



Pilot Energy Limited
ABN: 86 115229 984

2021 CORPORATE GOVERNANCE STATEMENT

The Board is responsible for the overall corporate governance of Pilot Energy Limited (**Company**) including adopting appropriate policies and procedures designed to ensure that the Company is properly managed to protect and enhance shareholder interests.

This Corporate Governance Statement (**Statement**):

- reports against the 4th edition of the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council (**Governance Principles**) and the practices detailed in this Statement are current as at 1 October 2021; and

has been approved by the Board and is available on the Company's website under Corporate Governance at <https://www.pilotenergy.com.au/corporate-governance>.

Consistent with the Company's commitment to transparency in its dealings with stakeholders, this Statement has been prepared by reference to each recommendation contained in the Governance Principles.

PRINCIPLE 1. – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1

A listed entity should disclose:

- (a) the respective roles and responsibilities of its board and management; and*
- (b) those matters expressly reserved to the board and those delegated to management.*

Complies

The Company has a Board Charter which is available on the Company's website at [*insert link*], which formally sets out the functions and responsibilities of the Board and those tasks delegated to management.

Recommendation 1.2

A listed entity should:

- (a) undertake appropriate checks before appointing a person, or putting forward to securityholders a candidate for election, as a director; and*
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(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Complies

The Company has committed to undertake appropriate checks before appointing a person or putting forward to shareholders a candidate for election, as a Director.

All material information relevant to a decision whether or not to elect or re-elect a Director of the Company will be made available to shareholders.

Recommendation 1.3

A listed entity should have a written agreement with each director and senior executive setting out the terms of their employment.

Complies

The Company has entered into agreements with each Director and senior manager, which outlines the terms of their appointment. Each of the Company's Directors has a signed letter of appointment and each of the Company's senior managers is engaged under an employment or contractor agreement.

Recommendation 1.4

The Company Secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

Complies

The Company Secretary has a direct reporting line to the Chairman and all Directors have direct access to the Company Secretary, who is appointed by, and accountable to, the Board on all governance matters and the proper functioning of the Board.

Recommendation 1.5

A listed entity should:

(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;

(b) disclose that policy or a summary of it; and

(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:

- (1) *the respective proportions of men and women on the board, in senior executive positions and across the whole organization (including how the entity has defined “senior executive” for these purposes); or*
- (2) *if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators” as defined in and published under that Act.*

Partially Complies

The Company has established a Diversity Policy (which is available on the Company website), which states that diversity not only refers to gender but extends to age, ethnicity, religious or cultural background, language, marital or family status and disability.

The Diversity Policy does set out a requirement to set measurable objectives and to assess annually both the objectives and the entity’s progress in achieving them. During the reporting period the Company has not formally set measurable objectives for achieving gender diversity in accordance with the Diversity Policy, primarily due to the age and stage of maturity of the Company.

The Company is not a relevant employer under the Workplace Gender Equality Act.

The Company defines “senior executive” as a person that has overall responsibility for one or more business functions.

As at 30 June 2020, the proportion of women and men across the levels of Board, senior management and total employees were as follows:

- The proportion of female directors: 0%
- The proportion of female employees who are senior managers / executives: 50%
- The proportion of female employees in the whole organisation: 37.5%

Given the current size and stage of development of the Company, the Board has not considered it necessary to formally set measurable objectives for achieving gender diversity. However, the Company is committed to an inclusive workplace that embraces and promotes diversity as part of its corporate culture.

The Company does not believe this departure from recommendation 1.5 to be detrimental to shareholders.

Recommendation 1.6

A listed entity should:

- (a) *have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and*
 - (b) *disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with the process.*
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Partially Complies

The Board is currently developing a process for evaluating and assessing the Board's performance on an annual basis. The performance evaluation was not undertaken during the reporting period. The Company notes that half of the Board are new appointees, having joined the Board at the end of May 2021. One other member joined in September 2020.

