

# TNG LIMITED

## TNG LIMITED POLICY

<b>Document Title</b>	Corporate Governance Policy
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### 1.01 OBJECTIVES

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in the corporate governance section of the Company's website.

Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the company are achieved, how risk is monitored and assessed and how performance is optimised.

The Board and management are committed to corporate governance and, to the extent they are applicable to the Company and except as outlined in the Corporate Governance section of the Annual Report, have adopted the Eight Corporate Governance Principles and each of the Best Practice Recommendations as published by ASX Corporate Governance Council.

Whilst the Board has demonstrated, and continues to demonstrate, its commitment to best practice in corporate governance, it emphasises that good corporate governance is only one factor contributing to the success of the Company's operations.

### 1.02 APPLICATION

In this policy "Company" means TNG Limited, as well as each other company within the TNG Limited Group, i.e.: all companies defined as "related bodies corporate" of TNG Limited under the Corporations Act 2001, as amended.

### 1.03 STATEMENT OF BOARD AND MANAGEMENT FUNCTIONS

#### a.) Board Charter

A Board Charter has been established dealing with:

- The role and responsibilities of the Board, Chairperson, Non-executive Directors, Managing Director and Company Secretary;
- Board composition and nomination; and
- Procedure for selection and appointment of new Directors.

#### b.) Materiality Threshold

The Board has agreed on the following guidelines for assessing the materiality of matters:

##### i.) Materiality (Quantitative)

Balance Sheet Items: Balance sheet items are material if they have a value of more than 10% of pro-forma net assets.

Profit and Loss Items: Profit and loss items are material if they will have an

impact on the current year operating result of 10% or more.

**ii.) Materiality (Qualitative)**

Items are also material if:

- They impact on the reputation of the Company;
- They involve a breach of legislation;
- They are outside the ordinary course of business;
- They could affect the Company's rights to its assets; and
- If accumulated they would trigger the quantitative tests.

**c.) Material Contracts**

Contracts will be considered material if:

- i. They are outside the ordinary course of business;
- ii. They contain exceptionally onerous provisions in the opinion of the Board;
- iii. They impact on income or distribution in excess of the quantitative tests;
- iv. There is a likelihood that either party will default and the default may trigger any of the qualitative tests;
- v. They are essential to the activities of the Company and cannot be replaced or cannot be replaced without an increase in cost of such a quantum as trigger any of the qualitative tests;
- vi. They contain or trigger change of control provisions;
- vii. They are between or for the benefit of related parties; or
- viii. They otherwise trigger the qualitative tests.

Any matter which falls within the above guidelines is a matter which triggers the materiality threshold ("Materiality Threshold").

**d.) Role and Responsibility of Management**

The role of management is to support the Managing Director and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Management is responsible for reporting all matters which fall within the Materiality Threshold at first instance to the Managing Director or if the matter concerns the Managing Director then directly to the chairperson or the lead independent director, as appropriate.

**e.) Relationship of Board with Management**

Management of the day-to-day business of the Company is to be conducted by or under the supervision of the Board, and by those other officers and employees to whom the management function is properly delegated by the Board.

The Board will adopt appropriate structures and procedures to ensure that the Board functions independently of management. Appropriate procedures may involve the Board meeting on a regular basis without management present, or may involve expressly assigning the responsibility for administering the Board's relationship to management to a Committee of the Board.

Information is formally presented to the Board at Board meetings by way of Board reports and review of performance to date. When directors are providing information about opportunities for the Company, this should always be through the Board.

#### **f.) Access to information**

The Board should be provided with the information it needs to discharge its responsibilities effectively. Senior executives should supply the Board with information in a form and timeframe, and of a quality, that enables the Board to discharge its duties effectively. Directors are entitled to request additional information where they consider such information necessary to make informed decisions.

### **1.05 CODE OF CONDUCT FOR DIRECTORS AND EXECUTIVES**

A Code of Conduct has been established for all directors and executives. It requires all business affairs to be conducted legally, ethically and with integrity.

