



**Oil Search**

# Board Charter

Oil Search Limited

Approved by the Board on 12 December 2019

## 1. Introduction

This charter sets out:

- (a) the composition, role and responsibilities of the Board;
- (b) the matters specifically reserved to the Board and those delegated to the Managing Director and the Chairman; and
- (c) procedures to promote the effective operation of the Board and each Director.

## 2. Composition of the Board

### 2.1. Number of Directors

In accordance with Clause 15.1 of the Company's Constitution the minimum number of Directors will be three and the maximum number of Directors will be nine. The Board has adopted a policy of having:

- (a) a majority of independent non-executive Directors; and
- (b) at least one executive Director, the Managing Director.

The Board may review this requirement from time to time.

### 2.2. Independent Directors

The Board will consist of a majority of non-executive Directors who are assessed to be independent in accordance with paragraph 3 of this charter.

### 2.3. Duration of Appointment

- (a) Oil Search is committed to on-going Board renewal and this requires a regular turnover of directors. non-executive Directors are not guaranteed appointment for a minimum number of years.
- (b) It is the policy of the Board that a non-executive Director should retire from the Board upon serving nine years from the date of first election to the Board at the Annual Meeting (equivalent to three maximum terms under the compulsory retirement provisions of the Constitution). The Board may, at its discretion, decide to recommend a non-executive Director for reappointment where the tenure exceeds nine years if it is deemed to be in the best interests of the Company and its shareholders to do so.
- (c) In making a recommendation under paragraph 2.3(b) above, the Board will have regard to the:
  - (i) current Company strategy and the requisite skills required by the Board to oversee execution of that strategy;
  - (ii) skills, general competency, length of service and contribution to Board deliberations and other Company business of the individual Director concerned; and
  - (iii) Director's commitment to and participation in training and other programmes designed to maintain and improve the skill levels of all Directors.

- (d) The Board will not recommend a non-executive Director for re-appointment unless the Director's recent individual performance and contribution justify his or her reappointment.

## 2.4. Chairman

The Directors will elect one of the Directors who:

- (a) is an independent non-executive Director; and
- (b) has not previously served as Managing Director of the Company, to act as Chairman.

## 2.5. Roles of Chairman and Managing Director

- (a) The roles of the Chairman and Managing Director are strictly separate and will not be exercised by the same individual.
- (b) The Chairman is responsible for:
  - (i) leadership of the Board;
  - (ii) efficient organisation and conduct of the Board's functions, including by facilitating effective contribution of all Directors and promoting constructive and respectful relations between Board members and between the Board and management;
  - (iii) ensuring effective communication with shareholders and other stakeholders; and
  - (iv) liaison between the Board and management.
- (c) The Managing Director is responsible for:
  - (i) the efficient and effective operation of the Company and the Oil Search group;
  - (ii) ensuring Directors are provided with accurate and clear information in a timely manner to promote effective decision-making by the Board; and
  - (iii) ensuring all material matters that affect the Company and the Oil Search group are brought to the Board's attention.
- (d) The Chairman, the Managing Director and the individual members of the Board will regularly meet to review the strategy and performance of the Company.
- (e) The Board will regularly review the balance of responsibilities between the Chairman, the Managing Director and the other Directors.
- (f) The Board will set the limits on the Managing Director's authority in relation to capital expenditure, operational expenditure and other major contractual commitments.

## 3. Independence

### 3.1. Purpose of Independence

The Board acknowledges that it is important that a Director does not have a relationship which could materially interfere with the Director:

- (a) making decisions on matters that regularly come before the Board or its committees;
- (b) objectively assessing information and advice given, or obtained, by management;

- (c) setting policy for general application across the Company; and
  - (d) generally, carrying out the performance of his or her role as a Director,
- or which could inhibit free Board discussion of matters coming before the Board.

### 3.2. Determination of Independence

- (a) The Board will assess the independence of Directors regularly. For the avoidance of doubt, only non-executive Directors (that is, a Director who is not a member of management) can be considered independent.
- (b) Amongst the circumstances considered by the Board will be a range of factors, including those in the Corporate Governance Principles and Recommendations, i.e. whether a Director:
  - (i) receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of, the Company;
  - (ii) is, or represents, a substantial holder of the Company;
  - (iii) is, or has been within the last three years, an officer or employee of, or professional adviser to, a substantial holder of the Company;
  - (iv) is, or has been within the last three years, employed in an executive capacity by the Company or by a member of the Oil Search group;
  - (v) is, or has been within the last three years, in a material business relationship (eg as a supplier, professional adviser, consultant or customer) with the Company or a member of the Oil Search group, or is an officer of, or otherwise associated with, someone with such a relationship;
  - (vi) has close personal ties with any person who falls within any of the categories described above; or
  - (vii) has been a Director of the Company for such a period that their independence from management and substantial holders may have been compromised.

