

**Neptune Marine Services Limited  
Corporate Governance Statement**

ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations – 3<sup>rd</sup> edition*  
**As at 31 March 2016 and approved by the Board.**

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The Company is committed to high standards of corporate governance designed to enable the Company to meet its performance objectives and better manage its risks.

The Company has adopted a comprehensive governance framework in the form of a formal corporate governance charter together with associated policies, protocols and related instruments.

A full copy of the Company's corporate governance charter and associated policies, protocols and related instruments is available on the Company's website under its "Corporate Governance" heading – [www.neptunems.com](http://www.neptunems.com).

The Company intends to follow the ASX CGC P&R in all respects other than as specifically provided below.

The independent director of the Company is Peter Wallace.

Recommendation	Compliance	Explanation
<p>1.1 A listed entity should disclose:</p> <p>a. The respective roles and responsibilities of its board and management; and</p> <p>b. Those matters expressly reserved to the board and those delegated to management.</p>	<p>✓</p> <p>✓</p>	<p>The Board has established a Corporate Governance Policy which summaries the role and duties of the Board.</p> <p>The Company considers that the primary responsibility of the Board is to oversee the Company's business activities and management for the benefit of the shareholders by:</p> <ul style="list-style-type: none"> <li>– setting objectives, goals and strategic direction with management with a view to maximising shareholder value;</li> <li>– overseeing the financial position and monitoring the business and affairs of the Company;</li> <li>– establishing corporate governance, ethical, environmental and health and safety standards;</li> <li>– ensuring significant business risks are identified and appropriately managed; and</li> <li>– ensuring the composition of the Board is appropriate, selecting directors for appointment to the Board and reviewing the performance of the Board and the contributions of individual directors.</li> </ul> <p>The Board has delegated responsibilities and authorities to management to enable management to conduct the Company's day to day activities. The Company has a formal Approvals Matrix (approved by the Board) that addresses the delegated authority for a wide range of operational issues typically encountered by the Company. Senior executives have a high level of authority commensurate with their position in the Company. Authority levels for all management are set out in writing and form a fundamental part of their employment conditions. The management</p>

			structure of the Company and the suitability of authority levels are determined and reviewed by the Board. Matters which are not covered by the delegations require Board approval.
1.2	A listed entity should:		
	a. Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and	✓	Appropriate checks have been undertaken.
	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	✓	All material information that the Company has in its possession has been disclosed.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	✓	Agreements are in place.
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 proper functioning of the board.	✓	This practice is in place.
1.5	A listed entity should:		
	a. Have a diversity policy;	✓	Neptune encourages diversity in its workforces and to that end has adopted an equal opportunity and anti-discrimination policy which seeks to provide equal employment opportunities to all employee's regardless of race, gender, religion, age, nationality or any other grounds while providing a workplace where everyone is treated equally and fairly and where discrimination, harassment and inequality are not tolerated. Further the Group does not positively discriminate in favour of any group of people and positions of employment are based on technical ability, qualifications and experience. Therefore although the company supports the recommendations contained in the <i>ASX Corporate Governance Principles and Recommendation</i> , it does not follow the recommendations requiring the company to establish measurable objectives for achieving gender diversity as this contradicts our position of not discriminating in favour of any group of people. While not setting specific targets for achieving gender diversity, Neptune does not discriminate in favour of or against the appointment of
	b. Disclose that policy or a summary of it;	✓	
	c. Disclose the measurable objectives for achieving gender diversity and the its progress towards achieving them; and	x	
	d. The respective proportions of men and women.	✓	

women at any level in the organisation, nor does it discriminate based on gender in setting salary levels, training and development or in other advancement opportunities. This will always be based on technical abilities and qualifications with no consideration to gender.

The table below provides actual data on gender diversity that currently exists within the group.