### **1.06 AUDIT COMMITTEE CHARTER**

The Audit Committee is a committee of the Board. The Audit Committee assists the Board in fulfilling its responsibilities in relation to financial information published by the Company, the internal controls and the external audit process. The Audit Committee also fulfils the functions which would otherwise be fulfilled by a risk committee.

The Audit Committee operates under the Audit Committee Charter approved by the Board.

Members of the Audit Committee are currently:

- Rex Turkington
- Stuart Crow

### **1.07 RISK MANAGEMENT POLICY AND INTERNAL COMPLIANCE AND CONTROL SYSTEM**

- **Risk management**

A separate Risk Committee has not been established.

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and design of risk management is delegated to the appropriate level of management within the Company with the Managing Director and Chief Financial Officer (or equivalent) being responsible to the Board for the risk management and control framework.

Arrangements put in place by the Board to monitor risk management include:

- Regular reporting to the Board in respect of operations and the financial position of the Company;
- Reports to the Board by the Chairman of each committee at the next Board

meeting following the Committee meeting; and

- Reviewing, on at least an annual basis, the Company's risk management framework to ensure it continues to be sound and appropriate for the Company's size and levels of operations.

- **Integrity of Financial Reporting**

The Company's Managing Director and Chief Financial Officer (or equivalent) report in writing to the Board that:

- the financial records of the Company have been properly maintained;
- the consolidated financial statements of the Company and its controlled entity for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- 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
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

- **Role of Auditor**

The Company's shall ensure 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.

- **Independent Professional Advice**

## 1.08 SELECTION OF EXTERNAL AUDITOR AND ROTATION OF AUDIT ENGAGEMENT PARTNERS

### a.) Responsibility

The Board (with the assistance of the Audit Committee) is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company.

### b.) Selection Criteria

Mandatory Criteria: Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period. Further the successful candidate must have arrangement in place for the rotation of the audit engagement partner on a regular basis.

Other Criteria: Other than the mandatory criteria mentioned above, the Board (with the assistance of the Audit Committee) may select an external auditor based on criteria relevant to the business of the Company such as experience in the industry in which the Company operates, references, cost and any other matters deemed relevant by the Board.

### c.) Review

The Board (through the Audit Committee) will review the performance of the external

auditor on an annual basis.

## 1.09 COMPLIANCE WITH CONTINUOUS DISCLOSURE REQUIREMENTS

### a.) Introduction

The Company is committed to complying with the continuous disclosure obligations of the Corporations Act and the ASX Listing Rules to ensure investor confidence and achieve full and fair value for the Company's securities through appropriate disclosure.

To ensure compliance with the ASX Listing Rules the Company has put in place mechanisms and procedures which:

- Ensure that all investors have equal and timely access to material information concerning the Company – including its financial position, performance, ownership and governance;
- Ensure Company announcements are factual and presented in a clear and balanced way (ie, disclose both positive and negative information);
- Appoint a responsible officer and describe his/her duties;
- Identify areas of risk for the Company;
- Provide guidelines for identifying disclosure material and monitoring share price movements;
- Guide the use of trading halts;
- Guide the decision making process;
- Detail the record keeping process;
- Guide the education of Board and management;
- Deal with confidentiality;
- Deal with disclosure material; and
- Detail the method for updating compliance procedures.

Responsibility for determining disclosure matters and making disclosures has been delegated by the Board to the Managing Director with assistance from other Board members as required.

### b.) Continuous Disclosure Obligation

ASX Listing Rule 3.1 requires the Company to immediately (promptly and without delay) advise ASX once the Company is (or becomes) aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Examples of market sensitive information that would, or would be likely to, influence persons who commonly invest in securities include:

- a transaction that will lead to a significant change in the nature or scale of the entity's activities;
- a material mineral or hydrocarbon discovery;

- a material acquisition or disposal;
- the granting or withdrawal of a material licence;
- the entry into, variation or termination of a material agreement;
- becoming a plaintiff or defendant in a material law suit;
- the fact that the entity's earnings will be materially different from market expectations;
- the appointment of a liquidator, administrator or receiver;
- the commission of an event of default under, or other event entitling a financier to terminate, a material financing facility;
- under subscriptions or over subscriptions to an issue of securities;
- giving or receiving a notice of intention to make a takeover; and
- any rating applied by a rating agency to an entity or its securities and any change to such a rating.

