



EMPIRE OIL & GAS NL

Corporate Governance Statement



Empire Oil & Gas NL

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Overview

The Board of Directors of Empire Oil & Gas NL (**Empire**) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Empire (the **Company**) on behalf of the shareholders. Strong corporate governance is an important aspect in ensuring that Empire creates sustainable long-term value for shareholders.

This statement outlines the key aspects of Empire's governance framework and its principal governance practices. Charters, policies and procedures are reviewed on a regular basis and, if necessary, updated to comply with the law and best practice.

Empire is committed to applying the ASX Corporate Governance Council's Corporate Governance Principles (3rd Edition) ("ASX Principles and Recommendations") where the Board has considered this appropriate. The Board believes Empire's policies and practices comply in all material respects with the ASX Principles and Recommendations. Where, after due consideration, the Company's corporate governance practices depart from the ASX Principles and Recommendations the Board has provided full disclosure of the nature of, and reason for, the adoption of its own practice.

This Corporate Governance Statement was approved by the Board and is current as at 29 September 2016.

Further information about the Company's corporate governance practices can be found on the Company's website at www.empireoil.com.au/corporate_governance_policies.

Principle 1: Lay Solid Foundation for Management and Oversight

Role of the Board and Management

The Board represents shareholders' interests in developing and then maintaining a successful business, which seeks to optimise medium to long-term financial gains for shareholders. By not focusing only on short-term gains for shareholders when making business decisions, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed.

The Board is responsible for evaluating and setting the strategic directions for the Company, establishing goals for management and monitoring the achievement of these goals. The Board has sole responsibility for the following:

- appointing and removing the Chief Executive Officer and approving his/her remuneration;
- appointing and removing the Company Secretary and approving his/her remuneration;
- overseeing remuneration policies and senior executive performance;
- reviewing the adequacy of resources for management to properly carry out approved strategies and business plans;
- succession planning;
- determining the strategic direction of the Company and measuring performance of management against approved strategies;
- adopting operating and capital expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and nonfinancial key performance indicators;
- monitoring Empire's medium term capital and cash flow requirements;
- overseeing the acquisition and disposal of legal entities and significant capital assets;
- approving significant borrowings and commitments;
- approving and monitoring financial and other corporate performance reporting to regulatory bodies, shareholders and other organisations;
- determining that satisfactory arrangements are in place for auditing Empire's financial affairs;
- Identifying the principal risks and overseeing appropriate control and management systems for them;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and

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- ensuring that policies and compliance systems consistent with the Company's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board has delegated to the Chief Executive Officer and through the Chief Executive Office to other Senior Executives, the authority and responsibility for managing the day to day affairs of the Company including:

- planning the operation and performance of each Executive's functional area;
- resourcing each functional area to achieve the goals agreed by the Board and Executives; and
- carrying out and reviewing the performance of the functional area in line with performance milestones.

The Board's role and the Company's corporate governance practices are being continually reviewed and improved as the business develops.

Board Appointments

The responsibility for the selection of potential Directors lies with the full Board of Empire. A Nomination Committee has been established in order to provide the Board with guidance and to make assessments of the necessary and desirable competencies of Board members, Director independence, Board diversity, succession plans and consideration of appointments and approvals. Appropriate background and other checks are undertaken before candidates are considered and appointed by the Board.

Directors are initially appointed by the Board and subject to election by shareholders at the next Annual General Meeting. Under the Company's Constitution the tenure of Directors is subject to reappointment by shareholders not later than the third anniversary following his/her last appointment. Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director.

Written Agreements with Directors and Senior Executives

New Non-Executive Directors are given a formal letter of appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged and the Board's expectations with regard to Committee work. The new Director also signs a Deed which covers issues including indemnity, directors' and officers' liability insurance, the right to obtain independent advice and requirements concerning confidential information.

Senior Executives are also engaged under a written agreement setting out the terms of their employment.

Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees on governance matters, monitoring that the Board and Committee policies and procedures are followed, statutory and other filings and communication with regulatory bodies and the ASX.

Diversity policy

The corporate benefits of diversity in a competitive labour market including organisational strength, wider perspectives, deeper problem solving ability and greater opportunity for innovation are well recognised and Empire is committed to identifying and implementing practices that will support diversity at all levels of the organisation.

Empire is committed to creating a diverse workplace that is fair and flexible, promotes personal and professional growth and enables employees to enhance their contribution to the Company by drawing from their different backgrounds, beliefs and experiences.

