



The Corporate Governance Statement of Charter Pacific Corporation Limited (the Company) However, unless stated otherwise in this document, the Board's corporate governance arrangements comply with the recommendations of the ASX Corporate Governance Council (including the 2014 amendments) as well as current standards of best practice for the entire financial year

This listing rule requires the Company to disclose the extent to which it has followed the recommendations during the financial year, including reasons where the Company has not followed a recommendation and any related alternative governance practice adopted.

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Principle 1: Lay solid foundations for management and oversight

This principle requires the Company to establish and disclose the respective roles and responsibilities of both the Board and management.

Role of the Board of Directors

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall Corporate Governance of the Group including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for Directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of risk management, internal control, legal compliance and management information systems.

It is also responsible for approving and monitoring financial and other reporting. Details of the Board's charter is located on the Company's website (www.charpac.com.au).

The Board has delegated responsibility for operation and administration of the Group to the Managing Director and executive management. Responsibilities are delineated by formal authority delegations.

Board Processes

To assist in the execution of its responsibilities, the Board has established an Audit Committee. This Committee has a written mandate and operating procedures, which are reviewed on a regular basis. The Board has not established a Nomination Committee or a Remuneration Committee because of the limited size and nature of operations of the Company, the Board itself undertakes these responsibilities. The Board has also established a framework for the management of the Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds ten scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the Chairman and Company Secretary. Standing items include the Executive Chairman's report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in Board discussions and Directors have other opportunities for contact with a wider group of employees.

Director and Executive Education

The Group has a formal process to educate new Directors about the nature of the business, current issues, the corporate strategy and the values of the Group, and the expectations of the Group concerning performance of Directors. In addition, Directors are also educated regarding meeting arrangements and Director interaction with each other, senior executives and other stakeholders. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

The Group also has a formal process to educate new senior executives upon taking such positions. The induction program includes reviewing the Group's structure, strategy, operations, financial position and risk management policies. It also familiarises the individual with the respective rights, duties, responsibilities and roles of the individual and the Board.

Independent Professional Advice and Access to Company Information

Each Director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the Group's expense. The Director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Director is made available to all other members of the Board.

Diversity

The Board is committed to having an appropriate blend of diversity on the Board and in the Group's executive positions. The Board is in the process of compiling a policy regarding gender, age, ethnic and cultural diversity. However, given the size and scope of the Company's operations and the limited number of employees (3), a gender diversity policy has no meaningful or practical application for the Company at this time.

When the policy has been finalised, details of the policy will be made available on the Company's website.

The key elements of the diversity policy will incorporate:

- Increased gender diversity on the Board and senior executive positions and throughout the Group; and
- Annual assessment of Board gender diversity objectives and performance against objectives by the Board.

The Board acknowledges that the Company does not fully comply with Principle 1 of the ASX Corporate Governance Practices and recommendations.

The Board has resolved that in view of the small size of the Company's business operations the functions of separate committees are best to be undertaken by the full Board.



Principle 2: **Structure the board to add value**

This principle requires the Company's board to be of effective composition and commitment to adequately undertake its duties and responsibilities.

Composition of the Board

The names of the Directors of the Company in office at the date of this report, specifying which are independent, are set out in the Directors' Report of the financial report. The composition of the Board is determined using the following principles:

- The Board should comprise not more than ten Directors and not less than three Directors, with a broad range of expertise both nationally and internationally;
- A majority of independent non-executive Directors;
- A majority of Directors having extensive knowledge of the Company's industries, and those which do not, have extensive expertise in significant aspects of auditing and financial reporting, or risk management of large companies;
- A non-executive independent Director as Chairman. Following the resignation of the Chairman on 25 November 2013 Mr Kevin Dart was appointed Executive Chairman until such time as a suitable non-executive independent Director can be found and appointed as Chairman; and
- Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter Directors are subject to re-election at least every three years, except for the Managing Director.

The Board considers the mix of skills and the diversity of Board members when assessing the composition of the Board. The Board assesses existing and potential Directors' skills to ensure they have appropriate industry expertise in the Group's operating segments.

The Board considers the diversity of existing and potential Directors to ensure they are in line with the geographical and operational segments of the Group. The Board's policy is to seek a diverse range of Directors who have a range of ages, genders and ethnicity which mirrors the environment in which the Group operates.

