

## SUSTAINABILITY AND OPERATIONAL RISK COMMITTEE CHARTER

### 1. INTRODUCTION

#### 1.1 Purpose of the Sustainability and Risk Committee

The Sustainability and Operational Risk Committee (**Committee**) has been established by resolution of the Board of Karoon Energy Ltd (**Karoon** or **Company**) to assist the Board in fulfilling its responsibility for operational risk oversight and management, and fostering a culture of sustainability. The Board is committed to fostering a culture of corporate compliance, ethical behaviour and decision making, good corporate governance and operational risk management outcomes. The Board believes that:

- (a) good operational risk management and corporate governance practices will produce the best outcomes for shareholders and the Company's wider group of stakeholders; and
- (b) an appropriate balance must be struck between identifying, managing and mitigating material operational risks and enabling the Company to employ creativity and focus in achieving its business goals and thereby maximise shareholder value.

### 2. ROLE AND RESPONSIBILITIES

In its deliberations, the Committee will have due regard to the Board's:

- (a) overriding responsibility to prioritise the health and safety of Karoon employees;
- (b) need to act in the best interests of its shareholders; and
- (c) need to effectively communicate with, and listen to the views of, shareholders and the Company's wider group of stakeholders.

#### 2.1 Strategic Direction

The Committee is responsible to the Board for:

- (a) leading the Company's strategic direction in the management of material operational risks;
- (b) working with the Board and management to determine the Company's operational risk appetite;
- (c) identifying opportunities to minimise the potential for harmful environmental or social impacts arising from Karoon operations; and
- (d) key policies and strategies in relation to the health and safety of Karoon employees and the environmental and social impacts of Karoon operations, including the:
  - (i) Health, Safety, Security and Environment (HSSE) Policy;
  - (ii) Risk Management Policy; and
  - (iii) Sustainability Policy.

## 2.2 Oversight

The Committee is responsible to the Board for oversight of the:

- (a) Operational risk profile and risk management framework;
- (b) implementation and review of operational risk management and internal compliance and control systems;
- (c) management identification of material exposure to operational, environmental and social sustainability risks and how those risks are managed;
- (d) the Karoon Operating Management System (OMS) with a focus on HSSE issues; and
- (e) Karoon's environmental and social programs.

## 2.3 Review

The Committee should review:

- (a) on at least an annual basis, the effectiveness of the Company's operational risk management framework in identifying and managing operational risks and controlling internal processes;
- (b) management's plans for mitigation of material operational risks faced by the Company;
- (c) the Risk Register on a periodic basis, identifying the main internal and external risk sources including material exposures to operational, environmental and social sustainability risks associated with the Company's equity/participatory interests in oil and gas exploration, development and production projects and operations;
- (d) the Company's operational insurance program;
- (e) the Company's HSSE performance;
- (f) any environmental or social impacts arising from Karoon operations;
- (g) compliance with the Company's OMS and legislative and regulatory requirements with respect to HSSE and sustainability issues, including the requirements of approved environmental plans related to Karoon operations; and
- (h) Karoon's annual Sustainability Report, which includes Karoon's carbon emissions reporting, having regard to the recommendations of the Financial Stability Board's Taskforce on Climate Related Financial Disclosures.

## 2.4 Recommendations

The Committee is responsible for making recommendations to the Board as to:

- (a) the Company's operational risk appetite and particular operational risks and/or risk management practices;
  - (b) continuous improvement of operational risk management and internal control processes, including any issues arising from reviews;
  - (c) Karoon's environmental and social programs;
  - (d) external best practice developments and trends in relation to sustainability and operational, risk management policy and practice.
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### 3. ADMINISTRATION

#### 3.1 Membership

The Committee shall comprise the following membership structure:

- (a) at least 3 non-executive director members;
- (b) a majority of independent non-executive director members; and
- (c) an independent Chairperson appointed by the Board.

##### *Skills*

- (d) Committee members will be given the opportunity to attend professional development events, courses and study opportunities which are directly relevant to assisting them to fulfil their Committee responsibilities,
- (e) Members of the Committee shall have appropriate skills and experience in the areas of sustainability and operational risk management policy and practice and will be expected to keep abreast of relevant developments in these areas.

#### 3.2 Chairperson

A member of the Committee who is an independent director and who is not the chair of the Board shall be elected by the Board as Chairperson of the Committee.

#### 3.3 Secretary

The Company Secretary shall be the Secretary of the Committee.

#### 3.4 Quorum

A quorum shall be two members who are independent non-executive directors.

#### 3.5 Voting

A resolution of the Committee requires the agreement of a majority of members present.

#### 3.6 Meetings

The Committee meetings will be held at least twice annually.

#### 3.7 Records and Reporting

- (a) The Committee shall establish and maintain files, which will contain the following:
  - (i) this Charter document (which shall also be available on the Company's website);
  - (ii) copies of the confirmed minutes of all meetings of the Committee;
  - (iii) copies of all written submissions to the Board by the Committee and copies of the confirmed Board minutes relating to such submissions; and
  - (iv) details of any changes to the composition of the Committee or its Charter.
- (b) The Committee may report to the Board at any time on any matter as the Committee sees fit.

- (c) Minutes of the Committee meetings will be kept and provided to the Board at the next meeting following the Committee meeting to which the minutes relate, along with any recommendation of the Committee.

### 3.8 Conflicts of Interest

Members of the Committee will not be present or vote on matters that involve a conflict of interest or involve relatives or close friends of the relevant member.

### 3.9 Access to Information

- (a) The Committee is authorised by the Board to investigate any activity within its Charter. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Committee.
- (b) The Committee is authorised by the Board to obtain external legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise at its meetings if it considers this necessary.

### 3.10 Authority

The Committee has no decision-making power but is required to make recommendations to the Board on all matters within its Charter.

### 3.11 Review and Revocation

- (a) The performance of the Committee will be reviewed annually by the Board.
- (b) The Committee will review the Sustainability and Operational Risk Committee Charter every second year and seek board approval for any recommended changes.
- (c) Any previous Risk and Governance Committee Charter is revoked with effect from the date of this Charter.



Bruce Phillips  
**Chairman**

Effective Date: 3 December 2019