The Company has recently adopted a Diversity Policy, and the Board is in the process of developing strategies and measurable outcomes to meet the objectives of the Policy. Measurable objectives set by the Board will be included in the annual Key Performance Indicators for the Chief Executive Officer and Senior Executives. In addition, the Board will review progress against these measures as a key performance indicator in its annual performance assessment.

The proportion of women within the Company currently is:

- Board – nil (0%) (2015: 0%)
- Senior Executives (includes CEO and direct reports) – 1 (25%) (2015: 25%)
- Employees – 5 (56%) (2015: 71%)

Board Performance Evaluation

The Board has adopted a self-evaluation process to review its own performance during the financial year. In addition, the Board also reviews the composition and skills mix of the Directors on an ongoing basis to ensure that the Board has the necessary and desirable competencies to govern effectively.

Future Board, Board Committee and individual Director performance evaluation processes are being considered by the Nomination Committee under the terms of its Charter.

Senior Executive Performance Evaluation

Arrangements put in place by the Board to monitor the performance of the Company's Chief Executive Officer and Senior Executives each financial year include:

- a review by the Board of the Company's financial and operating performance; and
- performance appraisal meetings incorporating analysis of key performance indicators with each individual.

The Chief Executive Officer reviews the performance of the Executive team and shares this assessment with the Board.

Principle 2: Structure the Board to Add Value

Nomination Committee

The Nomination Committee comprises all members of the Board. The Committee's operation is governed by the Nomination Committee Charter, available on the Company's website.

The Nomination Committee Charter outlines the objectives of the Committee which include developing, reviewing and making recommendations to the Board regarding:

- policies with respect to Director tenure, Director retirement, Board composition, strategic function and size, including consideration of diversity and succession planning;
- identifying those individuals believed to be qualified to become Board members and making recommendations to the Board on the appointment of new Board Director candidates;
- assessing and reviewing the necessary and desirable competencies of Board Directors;
- identifying Board Directors qualified to fill vacancies on any Committee of the Board (including the Nomination Committee);
- developing and reviewing orientation and induction procedures for new appointees to the Board and continuing personal development for all Directors to enable them to effectively discharge their duties;
- ensuring that each Director and Senior Executive is a party to a written agreement with Empire which sets out the terms of that Director's or Senior Executive's appointment. For these purposes, a Senior Executive is a member of Key Management Personnel (as defined in the Corporations Act), other than a Director;
- assessing and considering the time required to be committed by a Non-executive Director to properly fulfil his/her duty to Empire and the Board; and
- arranging an annual performance evaluation of the Board, its Committee, individual Directors and Senior Executives as appropriate.

Board Composition, Skills and Experience

The Board currently comprises four Non-Executive Directors (including the Chairman)

Name	Role	Length of Service
Mr A M (Tony) Iannello	Independent Chairman and Non-Executive Director	2.6 years
Mr S A (Stuart) Brown	Independent Non-Executive Director	2.4 years
Mr P (Philip) Garratt	Independent Non-Executive Director	1.2 years
Mr T (Thomas) Vincent	Independent Non-Executive Director	0.7 years

The Company's Constitution provides that the number of Directors shall not be less than three and not more than ten. There is no requirement for any shareholding qualification.

As the Company's activities increase in size, nature and scope, the size of the Board will be reviewed including consideration of the optimum number of Directors required for the Board to properly perform its responsibilities and assigned functions. The membership of the Board, its activities and composition is subject to periodic review. The Board works to ensure that it continues to have the right balance of skills, experience, independence and Company knowledge to discharge its responsibilities in accordance with the highest standard of governance.

In order to govern effectively, Non-Executive Directors must have a clear understanding of the Company's overall strategy, together with knowledge about the Company and the industries in which it operates. Directors must collectively possess the appropriate skills and experience to enable the Board to effectively discharge its responsibilities.

The Board's current skills matrix brings together extensive expertise and experience in relation to all areas of the day-to-day and commercial elements of the Company including:

- Industry knowledge - energy sector and the oil and gas industry
- Financial acumen and relevant operating experience
- Regulatory and government policy
- Capital projects
- International business
- Executive leadership
- Corporate finance
- Strategy and business development
- Corporate governance including Board experience on ASX listed companies
- Risk management

A profile of each Director setting out his skills, experience and length of service is included in the Directors' Report.