	Number	%
Women employed whole organisation	84	29.0%
Women in senior executive roles	1	25.0%
Women in board positions	0	0.0%

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	✓	The Company does not have a documented procedure for the evaluating the performance of the Board, its committees and directors. An evaluation of the performance of the Board and its directors is undertaken informally each year. The Chairman of the Board is the driver of this process.
	b. Disclose whether performance evaluations were undertaken.	✓	The evaluation of the performance of the Board's various committees is undertaken on an exception basis. This is also an informal process which is driven by the Chairman of the Board.
1.7	A listed entity should:		
	a. Have and disclose a process for periodically evaluating the performance of senior management; and	✓	The Board regularly evaluates the performance of senior executives.
	b. Disclose whether performance evaluations were undertaken.	✓	The Company has undertaken a performance evaluation for senior executives during the financial year.
2.1	A listed entity should have a nomination committee which:	*	
	- Consists of at least 3 members, a majority of whom are independent directors;		The Company does not presently have a separate nomination committee. The size of the Company and Board does not warrant the establishment of a separate nomination committee. The duties of such committee have been considered and adopted by the Board.
	- Is chaired by an independent director;		The Company does not have a documented procedure for the selection and appointment of directors. The Board informally reviews the skill set of and market
	And disclose:		
	- The charter of the committee;		

	<ul style="list-style-type: none"> <li>- The members of the committee</li> <li>- The number of times the committee met and individual attendance at those meetings</li> </ul> <p>If it does not have a nomination committee disclose that fact and the process it follows to address that role.</p>		<p>expectations for its directors on a regular basis and considers these factors when appointing / re-electing directors.</p>
2.2	A listed entity should have and disclose a board skills matrix.	*	The Company does not have a skills matrix as the directors do not consider it appropriate to do so.
2.3	<p>A listed entity should disclose:</p> <ul style="list-style-type: none"> <li>- The names of the directors considered by the board to be independent directors and length of service.</li> <li>- If a director has an interest / association / relationship that meets the factors of assessing independence.</li> </ul>	✓	<p>The Board currently has 4 directors. Mr Peter Wallace is an independent director according to the criteria for independence included in the ASX Best Practice Recommendations. The Company's majority shareholder holds approximately 86.8% of the share capital of the Company and is represented on the Board by 2 directors, Mr Kuah and Mr Siu. The Company's Chief Executive Officer (Mr King) is the other director and the Company's only executive director.</p>
2.4	A majority of the board should be independent directors.	*	See 2.3 above
2.5	The chair should be an independent director.	*	The Chairman, Mr Boon Wee Kuah, is not independent as he is the Chief Executive officer of MTQ Corporation Limited, the majority shareholder of the Company.
	The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	✓	The positions of Chairman and Chief Executive Officer are not held by the same person.
2.6	A listed entity should have a program for inducting new directors.	*	<p>All new directors are required to complete a Neptune induction and on-boarding program that consists of a mixture of online training (including the General Neptune Induction and if applicable, some safety specific training), an office / site orientation induction, tours of operational offices and workshops and integration meetings as appropriate. New directors are also given the opportunity, as appropriate, to meet key personnel within the organisation.</p> <p>New directors are also given access to the Neptune Intranet and NepSafe Library to familiarise themselves with relevant policies, procedures, forms and other</p>

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documentation as appropriate. Induction and on-boarding programs are generic in nature to ensure all new employees (including directors) are treated the same and have access to the same information upon commencement.

Furthermore, senior positions including new directors may have a more comprehensive induction and on-boarding program (as appropriate to their position), which may involve pre-scheduled meetings with the senior management team, executives and other members of the Board. These meetings provide further integration into the business and allows the new director to understand their duties, rights and responsibilities, the Board's expectations regarding involvement in Committee work as well as any other expectations and commitments required by the Board.

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3.1 A listed entity should:

- have a code of conduct; and
- disclose the code or a summary of it.

✓  
✓

The Board has adopted a Code of Conduct. The code outlines the Company's position on a range of ethical and legal issues including financial inducements, conflicts of interest and accountability and addresses:

- the practices necessary to maintain confidence in the company's integrity;
- the practices necessary to take into account their legal obligations and the expectations of their stakeholders; and
- responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

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The code applies to directors, employees, and anyone who works with the Company.

The Code of Conduct is available at [www.neptuneMS.com](http://www.neptuneMS.com)

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4.1 The board of a listed entity should have an audit committee which:

- Has at least three members all of whom are non-executive directors and a majority of independent directors; and
- Is chaired by an independent chair, who is not chair of the board.

