

15 November 2013

Attention: Mavis Tan
ASX Corporate Governance Council

Email mavis.tan@asx.com.au

Dear Ms Tan,

RE: Proposed amendments to the corporate governance principles and recommendations

We refer to the consultation paper and associated accompaniments released by the ASX Corporate Governance Council (**Council**) on 16 August 2013.

In the consultation paper, the Council proposed a number of amendments to the second edition of the ASX Corporate Governance Principles and Recommendations. Included in those amendments is a new Box 2.1 which sets out a number of interests, positions, associations and relationships that might cause doubts about the independence of a director. The consultation paper explains that the new Box 2.1 has been updated to incorporate some new items, but the wording of some items has also been changed without explanation. Of particular concern to Senex are the changes that have been made to the item dealing with professional advisers and consultants (**Adviser Relationship**).

In the current version of Box 2.1, the Adviser Relationship is described as follows:

'[the director] has within the last three years been a principal or a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided'

In the new Box 2.1, the Adviser Relationship is described as follows:

'[the director] is, or has within the last three years been, a partner, shareholder, director or senior employee of a professional adviser or consultant to the entity of related entities;'

Senex is concerned by:

- (a) the addition of shareholders to the Adviser Relationship; and
- (b) the removal of the materiality threshold for the Adviser Relationship.

In today's environment, where many professional advisers are listed companies and many private individuals hold shares (usually in small amounts), it is not unusual for a director of a listed company to hold an insignificant number of shares in a company that provides services to the listed company. In those circumstances, if the new Box 2.1 is adopted (along with proposed recommendation 2.1), the listed company would be required under proposed recommendation 2.1(b) to disclose the holding of the director and explain why that holding does not affect the independence of that director. This is not a logical outcome and does not appear to be consistent with the other items in Box 2.1 that incorporate a notion of materiality, substantiality, closeness or seniority.

Accordingly, Senex requests that the Council consider tempering the addition of shareholders to the new Adviser Relationship wording by adding the word 'material' or 'substantial' before the word 'shareholder'. That way, in the circumstances described above, the board of the listed company could

make an assessment whether the shareholding is material before being required to disclose and defend immaterial shareholdings of a director.

In relation to the removal of the materiality threshold for the Adviser Relationship, for similar reasons to those described above, it could lead to unnecessary distraction if a notion of materiality was missing from the Adviser Relationship. For that reason, Senex requests that the word 'material' is added before the words 'professional advisor' and the word 'consultant' in the new Adviser Relationship wording.

Please contact me if you have any questions.

Yours sincerely,



Frank Connolly

Company Secretary/Legal Counsel

Senex Energy Limited