When the need for a new Director is identified, the required experience and competencies of the new Director are defined in the context of this matrix and any gaps that may exist. The criteria for determining the identification and appointment of a suitable candidate for the Board includes the quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities and ability to contribute to Board duties and responsibilities.

Board and Director Independence

The Company has adopted a definition of independence which is consistent with the ASX Principles and Recommendations. All Non-Executive Directors are considered by the Board to be independent, meaning that each one is generally free from any management role, or business interest or other relationship that could materially interfere with the Director's ability to act in the best interests of the Empire Group as a whole.

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Mr Garratt holds 7.1 million shares in Empire Oil & Gas representing 7.0% of the issued capital. The Board has considered whether Mr Garratt's shareholding interest could, or could be reasonably perceived to, materially interfere with his unfettered and independent judgement and ability to act in the best interests of the Company. It has determined that Mr Garratt is independent for the purposes of service on the Board of Empire Oil & Gas NL.

Only those transactions permitted by Empire's Constitution and the Corporations Act are conducted with Directors or their related parties. These are on the same terms and conditions applying to any other external party, supplier or customer. Directors are required to disclose in writing any related party transactions. Related party transactions are set out in Empire's financial report.

Directors are also required to identify any conflict of interest they may have in dealing with Empire's affairs and subsequently to refrain from participating in any discussion or voting on those matters. If a potential conflict of interest is likely to arise, the Director concerned does not receive copies of relevant Board papers and withdraws from the Board meeting while those matters are considered. The Director concerned therefore takes no part in discussion and does not exercise any influence over other members of the Board if a potential conflict of interest exists.

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

Prior to each Board meeting Directors hold an in-camera session without the Chief Executive Officer or Senior Executives present.

Board Induction and Ongoing Professional Development

An informal induction including a visit to the Company's production site is currently provided to new Directors. Directors are also encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

Principle 3: Act Ethically and Responsibly

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the Company.

Code of Conduct

The Board has adopted a Code of Conduct (Code) which applies to all Directors and employees. The Code sets out the standards of behaviour Empire expects from its employees and informs employees of their responsibilities to Empire's shareholders, customers, suppliers and the broader community in respect of their behaviour and conduct in the workplace.

All employees and Directors are expected to:

- respect and abide by the law at all times;
- respect confidentiality and not misuse Company information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Conduct may face disciplinary action. If an employee suspects that a breach of the Code has occurred or will occur, he or she must report that breach to management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential where appropriate.

Trading in Company Securities

The Company has adopted a Securities Trading Policy, which sets out the requirements for Directors and employees of Empire Oil & Gas NL (collectively “Relevant Persons”) dealing in Empire securities. The Securities Trading Policy prohibits Relevant Persons from trading in Empire’s shares if they are in possession of non-public, price sensitive information. It also prohibits short term trading and arrangements to manage the risk of price changes of any shares held under any Empire share plan during their non-disposal period.

Trading is not permitted in the period between the end of the financial full and half year and the next ASX trading day after the day on which the Empire releases its full and half year results respectively or in the week before the release of Empire’s quarterly reports and the next ASX trading day after the day on which the quarterly reports are released. The Chairman must obtain prior approval for any trading from another Non-Executive Director, Directors and the Chief Executive Officer must obtain prior approval from the Chairman and Senior Executives must seek prior approval from the Chief Executive Officer or a Non-Executive Director nominated by the Chief Executive Officer.

The Company’s Securities Trading Policy is available on the Empire website www.empireoil.com.au/corporate_governance_policies.

Interests of Other Stakeholders

The Company’s objective is to develop and commercialise its petroleum exploration permits, retention licences and production licences to create wealth for shareholders and add value for other stakeholders. To assist in meeting its objective, the Company conducts its business within the Code of Conduct.

Principle 4: Safeguard Integrity in Financial Reporting

Audit and Risk Committee

The Audit and Risk Committee is a Committee of the Board with powers delegated to it from the Board. The Committee’s operation is governed by the Audit and Risk Committee Charter, available on the Company’s website. It is chaired by an independent Director, who is not the Chairman of the Board.

During 2016, the Audit and Risk Committee comprised:

- Mr P (Philip) Garratt (Chairman)
- Mr T (Thomas) Vincent

The Board has determined that an Audit and Risk Committee of at least two members is sufficient to execute the Charter, detailed below. The members may only be Non-Executive Directors, a majority of whom are independent. The number of meetings held, and the respective attendance is listed in the Directors report.