An independent Director is a Director who is not a member of management (a non-executive Director) and who:

- Holds less than five percent of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five percent of the voting shares of the Company;
- Has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a Director after ceasing to hold any such employment;



- Within the last three years has not been a principal or employee of a material* professional advisor or a material* consultant to the Company or another Group member;
- Is not a material* supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a material* supplier or customer;
- Has no material* contractual relationship with the Company or another Group member other than as a Director of the Company; and
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially* interfere with the Director's ability to act in the best interests of the Company.

*The Board considers 'material', in this context, to be where any Director-related business relationship has represented, or is likely in future to represent the lesser of at least ten percent of the relevant segment's or the Director-related business's revenue. The Board considered the nature of the relevant industries' competition, and the size and nature of each Director-related business relationship, in arriving at this threshold.

Board skills and experience

The Board considers that a diverse range of skills, experience and backgrounds is required on the Board to effectively govern the business. It determines and reviews from time to time the mix of skills and experience that it looks to achieve in its membership which, in broad terms, includes the following:

- Knowledge of the business sectors in which the Company operates;
- Senior executive and international business experience;
- Financial acumen and relevant operating experience;
- Knowledge of global capital markets;
- Experience in regulatory and government policy;
- Experience in the development and implementation of strategy; and
- Experience in the oversight of health, safety and environmental risks and challenges.

Nomination Committee

The Company does not have a Nomination Committee.

The Board acknowledges that the Company does not fully comply with Principle 2 of the ASX Corporate Governance Practices and recommendations.

The Board has resolved that in view of the small size of the Company's business operations the functions of the Nomination Committee are best undertaken by the full Board.

Principle 3: **Act ethically and responsibly**

This principle requires the Company and its Directors, officers, employees and agents to act ethically and responsibly and promote ethical and responsible decision making.

Ethical Standards

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. The Board reviews the Ethical Standards Policy regularly and processes are in place to promote and communicate these policies.

Conflict of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. The Board has developed procedures to assist Directors to disclose potential conflicts of interest.

Where the Board considers that a significant conflict exists for a Director on a Board matter, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Details of Director related entity transactions with the Company and Group are set out in note 25 to the consolidated financial statements.

Code of Conduct

The Group has advised each Director, manager and employee that they must comply with the Group's Ethical Standards Policy. The Policy may be viewed on the Company's website, and covers the following:

- Aligning the behaviour of the Board and management with the code of conduct by maintaining appropriate core Company values and objectives;
- Fulfilling responsibilities to shareholders by delivering shareholder value;
- Usefulness of financial information by maintaining appropriate accounting policies, practices and disclosure;
- Fulfilling responsibilities to clients, customers and consumers by maintaining high standards of product quality, service standards, and commitments to fair value;
- Employment practices such as occupational health and safety, employment opportunity; community activities, sponsorships and donations;
- Responsibilities to the individual, such as privacy, use of privileged or confidential information, and conflict resolution;
- Compliance with legislation including policies on legal compliance in countries where the legal systems and protocols are significantly lower than Australia's;
- Managing actual or potential conflicts of interest;

- Corporate opportunities such as preventing Directors and key executives from taking improper advantage of property, information or position for personal gain;
- Reporting of unlawful or unethical behaviour including protection of those who report violations in good faith; and
- The processes for monitoring and ensuring the compliance with the code of conduct.

Trading in General Company Securities by Directors and Employees

The key elements of the Trading in General Company Securities by Directors and Employees Policy set out in the Trading Policy are:

- Identification of those restricted from trading – Directors and employees may acquire shares in the Company, but are prohibited from dealing in Company shares or exercising options:
 - except between three and thirty days after either the release of the Company’s half year and annual results to the relevant stock exchange, the annual general meeting or any major announcement;
 - whilst in possession of price sensitive information not yet released to the market;
- To raise the awareness of legal prohibitions including transactions with colleagues and to raise awareness that the Group prohibits entering into transactions that limit economic risks related to unvested share-based payments and that the Group requires annual declarations of compliance with this particular policy;
- To raise awareness that the Group prohibits those restricted from trading in Company shares as described above from entering into transactions such as margin loans that could trigger a trade during a prohibited period;
- To require details to be provided of intended trading in the Company’s shares;
- To require details to be provided of the subsequent confirmation of the trade; and
- The identification of processes for unusual circumstances where discretions may be exercised in cases such as financial hardship.

The policy also details the insider trading provisions of the Corporations Act 2001 and is reproduced in full on the Company’s website.

The Board believes that the Company is fully compliant with Principle 3 and its recommendations.



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

This principle requires the Company to have a structure to verify and safeguard the integrity of the Company's financial reporting.