In order to ensure the Company meets its obligations of timely disclosure of such information, the Company adheres to the following principles:

- Immediate (promptly and without delay) notification to ASX of market sensitive information except where such information is not required to be disclosed in accordance with the exception provisions in the ASX Listing Rules;
- All information disclosed to ASX is promptly placed on the Company's web site following receipt of confirmation from ASX; and
- The Company will only comment on speculation or rumour where it considers that the ASX Listing Rules or the Corporations Act require such comment, or in response to a specific request from ASX, or in special circumstances – such as when the Company is subject to a takeover offer.

#### **c.) Authorised representatives**

The Managing Director can delegate aspects of administering this continuous disclosure policy to other Company employees (authorised representatives). The delegation may be general or specific to a particular matter.

#### **d.) Consultants and professional advisers**

The application of this continuous disclosure policy extends to the Company's contractors, consultants and other service providers, where they are under a relevant contractual obligation.

#### **e.) Review of Analyst reports and profit forecasts**

In reviewing analyst's reports, the Company will correct material factual inaccuracies on historical matters. The Company will not provide price sensitive information or earnings forecast guidance unless it has already been disclosed to the market via ASX.

#### **f.) Prevention of selective disclosure**

The Company has established policies and procedures to ensure that a wide audience of investors has access to information given to ASX for market release. The Company Secretary is to be made aware of all disclosures in advance in order to minimise the risk of continuous disclosure breaches.

#### **g.) Breaches**

Failure to comply with this continuous disclosure policy may lead to a breach of applicable legislation, ASX listing rules or other regulations which may result in directors or other officers of the Company incurring personal liability. Disciplinary action, including dismissal in serious cases, may be taken against any person who fails to comply with this continuous disclosure policy.

### **1.10 COMMUNICATION WITH AND PARTICIPATION OF SHAREHOLDERS**

#### **h.) General Communication**

The Board of directors aims to ensure that the shareholders are informed of all major developments affecting the consolidated entity's state of affairs. Information is communicated to shareholders as follows:

- The annual report is distributed to all shareholders who have requested a copy and is posted on the Company's website. The Board ensures that the annual report includes relevant information about the operations of the consolidated entity during the year, changes in the state of affairs of the consolidated entity and details of future developments, in addition to the other disclosures required by the Corporations Act;
- The half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. The half-year audited financial report is prepared in accordance with the requirements of applicable Accounting Standards and the Corporations Act and is lodged with the Australian Securities Exchange. The half-yearly report is sent to any shareholder who requests it;
- The quarterly report contains summarised cash flow financial information and details about the Company's activities during the quarter. The quarterly report is sent to any shareholder who requests it;
- Company announcements made to ASX are included on the Company website and distributed to any investor registered to receive them;
- The Managing Director makes himself available to investors to provide presentations about the Company and respond to queries as requested;
- Proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders;
- The Company's website includes information about the Company, its projects and contact details and is well promoted to shareholders; and
- The Company's website provides for security holders to send communications to the Company electronically and elect to receive information about the Company in electronic form. The Company's share registry also has the capability to send and receive electronic communications.

### **i.) Participation at Annual General Meeting**

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors and changes to the constitution. Copies of the constitution are available to any shareholder who requests it.

### **j.) Company's Website**

The Company maintains a website at [www.tnqltd.com.au](http://www.tnqltd.com.au).

On its website, the Company makes the following information available on a regular and up to date basis:

- Company announcements;
- Latest information briefings;
- Notices of meetings and explanatory materials; and
- Quarterly, half yearly and annual reports.

If you are a shareholder and wish to receive copies of information updates by email please register under the "Register" link on the Company's website.