The function of the Audit and Risk Committee is to make recommendations and assist the Board to fulfil its responsibilities in relation to audit, compliance and risk management. Specifically:

- reviewing the quality and integrity of Empire’s financial statements and other financial information distributed externally;
- monitoring and supporting the internal control framework;
- monitoring procedures in place to ensure compliance with statutory responsibilities and other external reporting requirements;
- overseeing matters relating to the appointment, performance, independence and tenure of Empire’s external auditor;

- maintaining and overseeing a sound system of internal controls based on the adoption by the Board of the risk-based approach to identification, assessment, monitoring and management of risks that are significant to the fulfilment of Empire's business objectives; and
- reviewing the effectiveness of Empire's risk management and internal compliance and control system annually.

The Board will conduct an annual review of the membership and operations of the Committee to ensure that it has carried out its functions in an effective manner, and will update the Charter as required or as a result of new laws or regulations.

Integrity of Financial Reporting – Chief Executive Officer and Chief Financial Officer Certification

In accordance with section 295A of the Corporations Act 2001, the Chief Executive Officer and Chief Financial Officer provide a written statement to the Board that:

- The Company's financial reports for the Company and its controlled entities for each half and full year present a true and fair view of the financial position and performance of the Company and are in accordance with the accounting standards.
- Their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board.
- The Company's risk management and internal compliance and control system is operating effectively in all material respects.

Role of External Auditor at Annual General Meeting

The Company's practice is to invite the Auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

Principle 5: Make Timely and Balanced Disclosure

Continuous Disclosure

The Company is committed to effective communications with its shareholders, customers, market participants, employees, suppliers, financiers, creditors, other stakeholders and the wider community.

The Company is committed to complying with the general and continuous disclosure principles contained in the Corporations Act and the ASX Listing Rules:

- preventing the selective or inadvertent disclosure of material price sensitive information;
- ensuring shareholders and the market are provided with full and timely information about the Company's activities; and
- ensuring that all market participants have equal opportunity to receive externally available information issued by the Company.

The Company's Continuous Disclosure Policy requires all Executives and Directors to inform the Chief Executive Officer, or the Company Secretary when the Chief Executive Officer is not available, of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

The Chief Executive Officer and Company Secretary are responsible for interpreting and monitoring the Company's Continuous Disclosure Policy and where necessary informing the Board. The Chief Executive Officer is responsible for all communications with ASX.

Where there is any doubt as to whether an issue might materially affect the price of value of the Company's securities, the Chief Executive Officer will assess the circumstances with a Non-Executive Director and if necessary, seek external professional advice.

All presentations containing not previously disclosed information will be released to the ASX and then included on the Company's website. Empire's Continuous Disclosure Policy is able to be viewed on the Company website www.empireoil.com.au/corporate_governance_policies.

Principle 6: Respect the Rights of Security Holders

Information about Empire and its Governance for Investors

The Company places considerable importance on effective engagement and communications with shareholders. It recognises the value of providing current and relevant information to its shareholders.

The Chief Executive Officer and Chief Financial Officer have the primary responsibility for communication with shareholders.

Information is communicated to shareholders through:

- continuous disclosure to ASX of all material information;
- periodic disclosure through the annual report, half year financial report and quarterly reporting of exploration, production and corporate activities;
- notices of meetings and explanatory material;
- presentations at the Annual General Meeting;
- investor presentations lodged on ASX; and
- the Company's website at www.empireoil.com.au.

The Company is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market.

Investor Relations Program

The Board, Chief Executive Officer and Chief Financial Officer are primarily responsible for the Company's relationship with major shareholders, institutional investors and analysts and is the primary contacts for those parties.

Any written materials containing new price-sensitive information to be used in briefing media, institutional investors and analysts are lodged with ASX prior to the briefing commencing. Upon confirmation of receipt by ASX, the briefing material is posted to the Company's website. Briefing materials may also include information that may not strictly be required under continuous disclosure requirements.

The Company will not disclose price sensitive information in any meeting with an investor or stockbroking analyst before formally disclosing it to the market. The Company considers that one-on-one discussions and meeting with investors and stockbroking analysts are an important part of pro-active investor relations. However, the Company will only discuss previously disclosed information in such meetings.

Policies and Processes to Facilitate and Encourage Participation at Meetings of Security Holders

The Company strongly encourages all shareholders to attend meetings and uses and relies on its Communications Policy to ensure awareness and accessibility at those meetings. The Board encourages full participation of Shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Company's strategy and goals. Shareholders are able to submit questions prior to the Annual General Meeting if they are unable to attend.