✓

✘

✓

Disclose:

- The charter of the committee;
- The relevant member qualifications;

✓

The Board has established an Audit Committee to assist it in exercising its authority. The Company's committee consists of 2 members, Mr Dominic Siu and Mr Peter Wallace. Mr Wallace chairs the committee. Mr Wallace is an independent director but Mr Siu (as an officer of MTQ Corporation Limited, a substantial shareholder) is not independent.

The members of the committee have extensive financial experience. Given the overall composition of the Board, the Company considers that the current size and composition of its Audit Committee is appropriate.

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	- The number of times the committee met and individual attendance at those meetings		The Audit Committee has a formal charter that can be found on the Company's website. The member qualifications and meeting frequency is set out in the annual report.
4.2	The board should receive declarations for CEO & CFO in accordance with S.295A of corporations act before approving financial statements.	✓	The declarations have been provided.
4.3	A listed entity should ensure its external auditor attends its AGM.	✓	This practice is in place.
5.1	A listed entity should: <ul style="list-style-type: none"> <li>- Have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</li> <li>- disclosure that policy or a summary of it.</li> </ul>	✓ ✓	<p>The Board recognises that shareholders and the investment market generally should be informed of all major business events that influence the Company in a timely and widely available manner. To safeguard the effective dissemination of information the Company has adopted an Information Disclosure Policy. The Policy outlines how the Company identifies and distributes information to shareholders and market participants and has been designed to ensure:</p> <ul style="list-style-type: none"> <li>- compliance with ASX Listing Rule disclosure; and</li> <li>- accountability at a senior executive level for that compliance.</li> </ul> <p>The Company's Information Disclosure Policy is available on the Company's website in the Policies section.</p>
6.1	A listed entity should provide information about itself and its governance to investors via its website.	✓	The company information and governance policies are contained on the company's website on <a href="http://www.neptuneMS.com">www.neptuneMS.com</a> .
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	✓	<p>The Company's communication strategy forms part of the Company's Information Disclosure Policy. The Board aims to ensure that the market and shareholders are informed of all major developments affecting the Company. The Company's website contains a section for shareholders and investors (Investor Centre).</p> <p>All announcements and corporate material of interest to shareholders and the market generally can be found on the Investor Centre. The Company's communication strategy has been designed to:</p> <ul style="list-style-type: none"> <li>- promote effective communication with shareholders; and</li> <li>- encourage shareholder participation at AGMs.</li> </ul>

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.	✓	Satisfied. See communication policy at <a href="http://www.neptuneMS.com">www.neptuneMS.com</a> .
6.4	A listed entity should give security holders the option to receive communications from, and send communication to, the entity and its security registry electronically.	✓	Orchestrated via the share registry service (welcome pack to investors).
7.1	<p>The board of a listed entity should have a committee to oversee risk, which:</p> <ul style="list-style-type: none"> <li>- Has at least three members all of whom are non-executive directors and a majority of independent directors; and</li> <li>- Is chaired by an independent chair, who is not chair of the board.</li> </ul> <p>Disclose:</p> <ul style="list-style-type: none"> <li>- The charter of the committee;</li> <li>- The members of the committee; and</li> <li>- The number of times the committee met and individual attendance at those meetings</li> </ul> <p>If it does not have a risk committee disclose that fact and the process it follows to address that role.</p>	<p>✓</p> <p>*</p> <p>✓</p> <p>✓</p>	<p><b>Board</b></p> <p>Management is responsible for the management and oversight of material business risks. The Audit Committee and Board have assisted and directed management in exercising its responsibilities for risk oversight and management.</p> <p>The Company has a comprehensive strategy for risk management and oversight which includes:</p> <ul style="list-style-type: none"> <li>• The Company has a separate Risk Management Committee. The formal charter of the Risk Management Committee is available on the Company's website</li> <li>• The Company maintains a comprehensive insurance program which forms an important part of financial risk management. The Company is assisted by experienced insurance brokers with a strong familiarity of the Company's business and needs for effective risk management via insurance.</li> <li>• The Company has an in-house legal team (and receives external legal advice as required) that have a key role in risk management.</li> <li>• The Company employs a considerable number of staff dedicated to Health, Safety, Environment and Quality issues (HSEQ). HSEQ delegates meet on a regular basis.</li> <li>• The Company's General Manager of HSEQ is invited to attend Board meetings on a periodic basis to report directly to the Board on key HSEQ issues and risk management strategies and effectiveness.</li> <li>• The monthly Board pack prepared by management reports to the Board considerable information on HSEQ risk management effectiveness.</li> <li>• Hazard Identifications (HAZID's) are conducted before project work is conducted.</li> <li>• Throughout the year, the Company has and continues to work on identifying and managing risks and documenting these risks via risk matrices.</li> </ul>

