



## Board Charter

The Directors of New Zealand Oil & Gas Limited (**NZOG** or the **Company**) have been elected by the shareholders and are accordingly authorised to manage the business of the Company in accordance with the Constitution and the law.

### **Responsibilities of the Board**

The Board is accountable for the performance of the Company. The specific responsibilities of the Board include:

- approving corporate strategy and performance objectives;
- establishing policies appropriate for the Company;
- oversight of the Company, including its control and accountability systems;
- approving major investments and monitoring the return on those investments;
- the overall risk management and control framework for the Company and ensuring appropriate risk management systems are established and applied;
- evaluating the performance of the Chief Executive;
- reviewing the performance of senior management;
- setting broad remuneration policy including approving allocations under the Company's employee share ownership plan;
- reviewing implementation of strategy and ensuring appropriate resources are available;
- nominating and appointing new directors to the Board;
- evaluating the performance of the Board, sub committees of the Board, and individual directors;
- reviewing and ratifying systems of risk management, internal compliance and control, codes of conduct, and legal compliance;
- approving and monitoring financial and other reporting;
- ensuring that the Company provides continuous disclosure of information such that shareholders and the investment community have available all information to enable them to make informed assessments of the Company's prospects;
- overall corporate governance of the consolidated entity;
- determine the key messages that NZOG wishes to convey to the market from time to time; and
- monitor information commitments and continuous disclosure obligations.

The Board has overall responsibility for the Company's system of risk management and internal control, and has established procedures designed to provide effective control within the management and reporting structure.

Any Board committee or individual director may, with the prior consent of the Chairman of the Audit Committee (or in the case of the Chairman of the Audit Committee, the prior consent of the Chairman of the Board), obtain independent advice at the Company's expense where the director considers it necessary to carry out his or her duties and responsibilities as a director. Such consent shall not unreasonably be withheld.

### **Delegation of Authority**

While the Board has overall and final responsibility for the business of NZOG, it has delegated responsibility for the conduct of the Company's business and policy implementation to the Managing Director and his management team. The Board has established formal limits of authority to provide clarity to the Managing Director and management so that they are in a position to carry out the business of NZOG in an efficient and effective manner within the parameters of proper corporate governance.

The delegated authorities set limits to financial commitments and other decision making, and are monitored by the Board through its audit function.

These formal authorities and other policies and procedures for management and compliance include:

- Delegated Authorities Manual
- Code of Business Conduct and Ethics
- Remuneration and Performance Appraisal Policy
- Securities Trading policies and protocols for employees and directors
- Communications and Market Disclosure Policy
- Oil Hedging Policy
- Funds Investment Policy
- Foreign Exchange Transactions & Hedging Policy
- Health and Safety Policy
- Environment Policy
- Whistleblower Policy
- Directors' Interests Policy
- Email and Internet Use Policy

These policies are reviewed on a regular basis at least annually. The Board may establish other policies and practices to ensure it fulfills its functions.

## **Appointment and Structure of the Board**

The full Board considers nominations and new appointments to ensure that the Board is comprised of individuals who are able to discharge the responsibilities of directors in accordance with the law and high corporate governance standards.

Consistent with NZX requirements, the Board invites director nominations from security holders on an annual basis. Each year in May or June the Board monitors and reviews:

- The skills required by the Board;
- How the required skills are best represented on the Board;
- The process for identifying suitable candidates for appointment to the Board;
- The performance of individual directors.

The Board also considers annually the appropriateness, structure and performance of sub committees of the Board. The current sub committees are:

- The Audit Committee; and
- The Executive Appointments and Remuneration Committee.

Any director is entitled to attend a meeting of a sub committee of the Board if that director so wishes.

Each sub committee has its own charter or terms of reference setting out its role and the way it operates. These are available on the Company's website [www.nzog.com](http://www.nzog.com).

The Board annually reviews its own operations and the operations of the sub committees by way of a questionnaire submitted to the directors. Responses are collated and reviewed by the full Board.

## **Review of Charter**

The Board will review its charter in May or June of each year to ensure its relevance and the effectiveness.

**25 May 2010**