Give Security Holders the Option to Receive Communications from, and Send Communications to, the Entity and its Security Registry Electronically

Shareholders may elect to, and are encouraged to, receive communications from Empire and Empire's share registry electronically. The Company also posts all reports, ASX and media releases and copies of significant business presentations on the Company's website.

Principle 7: Recognise and Manage Risk

The Company is committed to managing risk to protect its people, the environment, shareholders' assets and reputation as well as realize opportunities. This risk based system helps the Company to operate effectively and efficiently, achieve business objectives, ensure reliable reporting and comply with applicable laws and regulations.

Committee to Oversee Risk

The Board is responsible for risk oversight and the management and internal control of the processes by which risk is considered for both ongoing operations and prospective actions.

In specific areas the Board is assisted by the Audit and Risk Committee which is responsible for establishing procedures which provide assurance that major business risks are identified, consistently assessed and appropriately addressed. Specific to the risk function, the Audit and Risk Committee Charter sets out the Committee's objectives to oversee and ensure that appropriate processes are in place regarding:

- Empire's risk management framework (by reviewing the risk management framework at least annually);
- the identification and assessment of the material risks, including business, economic, environmental and social sustainability risks (if applicable), facing Empire;
- consideration of risks against Empire's risk appetite and ensuring that any significant or material risks are reported to the Board;
- the effectiveness of the Empire's internal control systems, including IT security and control;
- the systems and procedures for compliance with applicable legal and regulatory requirements;
- overseeing and monitoring of the whistle blowing policy, including any matters relating to fraud and corruption;
- reviewing regular reports on all litigation and claims and advising the Board in respect of any material legal risks;
- reviewing Empire's insurance program at least annually, having regard to Empire's business and the insurable risk associated with Empire business, including assessing litigation and claims, fraud and theft, and any other risks not dealt with by other Board committees; and
- Empire's environmental risk management and occupational health and safety processes.

Areas of significant business risk to the Company are highlighted to the Board by the Chief Executive Officer and by the Chief Financial Officer. Other arrangements put in place by the Board to monitor risk management include where appropriate the appointment of appropriately skilled consultants to provide independent assessment of operational results and proposals, and to oversee the Company's future operations and manage liaison with other industry participants.

Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Chief Executive Officer and Chief Financial Officer having ultimate responsibility to the Board for implementing the risk management and control framework. Management implements this framework by:

- Establishing and implementing a system for identifying, assessing, monitoring and managing material risk throughout the Company (this system includes the Company's internal audit, compliance and control systems).
- Providing a system of ongoing risk review that is capable of responding promptly to new and evolving risks.
- Monitoring the effectiveness of the system of risk and internal control management.
- Providing an annual assurance to the Audit and Risk Committee and the Board regarding the extent of its compliance with this policy.
- Designing, resourcing, operating and monitoring internal control systems.
- Ensuring that a risk-based approach to internal control is communicated to our people and embedded in business processes.
- Assigning accountability for managing risks within agreed boundaries.
- Reporting the results of balanced assessments regarding the effectiveness of the risk-based internal control system, including identified weaknesses or incidents.

Review Empire’s Risk Management Framework

The Risk Management Policy and Risk Management Framework are reviewed on an annual basis. Any amendments to the Policy and/or framework must be approved by the Board. In addition the Board reviews the Company’s risk management at Board meetings and where required makes improvements to its risk management and internal compliance control systems.

Internal Audit Function

The Company does not have an internal audit function due to the nature and size of the Company and the extent of its risk management framework. The Company currently relies on oversight by management, the Audit and Risk Committee and the Board to ensure compliance with Empire’s Risk Management Policy.

Management of Material Exposure to Economic, Environmental and Social Sustainability Risks

A key pillar of the Company’s business strategy is to grow safely and sustainably. Sustainability and environmental measures continue to be a priority for Empire with significant time invested in community consultation and the refinement of systems and procedures directed at positive economic, environmental and social outcomes across the business. Risk recognition and management are viewed by the Company as integral to its objectives of creating and maintaining shareholder value and to the successful execution of the Company’s strategies.