Recommendation 1.7

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and*
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

Complies

The Company has a process for evaluating the performance of senior executives. The Company sets annual reviews with senior executives and performance is measured against various performance metrics. An evaluation was undertaken during the reporting period.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1

The board of a listed entity should:

- (a) have a nomination committee which:*
 - (1) has at least three members, a majority of whom are independent directors;*
 - (2) is chaired by an independent director, and disclose:*
 - (3) the charter of the committee;*
 - (4) the members of the committee; and*
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings;*
or
- (b) if it does not have a nomination committee, disclose that fact and the process it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.*

Does not Comply

Due to the size and nature of the existing Board, the Company currently has no Remuneration or Nomination Committee, and the full Board currently carries out the duties that would ordinarily be assigned to the Remuneration and Nomination Committee.

Recommendation 2.2

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

Complies

The Board aims to ensure that it is comprised of Directors with different skills and experience appropriate for the Company. The Board has developed a formal Board skills matrix to document this process.

Recommendation 2.3

A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;*
- (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and*
- (c) the length of service of each director.*

Complies

Mr. Brad Lingo

Executive Chairman of the Board appointed 12 May 2020. Brad Lingo is not considered to be an Independent Director.

Mr. Daniel Chen

Director appointed 15 September 2020.

Daniel Chen is considered to be an Independent Director.

Mr Tony Strasser

Managing Director appointed 28 May 2021.

Tony Strasser is not considered to be an Independent Director.

Mr. Bruce Gordon

Non-Executive Director appointed 28 May 2021.

Bruce Gordon is considered to be an Independent Director.

Recommendation 2.4

A majority of the board of a listed entity should be Independent Directors.

Does not comply

50% of the Board are not considered independent, however, given the size and stage of development of the Company's operations, the Board does not believe this departure from recommendation 2.4 to be detrimental to shareholders.

Recommendation 2.5

The Chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Partially Complies

The Chair of the Board, Mr. Brad Lingo is not an independent director however he does not hold the role of the Managing Director. Mr Tony Strasser is an executive director and holds the title of Managing Director.

Recommendation 2.6

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Partially Complies

The Board is planning to enhance director induction and director development training.

PRINCIPAL 3: ACT ETHICALLY AND RESPONSIBLY

Recommendation 3.1

A listed entity should articulate and disclose its values.

Does not comply.

Subject to ASX re-compliance, the Company is pursuing diversification and transition of its oil and gas exploration and production business to the development of integrated renewable energy, hydrogen and carbon management projects utilising its existing oil and gas tenements and infrastructure to cornerstone these developments. Given the Company is currently in a transition phase, the finalisation of a Statement of Values is a current work in progress for the Board.

Recommendation 3.2

A listed entity should:

(a) have a code of conduct for its directors, senior executives and employees and disclose that code or a summary of it; and

(b) ensure that the board or a committee is informed of any material breaches of that code.

Complies

The Company has a Code of Conduct for its Directors, senior executives and employees. A copy of the Code of which is available on the Company's website.

The Company intends to add an agenda item to its future Board meetings to review material breaches of the Code of Conduct.

Recommendation 3.3

A listed entity should:

- a) have and disclose a whistleblower policy; and*
- b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.*

Complies

The Company has a Whistleblower Policy which is available on the Company's website.

The Company intends to add an agenda item to its future Board meetings to review material breaches of the Whistleblower Policy.

Recommendation 3.4

A listed entity should:

- a) have and disclose an anti-bribery and corruption policy; and*
- b) ensure that the board or a committee of the board is informed of any material breaches of that policy.*

Complies

The Company has an Anti Bribery and Anti Corruption Policy, a copy of which is available on the Company's website.

The Company intends to add an agenda item to its future Board meetings to review breaches of the anti-bribery policy.

PRINCIPAL 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Recommendation 4.1

The Board of a listed entity should:

(a) have an audit committee which:

- (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and*
 - (2) is chaired by an independent director, who is not the chair of the board, and disclose:*
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(3) the charter of the committee;

(4) the relevant qualifications and experience of the members of the committee; and

(5) in relation to each reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

Complies

The Company has established an Audit and Risk Committee, the Charter of which is available on the Company's website. The Committee has two independent members, Mr. Daniel Chen and Mr. Bruce Gordon. The number of times the Committee has met, the members' qualifications and the individual attendances of those members will be disclosed in the Company's 2021 Annual Report.

Recommendation 4.2

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Complies

The Company has received a signed declaration from the CEO and the Company's external accountants that the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Recommendation 4.3

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

Complies

The Company invites its external auditor to attend its Annual General Meeting.

