.1) Codes of conduct**

The Company has developed a separate Board Code of Conduct and an Employee Code of Conduct (the codes) which have been fully endorsed by the Board and applies to all Directors and employees. The codes are reviewed and updated as necessary to ensure they reflect the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity and to take into account legal obligations and reasonable expectations of the Company's Stakeholders.

In summary, the codes require that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

The codes and the Company's trading policy are discussed with each new employee as part of their induction training.

The Directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities. The codes are available in the corporate governance section of the Company's website.

### **Principle 4: Safeguard integrity in corporate reporting**

#### **4.1) Audit committee**

**The audit and risk committee at 30 June 2017 consists of the following Directors:**

Mr Ian McCubbing (Independent, Non-Executive Director and Chairman)  
Mr William Bloking (Independent, Non-Executive Director)  
Mr Alexander Parks (Independent, Non-Executive Director)

All members of the audit and risk committee are financially literate and have an appropriate understanding of the industry in which the Group operates. The audit and risk committee operates in accordance with a charter.

**The main responsibilities of the committee are to:**

- Review, assess and approve the annual report, the half-year financial report and all other relevant financial information published by the Company.
- Assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
  - Effectiveness and efficiency of operations.
  - Reliability of financial reporting.
  - Compliance with applicable laws and regulations.
- Oversee the effective operation of the risk management framework.
- Recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance.
- Consider the independence and competence of the external auditor on an ongoing basis.
- Review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence.
- Review and monitor related party transactions and assess their propriety.
- Report to the Board on matters relevant to the committee's role and responsibilities.

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### **In fulfilling its responsibilities, the audit and risk committee:**

- Receives regular reports from management, and the external auditors.
- Meets with the external auditors if necessary.
- Reviews the processes the CEO and CFO have in place to support their certificates to the Board.
- Reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved.
- Provides the external auditors with a clear line of direct communication at any time to either the Chairperson of the audit and risk committee or the Chairperson of the Board.

The audit and risk committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

The audit and risk committee charter is available in the corporate governance section of the Company's website.

The Board held one (1) audit and risk committee meetings during the 30 June 2017 financial year.

### **4.2) Corporate reporting**

#### **The CEO and CFO have made the following certifications to the Board:**

- That the Company's financial reports are complete and present a true and fair view, in all material aspects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards.
- That the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material aspects in relation to financial reporting risks.

### **4.3) External auditors**

The Company's audit and risk committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. BDO was appointed as the external auditor in 1994. It is BDO's policy to rotate audit engagement partners on listed companies at least every five years, and in accordance with that policy a new audit engagement partner was introduced from the year ended 30 June 2015.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Directors' report and in a note to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Board. The external auditor will attend the annual general meeting and be available to answer written Shareholder questions submitted no later than five business days before the annual general meeting, about the conduct of the audit and the preparation and content of the audit report.

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### **Principle 5: Make timely and balanced disclosure**

#### **5.1) Continuous disclosure**

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities.

The Company Secretary has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX) in collaboration with the CEO. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, Shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Company's website. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

The continuous disclosure policy is available in the corporate governance section of the Company's website.

### **Principle 6: Respect the rights of security holders**

#### **6.1) Company information via website**

The Company's website allows Shareholders and Stakeholders to conveniently gain access to all current information about the Company including the Company's corporate governance policies.

#### **6.2) Shareholder and stakeholder communications**

The Company seeks to provide opportunities for Shareholders to participate through electronic means via the Company's website. The website enables Shareholders to register their email address for direct email updates. The Company understands the importance of effective two-way communications with Shareholders. Shareholders are welcome to make direct contact with the head office on any enquires they may have using the contact details provided on the website.

#### **6.3) Shareholder participation**

The Company encourages Shareholder participation at General and Annual Meetings. The Company's share registry is responsible for mailing out the notice of General Meetings and Annual General Meetings directly to Shareholders. Shareholders who have subscribed to email alerts will additionally receive an email notification of all meetings and ASX Announcements.

#### **6.4) Electronic communications**

Shareholders have the opportunity to send electronic communications to the Company and the Company's share registry using contact details listed on the Company's website.

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### **Principle 7: Recognise and manage risk**

#### **7.1) Risk committee**

The Board, through the audit and risk committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In summary, the Company policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority.

The Company risk management policy and the operation of the risk management and compliance system are executed by the CEO in collaboration with the audit committee.

The current risk management policies and procedures are available in the corporate governance section of the Company's website.

#### **7.2) Review of risk management**

The audit and risk committee together with assistance from the CFO are responsible for the evaluation and development of the Company's risk management.