There are a number of risks, both specific to Empire and of a general nature which may threaten the future operating and financial performance of the Company and its investment value including:

Risk type	Identified risk
Economic	Reserves and production
	Market conditions, including commodity prices
	Exploration and development studies
	Permits and licences
	Native title and Heritage agreements
	Project funding
	Oil and gas prices
Environmental	Ecological footprint and resource efficiency
	Waste generation
	Pollution
	Regulation
Social	Reputation
	People and safety

These risks may change over time as the external environment changes and as the Company expands its operations. The Company’s risk management framework outlines policies and processes Empire has adopted for the regular assessment and identification of risks as well as providing management and response mechanisms for the mitigation of risks where appropriate.

Principle 8: Remunerate Fairly and Responsibly

Remuneration Committee

The Remuneration Committee is a Committee of the Board with powers delegated to it from the Board. The Committee’s operation is governed by the Remuneration Committee Charter, available on the Company’s website. It is chaired by an independent Director, who is not the Chairman of the Board.

The Remuneration Committee comprises:

- Mr S (Stuart) Brown (Chairman)
- Mr A M (Tony) Iannello

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The Board has determined that a Remuneration Committee of at least two members is sufficient to execute the Charter, detailed below. The members may only be Non-Executive Directors, a majority of whom are independent.

The Remuneration Committee Charter outlines the responsibilities of the Committee which include developing, reviewing and making recommendations to the Board regarding:

- the remuneration framework for the Board, its Committees and Non-Executive Directors;
- remuneration policies, to ensure that it fairly and responsibly reward Executives having regard to the performance of Empire, the performance of the Executive and prevailing remuneration expectations in the market;
- the remuneration for Senior Executives (including base pay, incentive payments, equity awards, retirement rights, service contracts) having regard to the Executive remuneration policy; and
- termination payments to the Chief Executive Office and direct reports to the Chief Executive Officer.

The Remuneration Committee also assists the Board with regards to Executive incentive plans (including equity based plans) by:

- developing, reviewing and making recommendations on any Executive incentive plans and/or Executive equity based plans (Plans), if appropriate, for the Chief Executive Officer, direct reports to the Chief Executive Officer and other Senior Executives;
- reviewing and approving total proposed awards (if any) and performance hurdles under each Plan; and
- review, manage and disclose the policy (if any) under which participants to a Plan may be permitted (at the discretion of Empire) to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Plan.

The Committee in making recommendations to the Board in respect of remuneration takes into consideration and determines whether any shareholder approvals are required and if so, ensure the relevant remuneration is made in accordance with that shareholder approval.

[Policies and Practices regarding the Remuneration of Non-Executive Directors and the Remuneration of Executive Directors and other Senior Executives](#)

The Company is committed to attracting and retaining the best people to work in the organisation including Directors and Senior Executives.

The Company's remuneration policy for Senior Executives is designed to promote superior performance and long term commitment to the Company. Executives receive a base remuneration which is market related.

Executive remuneration and other terms of employment are reviewed annually by the Board having regard to performance, relevant comparative information and expert advice.

The Board's remuneration policy reflects its obligation to align Executive's remuneration with shareholders' interests and to retain appropriately qualified Executive talent for the benefit of the Company. The main principles of the policy are:

- reward reflects the competitive market in which the Company operates;
- individual reward should be linked to performance criteria; and
- Executives should be rewarded for both financial and non-financial performance.

The total remuneration of Executives consists of the following:

- salary – Executives receive a fixed sum payable monthly in cash;
- short-term incentives;
- long-term incentives – Executives may participate in share option schemes with the prior approval of shareholders; and
- other benefits – Executives are eligible to participate in superannuation schemes.

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The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-Executive Directors by other companies of similar size in the industry, and the total remuneration of Non-Executive Directors is subject to shareholder approval.

The aggregate amount payable to the Company's Non-Executive Directors for undertaking their duties as Directors must not exceed the maximum annual amount approved by the Company's shareholders (currently \$500,000).

For a full discussion of the Company's remuneration philosophy and framework, and the remuneration received by Directors and Executives in the current period, please refer to the Remuneration Report, which is contained within the Directors' Report pages 30 – 38 and audited by the Company's external auditors.

Equity Based Remuneration

Both the Remuneration Committee Charter and the Remuneration Policy contain an overview regarding equity based remuneration. Participants in any share option scheme are not permitted to enter into transactions which limit the economic risk of participating in the scheme.

Compliance with ASX Corporate Governance Recommendations

During the Company's 2015/16 financial year, the Company complied with the ASX Corporate Governance Principles and Recommendations (3rd Edition).