Audit Committee

The Audit Committee has a documented charter, approved by the Board. All members must be non-executive Directors, with a majority being independent. The Chairman may not be the Chairman of the Board. The Committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.

The members of the Audit Committee during the year were:

- Mr Steve Cole – Executive Director
- Mr David Selfe (Chairman) – non-Executive Director

Due to the Company's limited number of Directors (3), the Audit Committee comprises the two non-executive directors of the Board whose qualifications and experience is set out in the financial report.

The external auditors, the Executive Chairman and Company Secretary, are invited to Audit Committee meetings at the discretion of the Audit Committee. The Audit Committee met two times during the year and Audit Committee members' attendance record is disclosed in the table of Directors' meetings in the financial report

The Executive Chairman and Company Secretary declared in writing to the Board that the financial records of the Company for the financial year have been properly maintained, the Company's financial reports for the year comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

The external auditor met with the Audit Committee two times during the year with management being present.

The Audit Committee's charter is available on the Company's website along with information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.

The responsibilities of the Audit Committee include:

- Reviewing the annual, half year financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards (AASBs), and assessing whether the financial information is consistent with committee members' information and adequate for shareholder needs;
- Assessing management processes supporting external reporting;
- Assessing corporate risk assessment processes;



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- Establishing procedures for selecting, appointing, and if necessary, removing the external auditor;
 - Assessing whether non–audit services provided by the external auditor are consistent with maintaining the external auditor’s independence. Each reporting period the external auditor provides an independence declaration in relation to the audit and review;
 - Providing advice to the Board in respect of whether the provision of the non–audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001;
 - Assessing the adequacy of the internal control framework and the Company’s code of ethical standards;
 - Organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board;
 - Monitoring compliance with the Group’s internal controls for fraud detection and monitoring prompt and appropriate rectification of any deficiencies or breakdowns identified;
 - Monitoring the procedures to ensure compliance with Corporations Act 2001 and relevant stock exchange Listing Rules and all other regulatory requirements; and
 - Addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, and financial institutions.

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- Discuss the external audit, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the consolidated financial statements and to review the fees proposed for the audit work to be performed;
- Review the half year and preliminary final report prior to their lodgement with the relevant stock exchange, and any significant adjustments required as a result of the auditor’s findings, and to recommend Board approval of these documents, prior to announcement of results;
- Review the draft annual and half year financial report, and recommend Board approval of the financial report; and
- Review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

The Board acknowledges that the Company does not fully comply with Principle 4 of the ASX Corporate Governance Practices and recommendations in that the Audit Committee comprises of the two non-executive directors out of the Company’s three directors.



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

This principle requires the Company to make timely and balanced disclosure of all material matters concerning the Company to maintain an informed market in its securities.

The Company has an obligation to maintain an informed market in its securities. The Company ensures that the market is advised of all information that is required to be disclosed under the Listing Rules in accordance with the relevant stock exchange continuous disclosure regime.

In summary, the Continuous Disclosure Policy operates as follows:

- The Executive Chairman and Company Secretary are responsible for interpreting the Company's policy and, where necessary, informing the Board. The Company Secretary is responsible for all communications with the relevant stock exchange. Such matters are advised to the relevant stock exchange on the day they are discovered, and all senior executives must follow a 'Weekly Continuous Disclosure Discovery' process, which involves monitoring all areas of the Group's internal and external environment;
- The full annual report provided via the Company's website to all shareholders (unless a shareholder has specifically requested to receive a physical copy), including relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments;
- The half yearly report contains summarised financial information and a review of the operations of the Group during the period. The half year reviewed financial report is lodged with the relevant stock exchange, and sent to any shareholder who requests it;
- Proposed major changes in the Group, which may impact on share ownership rights are submitted to a vote of shareholders;
- All announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the relevant stock exchange;
- The full texts of notices of meetings and associated explanatory material are placed on the Company's website; and
- The external auditor attends the annual general meetings to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

All of this information, including that of the previous three years, is made available on the Company's website within one day of public release, and is emailed to all shareholders who lodge their email contact details with the Company. Information on lodging email addresses with the Company is available on the Company's website.

The Board encourages full participation of shareholders at the annual general meeting, to ensure a high level of accountability and identification with the Group'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, the remuneration report and changes to the constitution. Copies of the constitution are available to any shareholder who requests it.

The Board believes that the Company is fully compliant with Principle 5 and its recommendations.



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

This principle requires that the Company respect the rights of its security holders and facilitate the effective exercise of those rights.