In each case, the Board will assess the materiality of the interest, position or relationship to determine whether it might interfere, or might reasonably be seen to interfere, with the Director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole rather than in the interests of an individual security holder or other party.

- (c) Each Director is responsible for notifying the Chairman and the Group Secretary about any interest, positions, relationships, appointments or arrangements that could result in the Director not being "independent".

### 3.3. Materiality of Relationships

- (a) In determining materiality when assessing the independence of a Director (as described in paragraph 3.2 above), the Board will have regard to all the circumstances in relation to a Director, including, among other things:
  - (i) the proportion of a class of expenses or revenues that the relationship represents to both the Company and the other party to the relationship;
  - (ii) the importance to the Company's business of the goods or services purchased or supplied by the Company;

- (iii) the nature of the goods or services including the extent to which the goods or services supplied are integral to the operation of the Company's business;
  - (iv) the value of the transaction to the Company and the other party to the transaction; and
  - (v) the significance to the Director of the interest, position or relationship in the context of the Director's activities as a whole.
- (b) The Board may set specific thresholds for materiality from time to time.
  - (c) A Director who has been nominated for that position by a shareholder must not participate in decisions of the Board that affect that shareholder differently from any other shareholder.

## 4. Board Responsibility

### 4.1. Board responsibility

The Board is responsible for:

- (a) (**strategic direction**) setting and endorsing the strategic direction on all matters of importance to the Company, setting the Company's financial objectives and making sure that the necessary financial and human resources are in place for the Company to meet its objectives;
- (b) (**control and accountability**) oversight of the Company, including its control and accountability systems;
- (c) (**performance monitoring**) making sure that the performance of management, Directors and the Board itself, is regularly assessed and monitored;
- (d) (**values and standards**) setting the Company's values and standards of conduct and ensuring that these are adhered to;
- (e) (**stakeholders**) having due regard for the interests of the Company's shareholders, employees, customers, suppliers and the communities in which it operates;
- (f) (**reputation**) reviewing and approving any action relating to matters which have the potential to have a material impact on the reputation of the Company;
- (g) (**risk management**) establishing and regularly reviewing a framework of prudent and effective controls which enable risk to be assessed and managed;
- (h) (**environment**) making sure that the Company conducts all its activities in an environmentally responsible way by planning and managing all activities to ensure minimum environmental impact and maximum sensitivity to the culture of the people they may affect;
- (i) (**safety**) ensuring that management has put in place appropriate systems and processes so that activities undertaken by the Company can be conducted safely and so as to avoid accidents or injuries;
- (j) (**sustainability**) setting the Company's strategic objectives, so that the Company can conduct its activities sustainably over the long term, and endorsing material initiatives to support delivery of those objectives;
- (k) (**compliance**) monitoring compliance with legal and ethical obligations; and

- (l) (**remuneration**) establishing the remuneration policy for Directors, executives and other employees of the Company.

## 4.2. Independent Advice

- (a) The Board may obtain independent professional advice to assist it in the proper exercise of its powers and responsibilities, with the cost to be borne by the Company.
- (b) A Director may obtain independent professional advice, if reasonably required to assist the Director in the proper exercise of powers and discharge of duties as a Director of the Company. Any such advice must be made available to other Directors and to the Board on request unless the advice is strictly personal to the particular Director who obtains the advice.
- (c) The costs of the independent professional advice obtained by a Director under paragraph 4.2(b) of this charter are to be borne by the Company provided that before engaging the independent professional adviser, the Director obtains the prior approval of the Chairman, or if the Director is the Chairman, the prior approval of a majority of the non-executive Directors of the Company, such approval not to be unreasonably withheld.

## 4.3. Board Review

The Board will review, at least biennially, its performance and the performance of its Committees and individual Directors and, if required, implement changes to improve the effectiveness of the Board and its Committees.

## 5. Conduct of Directors

- (a) Each Director is to comply with the Company's Code of Conduct.
- (b) Each Director must advise the Group Secretary in writing immediately of any relationship or transaction that will or is reasonably likely to impair the independence of the Director (as assessed in accordance with paragraph 3 of this charter).
- (c) Each Director is expected to undertake each year at least two full days of relevant training or continuing education to enhance the Director's ability to contribute to the Company and its business, including to support responsibilities arising from membership of Board sub-committees. The Company will meet the cost of such training and education, provided that Directors obtain the Chairman's prior approval.
- (d) Directors will have reasonable access to the Group Secretary and to the Company's other senior managers at all times. This is for information purposes only and Directors should not participate in the day to day management of the Company.