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- The Company is the subject of internal audits on a periodic basis aimed at improving financial risk management.

The annual report details material financial risks which arose during the reporting period (see notes to financial statements).

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- 7.2 The board or a committee of the board should:
- Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
  - Disclose whether such a review has taken place.

✓

The Company has in place a system to identify, monitor and manage significant risks associated with its business activities. The risk register and related risk management controls are reviewed by management and the Board at least annually.

The Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategies, policies, internal compliance and internal controls.

The Board has delegated to management through the Chief Executive Officer the tasks of undertaking and assessing risk management and internal control effectiveness. In addition, management have the responsibility for the day to day design and implementation of the Company's risk management and internal control system.

A review of the Company's risk register and controls, as well as risk management framework, was undertaken in the financial year ending 31 March 2016. The Company is satisfied that the risk management framework is in line with industry standards for risk reporting.

Neptune's risk management charter and duties and responsibilities are located on the Company's website.

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- 7.3 A listed entity should disclose:
- If it has an internal audit function, how the function is structured and what role it performs;
  - If it does not have an internal audit function, disclose that fact and the process it follows to address that function.

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Neptune does not have its own internal audit function given the relative size of the organisation and the key role the Audit Committee and Board has in assessing the Company's internal controls and risk management system.

However, annually an internal audit team from MTQ Corporation Limited, a substantial shareholder, may conduct specific agreed upon procedures within Neptune to assess the effectiveness of internal controls and processes.

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			The Board considers the current systematic monitoring of control activities to be sufficient to manage current and future risks.
7.4	The entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks, and if it does, how it manages those risks.	✓	<p>The Company has significant economic exposure to the current downturn in the Oil &amp; Gas sector, which is being driven by the low oil price environment that currently exists. Neptune is managing its exposure to the economic downturn to the Oil &amp; Gas sector through regular monitoring of the Company's cash flows, including reviewing and reducing where possible the Company's overheads and capital commitments, as well as monitoring debtor balances.</p> <p>The Company does not have any significant exposure to environmental or social sustainability risks.</p>
8.1	<p>The board of a listed entity should:</p> <ul style="list-style-type: none"> <li>- have a remuneration committee which has at least three members all of whom are non-executive directors and a majority of independent directors; and</li> <li>- Is chaired by an independent director; and</li> </ul> <p>Disclose:</p> <ul style="list-style-type: none"> <li>- The charter of the committee;</li> <li>- The members of the committee; and</li> <li>- The number of times the committee met and individual attendance at those meetings</li> </ul> <p>If it does not have a remuneration committee disclose that fact and the process it follows to address that role.</p>	<p>✘</p> <p>✓</p> <p>✓</p>	<p>The Board has established a Remuneration Committee. The Committee's role is to assist the Board in establishing remuneration policies and practices for directors, key executives and employees.</p> <p>The committee currently has 2 members, Mr Peter Wallace and Mr Boon Wee Kuah. Mr Wallace is an independent director but Mr Kuah is not. Mr Peter Wallace chairs the committee. Given the overall composition of the Board, the Company considers that the current size and composition of its Remuneration Committee is appropriate.</p>
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	✓	The structure of Directors' remuneration is disclosed in the annual report.
8.3	A listed entity which has an equity-based remuneration scheme should:	✘	There is no broad policy. Each employee has separately negotiated their remuneration.

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- Have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme;
  - Disclose that policy or a summary of it.
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Further information about the Company's corporate governance practices is set out on the Company's website.