The risk management framework was reviewed at the audit and risk committee meeting during the 30 June 2017 financial year.

#### **7.3) Internal audit function**

The Company does not have an existing internal audit function as suggested in Recommendation 7.3. The audit committee and CFO consider those matters that would usually be the responsibility of an internal audit function.

#### **7.4) Material exposure management**

The Board has adopted a risk management policy and risk management procedures. Under the risk management policy, the Board oversees the processes by which risks are managed. This includes defining the Company's risk appetite, monitoring of risk performance and those risks that may have a material impact to the business.

Management is responsible for the implementation of the risk management and internal control system to manage the Company's risks and to report to the Board whether those risks are being effectively managed. The Company's system to manage its material business risks includes the preparation of a risk register by management to identify the Company's material business risks, analyse those risks, evaluate those risks (including assigning a risk owner to each risk) and treat those risks. Risks and their management are to be monitored and reviewed at least half yearly by Senior Management. The risk register is to be updated and a report submitted to the CEO. The CEO is to provide a risk report at least half yearly to the audit and risk committee and the Board.

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### **The environment, health and safety management system (EHSMS)**

The Company recognises the importance of environmental and occupational health and safety (“OHS”) issues and is committed to the highest level of performance. To help meet this objective the EHSMS was established to facilitate the systematic identification of environmental and OHS issues and to ensure they are managed in a structured manner.

**This system has been operating for a number of years and allows the Company to:**

- Monitor its compliance with all relevant legislation.
- Continually assess and improve the impact of its operations on the environment.
- Encourage employees to actively participate in the management of environmental and OHS issues.
- Work with trade associations representing the Group’s businesses to raise standards.
- Use energy and other resources efficiently.
- Encourage the adoption of similar standards by the Group’s principal suppliers, contractors and distributors.

The categories of risk reported in the annual report are: market risk, credit risk and liquidity risk.

### **Principle 8: Remunerate fairly and responsibly**

#### **8.1) Remuneration Committee**

**The remuneration committee at the 30 June 2017 consists of the following Directors:**

Mr Ian McCubbing (Independent, Non-Executive Director and Chairman)  
Mr William Bloking (Independent, Non-Executive Director)  
Mr Alexander Parks (Independent, Non-Executive Director)

The remuneration committee operates in accordance with its charter. The remuneration committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for Executive Directors, other Senior Executives and Non-Executive Directors.

Each member of the Senior Executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination.

The remuneration committee charter is available in the corporate governance section of the Company’s website.

The Committee held one (1) remuneration committee meeting during the 2017 financial year.

#### **8.2 & 8.3) Remuneration report**

Further information on Directors and Executives remuneration, including principles used to determine remuneration, is set out in the Directors’ Report under the heading “Remuneration Report”. In accordance with Group policy, participants in equity-based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements.

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### **“If Not, Why Not”**

Explanations for departures from best practice recommendations under the “If Not, Why Not” approach.

As at the end of the reporting period, there are a few recommendations of the ASX Corporate Governance Council that the Company does not follow. These are described more fully as follows:

	<b>Departure (from Recommendation)</b>	<b>Explanation</b>
1.1	No statements of matters reserved for the Board or delegated to Senior Management are publicly available.	The Board considers that the Company is not of a size to warrant this disclosure. An internal delegation of authority has been completed.
1.6 b	Performance evaluations of the Board during the reporting period.	Performance evaluations of the Board did not take place during the 2017 reporting period due to changes being made to the composition of the Board in mid-February 2017. The Board will undertake performance evaluations as recommended in the following reporting period.
1.7 b	Performance evaluations of Management during the reporting period.	Performance evaluations of Management did not take place during the 2017 reporting period due to changes being made to the composition of the Board in mid-February 2017. Management will undertake performance evaluations as recommended in the following reporting period.
2.1	There is no separate nomination committee.	The full Board considers those matters that would usually be the responsibility of a nomination committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee.
4.1 b	Audit and risk committee is chaired by the Chair of the Board.	The Chairman Mr Ian McCubbing being deemed an independent Director was considered by the full Board as the most suitable candidate to also Chair the audit and risk committee due to his financial background.
7.3	There is no internal audit function.	The audit committee and CFO consider those matters that would usually be the responsibility of an internal audit function. The Board considers that no efficiencies or other benefits would be gained by establishing a separate internal audit function.

### **Privacy**

The Company has resolved to comply with the National Privacy Principles contained in the Privacy Act 1988, to the extent required for a Company the size and nature of Sun Resources NL as summarised on our website.