## 6. Division of Powers

### 6.1. Powers reserved to the Board

In addition to those matters specifically reserved by law, the powers and functions reserved to the Board are:

- (a) (**managing director**) appointing and removing, as well as determining terms and conditions of appointment of, the Managing Director;

- (b) (**key executives**) ratifying the appointment and removal of those executives who report directly to the Managing Director including, if they do not report directly to the Managing Director, the Chief Financial Officer and the Group Secretary;
- (c) (**strategy**) input into and final approval of management's development of corporate strategy and performance objectives;
- (d) (**risk management**) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- (e) (**goal setting and monitoring**) setting performance goals, monitoring senior management's performance against such goals and implementation of strategy and ensuring appropriate resources are available to management;
- (f) (**capital management**) approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestments;
- (g) (**reporting**) approving and monitoring financial and other reporting;
- (h) (**dividends**) subject to applicable legal requirements, recommending and authorising the distribution of interim and final dividends;
- (i) (**auditors**) recommending the appointment and removal of external auditors and setting the remuneration of the external auditors; and
- (j) (**remuneration**) determining and reviewing remuneration policies for the Company generally and approving the remuneration of the Managing Director and of those senior executives who report directly to the Managing Director. The Board is ultimately responsible for the remuneration, recruitment, retention, termination and other employment policies of the Company and of all other members of the Oil Search group of companies.

## 6.2. Powers Delegated to the Managing Director

In accordance with Clause 19.5 of the Company's Constitution, the powers:

- (a) not expressly reserved to the Board under paragraph 6.1 of this charter; and
- (b) required for the day to day operation of the Company,

are conferred on the Managing Director and may be sub-delegated to an employee or agent of the Company, subject to the Managing Director providing the information required from time to time by the Board relating to the exercise of delegated powers.

## 7. Committees

### 7.1. Delegation to Committees

In accordance with Clause 21.12 of the Company's Constitution, the Board may from time to time establish "Standing Committees" to assist it in carrying out its responsibilities and may adopt charters setting out matters relevant to the composition, responsibilities and functions of such committees and other matters that the Board may consider appropriate.

### 7.2. Standing Committees

The Board has established the following Standing Committees:

- (a) People and Nominations Committee;

- (b) Audit and Financial Risk Committee;
- (c) Sustainability Committee;
- (d) Project and Technology Committee; and
- (e) Corporate Actions Committee.

Each Committee will have a charter that clearly sets out its role, responsibilities, membership and operation. The charters are reviewed by their respective Committee and changes recommended to the Board for approval.

### 7.3. Independent Committee Members

The Board may choose to appoint independent committee members to certain of the Standing Committees, with the objective of providing suitably qualified PNG citizens with the opportunity to contribute to the effective functioning of the relevant Committee, while receiving training and exposure to the Company's governance practices. While independent committee members, do not count for quorum purposes and do not have a vote, they are encouraged to contribute to the discussions and decision making of the Committee.

## 8. Meetings

### 8.1. Holding of Meetings

- (a) Subject to paragraph 8.1(b) of this charter, the Board will meet regularly, at the times determined by the Chairman, but nevertheless will meet at least six scheduled times a year.
- (b) In accordance with Clause 21.6 of the Company's Constitution, a Director may convene a meeting of the Board at any time.

### 8.2. Board Papers

- (a) The Company Secretary will distribute in advance of a meeting of the Board an agenda and any related papers to each member of the Board.
- (b) If the Chairman or Managing Director reasonably believes that any Board papers contain information that may expose a Director to a conflict of interest, then:
  - (i) those papers will be deleted from the Board pack made available to that Director; and
  - (ii) that Director will excuse himself or herself from the boardroom while those papers are being discussed.

### 8.3. Board Minutes

The Group Secretary will prepare and circulate the minutes of meetings of the Board to all Directors for review and, following their approval by the Board, arrange for them to be signed by the Chairman.

### 8.4. Non-Executive Director Meetings

The non-executive Directors will meet prior to or immediately following Board meetings, as

required, for discussion of management issues without the presence of the Managing Director or management.

## 9. Communication

The Board regards as crucial clear, balanced, comprehensive and timely reporting of all material events affecting the Company and its business. In this regard the Board will ensure that:

- (a) a written public disclosure policy and related procedures are prepared, maintained and enforced;
- (b) appropriate persons within the Company have responsibility for public disclosure; and
- (c) management discussion and analysis in relation to the Company's financial results enhance clarity and balance of reporting.

## 10. Review of Board Charter

The Board will review this charter biennially to ensure it remains consistent with the Board's objectives and responsibilities. In reviewing this charter the Board will pay particular attention to the balance of responsibilities between the Chairman, the Managing Director and other Directors.