## **1.11 DIRECTOR CONFLICT OF INTEREST PROTOCOL**

This protocol sets out the procedures to be adopted in circumstances where a director has or where there is a real and sensible possibility that the director may have:

- a material personal interest in a matter that is being considered or will be considered at a meeting of the Board; or
- a conflict or perceived conflict between the duties which he or she may owe to a shareholder or another company of which he or she is a director or salaried executive and his or her duties as a director of the Company in considering a matter that is to be brought before a meeting of the Board.

This protocol has been adopted by the Board as governing the conduct of directors and is taken to be accepted by each director subsequently appointed to the Board as part of his or her consent to join the Board.

A director may, at any time, declare a conflict of interest in relation to a matter by notification to the Company Secretary in writing. In addition, the Managing Director, in consultation with any other director, may at any time determine a director to have a conflict of interest.

In circumstances where the Company Secretary has been notified of a conflict of interest by a director or where the Managing Director in consultation with another director has determined a director to have a conflict of interest, for so long as that conflict of interest remains:

- the director concerned will not receive Board (or Board committee) papers or other information which relates in any way to the declared or perceived matter which is

the subject of the conflict of interest; and

- the director concerned will be requested to withdraw from any part of a Board (or Board committee) meeting for the duration of any discussion on that matter.

Where a director is not provided with information in accordance with the preceding paragraphs and is excluded from discussion, the Company Secretary will advise the director concerned in writing of the broad nature of the withheld information and why it has been withheld from him or her. In addition, for so long as the director has or is regarded as having a conflict of interest in respect to a matter, the Company Secretary will maintain a reporting system by which the director is kept informed in general terms (and with sensitive information removed) as to the progress or status of the matter from which he or she has been excluded.

Where a director is provided with information that is not public knowledge (whether or not it relates to a matter then or subsequently declared or determined to represent a conflict of interest for that director), that information must be treated as confidential and may not be passed to a third party (including any shareholder in the Company) without the informed consent of the Board.

Once information withheld from a director in accordance with this protocol becomes public knowledge or if, in the opinion of the Managing Director, after consultation with another director, the potential for conflict has passed, the excluded director shall be entitled, should he or she request this, to a briefing by the Managing Director as to the current status of the matter and the particulars of any decision of the Board in respect of that matter.

Any director who is aggrieved at the application of this protocol may refer his or her complaint to the Board for the Board's review and ruling. The Board's decision will be final and binding in the matter.

The Company Secretary will maintain records of, and will keep the Board advised as to the status of:

- each director to whom this protocol has current application; and
- the administration of this protocol.

## **1.12 PERFORMANCE EVALUATION OF THE BOARD, BOARD COMMITTEES, DIRECTORS AND EXECUTIVES**

The Chairperson is responsible for conducting an annual review of overall Board performance during a regular meeting of the Board. The Chairperson reviews all key executives annually.

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committees during each financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the Directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Company's executives include:

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

Appropriate opportunities for the development and maintenance of relevant skills and knowledge needed to perform their respective roles as Directors or executives will be provided by the Company.

### 1.13 REMUNERATION AND REMUNERATION COMMITTEE

The Board has established a Remuneration Committee responsible for making recommendations to the Board on remuneration arrangements for Directors and executives of the Company.

The Remuneration Committee operates under the Remuneration Committee Charter approved by the Board.

Members of the Remuneration Committee are currently:

- Rex Turkington
- Stuart Crow

All of the Directors other than the Managing Director receive a separate Directors' fee, currently at a rate of \$60,000 per annum.

In addition certain directors are paid fees under consulting arrangements. 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 each year in the Annual 30 June Financial Statements.

The Company has in place a number of incentive plans for director and employees, some of which are linked to performance. Details of the plans are included in the Remuneration Report. Participants in any equity plans are not permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk participating in the plans.

Remuneration of Directors and key executives is competitively set with the assistance of externally prepared surveys and reports, taking into account the experience and qualifications of each individual.

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).