PRINCIPAL 5: MAKE TIMELY AND BALANCED DISCLOSURES

Recommendation 5.1

A listed entity should:

(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and

(b) disclose that policy or a summary of it.

Complies

The Board recognises the importance of its continuous disclosure obligations. The Company has a Continuous Disclosure Policy and a Securities Dealing Policy, copies of which are available on its website.

Recommendation 5.2

A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.

Complies

The Board is informed of all material market announcements promptly after they have been made.

Recommendation 5.3

A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.

Complies

The Company releases copies all substantive investor or analyst presentations on the ASX Announcements Platform ahead of the presentation.

PRINCIPAL 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

Complies

The Company provides information on its website about itself and copies of the key governance Charters and policies referred to in this Statement. The Company's Annual Report also discloses the Company's activities and is available on its website.

Recommendation 6.2

A listed entity should design and implement an investor relations program to facilitate effective two way communication with investors.

Complies

The Company has an active shareholder relations program.

Recommendation 6.3

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

Complies

The Board encourages full participation of security holders. The Company has adopted a shareholder communication policy which is available on the Company's website. The policy encourages security holders to submit questions directly to the Company.

Recommendation 6.4

A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

Complies

The Company ensures poll voting occurs as required.

Recommendation 6.5

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Complies

The Company encourages the use of electronic communication and offers security holders the option to receive and send electronic communication to the Company and its share registry where possible.

PRINCIPAL 7: RECOGNISE AND MANAGE RISK**Recommendation 7.1**

The board of a listed entity should:

(a) have a committee or committees to oversee risk, each of which:

- (1) has at least three members, a majority of whom are independent directors; and*
 - (2) is chaired by an independent director, and discloses;*
 - (3) the charter of the committee;*
 - (4) the members of the committee; and*
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
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(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

Complies

The Company has established an Audit and Risk Committee, the Charter of which is published on the Company's website. The Committee has two members, Mr. Daniel Chen and Mr. Bruce Gordon. Both of the Committee members are considered independent. The number of times the Committee has met, the members' qualifications and the individual attendances of those members will be disclosed in the Company's 2021 Annual Report.

Recommendation 7.2

The Board or a committee of the board should:

(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and

(b) disclose, in relation to each reporting period, whether such a review has taken place

Complies

The Company has a Risk Management Policy, a copy of which is available on the Company's website. This Policy is designed to assist the Company to identify, evaluate and mitigate risks affecting the Company. Under this policy the Board will be responsible for overseeing and managing the risk management program. The Board has delegated responsibility to the Audit and Risk Committee to implement, oversee and maintain the risk management program, in light of the day-to-day needs of the Company.

Recommendation 7.3

A listed entity should disclose:

*(a) if it has an internal audit function, how the function is structured and what role it performs;
or*

(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

Complies

The Company does not have an internal audit function. The Audit and Risk Committee has responsibility for evaluating and improving the effectiveness of risk management and internal control processes. The Board is confident these measures are appropriate at present.

Recommendation 7.4

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

Complies

The Company has an Environmental and Social Sustainability Policy, a copy of which is available on the Company's website. Under this Policy, the Audit and Risk Committee is charged with assisting management in determining and managing its exposure to economic, environmental and social sustainability risks.

PRINCIPAL 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1

The board of a listed entity should:

(a) have a remuneration committee which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director, and disclose:

(3) the charter of that committee;

(4) the members of that committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, or

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration for directors and senior executives is appropriate and not excessive.

Does Not Comply

Due to the size and nature of the existing Board, the Company currently has no Remuneration or Nomination Committee, and the full Board currently carries out the duties that would ordinarily be assigned to the Remuneration and Nomination Committees under the Charters for the respective committees.

Recommendation 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Complies

The Company's policies and practices regarding the remuneration of executive and non-executive Directors and the remuneration of other senior executives are disclosed in the Company's annual report.

Recommendation 8.3

A listed entity which has an equity-based remuneration scheme should:

(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

(b) disclose the policy or a summary of it.

Complies

The Company has a Securities Trading Policy, which is available on the Company's website.

The policy prohibits the participants in the Company's equity-based remuneration scheme from entering any transactions which limit the economic risk associated with participating in the scheme.