The Company is owned by its security holders and the board's primary responsibility is to security holders and to achieve the Company's corporate objectives and therefore increase the Company's value.

The Board provides security holders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the relevant stock exchange, posting them on the Company's website, and issuing media releases. The main communications with security holders are the Annual Reports, Half yearly Reports, Annual General Meetings and any Extra-ordinary General Meetings. More details of the policy are available on the Company's website www.charpac.com.au.

The Board believes that the Company is fully compliant with Principle 6 and its recommendations.



Principle 7: Recognise and manage risk

This principle requires that the Company has an established system of risk oversight and management and internal controls.

Oversight of the Risk Management System

The Board oversees the establishment, implementation, and annual review of the Company's Risk Management System. Management has established and implemented the Risk Management System for assessing, monitoring and managing all risks, including material business risks, for the Group (including sustainability risk). The Managing Director and Company Secretary have declared, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating effectively.

Risk Profile

The Audit Committee analyses the status of material business risks to the Board on a half yearly basis. Further details of the Company's risk management policy and internal compliance and control system are available on the Company's website.

Each business operational unit is responsible and accountable for implementing and managing the standards required by the program.

Material business risks for the Company may arise from such matters as actions by competitors, government policy changes, environment, occupational health and safety, property, financial reporting, and the purchase, development and use of information systems.

Risk Management and Compliance and Control

The Board is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. The Board's policy on internal controls is comprehensive, details of which are available on the Company's website. It comprises the Company's internal compliance and control systems, including:

- Operating unit controls – operating units confirm compliance with financial controls and procedures including information systems controls detailed in procedures manuals; and
- Investment appraisal – guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

Comprehensive practices have been established to ensure:

- Capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- Financial exposures are controlled. Further details of the Company's policies relating to interest rate risk management, currency risk management and credit risk management are included in notes 5 and 23 to the financial statements;
- Occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- Business transactions are properly authorised and executed;
- The quality and integrity of personnel;
- Financial reporting accuracy and compliance with the financial reporting regulatory framework; and
- Environmental regulation compliance.

Quality and Integrity of Personnel

Compliance with policies in the Ethical Standards Manual is obtained from all operating units.

Financial Reporting

The Executive Chairman and the Company Secretary have provided assurance in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Monthly actual results are reported against budgets approved by the Directors and revised forecasts for the year are prepared regularly.

Environmental Regulation

The Group is committed to achieving a high standard of environmental performance. The Board aims to ensure that the Group and associated investments' environmental policies are adhered to and are in compliance with all relevant environmental legislation. The Group's operations are not subject to any significant environmental regulations in respect of its activities under Commonwealth or State legislation, or Mauritanian legislation.

Management Shares

There are two management shares on issue in the Company.

The voting rights applying to the management shares are contained in paragraph 4.5 of the Company's constitution. The holder of the management shares when present in person or by proxy or attorney at any general meeting of the Company is on a poll or any resolution entitled to as many votes as shall together with votes which the holder may exercise in respect of the shares held solely by him in his own capacity and not as trustee, attorney or otherwise as shall institute thirty per centum (30%) of the votes given personally or by proxy or attorney on such resolution.

The terms of the management shares have not changed during the current financial year.



Charter Pacific has a number of strategic medium and long-term investments and is constantly reviewing additions to that portfolio. As a consequence of its investment approach the Board considers the ongoing inclusion of the management shares as part of its capital structure to be appropriate and beneficial for shareholders for the following reasons:

- Because of the long-term nature of the Company's investment activities the true value of its investments are not always reflected in its share price which could lead, in other structures, to takeover activity at less than fair value;
- Provides the Company with a stable governance structure to move forward whilst it has a relatively small capital base; and
- Allows capital to be raised without destabilising the management and Board structure.

The Board believes that the Company is fully compliant with Principle 7 and its recommendations.



Principle 8: **Remunerate fairly and responsibly**

This principle requires that the level and composition is sufficient and reasonably set to attract and retain appropriately qualified and experienced Directors and executives.

The Board has not established a Remuneration Committee because of the limited size and nature of operations of the Company and the Board has resolved that the functions of a remuneration committee are best undertaken by the full Board.

Full details regarding the Company's remuneration amounts and policies are disclosed in the audited Remuneration Report of the Company's Annual Report.

The Board acknowledges that the Company does not fully comply with Principle 8 of the ASX Corporate Governance Practices and recommendations.

As stated above the Board has resolved that in view of the limited size of the Company's business operations the functions of the Remuneration Committee are best to be undertaken by the full Board.