

## **SINO GAS & ENERGY HOLDINGS LIMITED**

### **DESCRIPTION OF THE PERFORMANCE EVALUATION PROCEDURE FOR THE BOARD AND INDIVIDUAL DIRECTORS**

The board of directors ("Board") of Sino Gas & Energy Holdings Limited ("SGEH" or "Company") shall be directly responsible for the examination of the selection and appointment practices of SGEH.

The Board has established formal processes to review its own performance and the performance of individual directors (including the Managing Director/Chief Executive Officer), committees of the Board and key executives, at least annually.

As part of the annual review of the performance of the Board, the appropriate size, composition and terms and conditions of appointment to and retirement from the Board are considered. The level of remuneration for directors will be considered with regard to practices of other public companies, external professional advice (if considered necessary) and the aggregate amount of fees approved by shareholders and otherwise in accordance with the remuneration policies established by the Board and the Remuneration Committee. The Board also reviews the appropriate criteria for Board membership collectively.

#### **The key elements of the performance evaluation process are:**

- the assessment must be independent of management – the process needs to be and appear to be objective;
- the process must be designed to encourage open and constructive discussion in relation to performance;
- comparison of the performance of the Board against the requirements of the Board Charter;
- assessment of the performance of the Board over the previous twelve months having regard to the corporate strategies, operating plans and the annual budget;
- review of the Board's interaction with management;
- identification of clear processes, goals and objectives established by the Board for the next year, ensuring that all directors have had input into what these goals should be;
- review the type and timing of information provided to the directors;
- identification of any necessary or desirable improvements to the Board or committee charters;
- confidentiality of each individual performance assessment should be maintained;
- full disclosure of the assessment process and overall performance results is essential to achieve both Board credibility and shareholders' understanding;
- issues which have been identified during the performance evaluations should be discussed in the appropriate forum and followed up regularly between reviews;

- in order to assess the true performance of SGEH, the performance of each individual director, as well as how the Board and its committees operate as a group, needs to be evaluated.

#### **Evaluation criteria for individual directors**

- **Effective governance:** ability of the director to contribute to SGEH's performance whilst adhering to the principles of good governance.
- **Leading through vision and values:** ability of the director to inspire commitment to SGEH's vision and values.
- **Strategic thinking and decision making:** ability of the director to analyse and evaluate the impact of contingencies on SGEH, identify optimal responses based on the business capacity and contribution to the Company strategy.
- **Commercial/business acumen:** the director's ability to contribute to the increase in the wealth of shareholders whilst fulfilling SGEH's commitment to good governance;
- **Teamwork:** ability of the director to interact with fellow Board members and the senior executives in a manner that is consistent with achieving common business goals;
- **Board participation:** the director's contribution to Board discussion and function, and availability for and attendance at Board meetings and other relevant events;
- **Committees:** the director's membership of and contribution to any Board committees;
- **Independence:** the director's degree of independence including the relevance of any conflicts of interest;
- **Suitability:** the director's suitability to Board structure and composition.

#### **Evaluation criteria for the Board as a whole and its committees**

- **Board role:** adequacy of the processes which monitor business performance, Board member interaction with management, adequacy of Board knowledge, adequacy of business strategy, adequate Board information and evaluation process for executives and directors;
- **Board membership:** appropriateness of balance and mix of skills, size of Board, contribution of individual Board members, adequacy on performance feedback to Board members and adequacy of procedures dealing with inadequate performance by a Board member;
- **Procedure and practice:** Board's effectiveness in use of time, whether Board allows sufficient opportunity to adequately assess management performance, Board's ability to keep abreast of developments in the wider environment which may affect SGEH, discussion of values at Board level, focus on community issues and adequacy of meeting frequency and the duration of meetings;
- **Committee structure:** sufficiency and effectiveness of the current committee structure and membership and availability of resources to committees to enable them to reach their objectives;
- **Collaboration and style:** working relationship between chairman of the Board ("Chairman") and Managing Director, segregation of duties between Board and management, ability of directors to express views to each other and to management in a constructive manner and adequacy of Board discussions;

- Personal: any concerns with position as director and own performance, ability to raise issues at Board level and availability of resources;
- SGEH may also consider involving independent experts in the performance evaluation process if and when considered necessary.

### **Method of performance evaluation**

While the Company is not listed on the Australian Securities Exchange ("ASX"), the performance evaluations of the Board and individual directors will be conducted annually by the Board at a Board meeting or in any other manner as agreed. The evaluations will be conducted informally with the Board considering the evaluation criteria set out above and making any necessary resolutions.

Upon the Company's listing on ASX, the performance evaluations of individual directors and the Board as a whole will use "self-assessment and peer review" (360° Feedback) by way of evaluation forms as set out below.

#### Review of individual directors

Steps in the review process

Step 1	Individual directors perform self-assessment on a form using pre-determined ratings and evaluation criteria.
Step 2	Directors provide feedback on the performance of the individual director using the same form.
Step 3	Meeting is held between individual director and the Chairman, or Remuneration Committee where appropriate, to discuss issues raised and any discrepancies between the self-assessment rating and the peer review.
Step 4	Where following a performance appraisal the Chairman considers that action must be taken in relation to a director's performance, the Chairman must consult the remainder of the Board regarding whether a director should be counselled to resign, not seek re-election, or in exceptional circumstances, whether a resolution for the removal of a director be put to shareholders.

#### Review of the Board as a whole and its committees

An assessment will be made of the performance of the Board and each committee against their charter identifying where improvements can be made.

Steps in review process

Step 1	Each director or committee member completes an evaluation form using set evaluation criteria. The form allows for further comment and for the respondent to make recommendations for improvement.
Step 2	The Board and each committee discuss its ability to meet its objectives and makes recommendations.
Step 3	The results of the evaluation are processed by the Chairman, or an independent expert at the Chairman's discretion, and are communicated to the Board.

Step 4	Any issues that need to be resolved are put before the Board for discussion.
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### **Managing Director/Chief Executive Officer**

The Board will annually review the performance of the Managing Director/Chief Executive Officer. At the commencement of each financial year, the Board, the Planning Committee and the Managing Director/Chief Executive Officer will agree a set of general Company specific performance measures to be used in the review for the forthcoming year.

These will include:

- the extent to which key operational goals and strategic objectives are achieved;
- the development of management and staff;
- compliance with legal and Company policy requirements; and
- the achievement of key performance indicators.

### **Senior executives**

The Managing Director/Chief Executive Officer is responsible for annually assessing the performance of the key executives within the Company. This is to be performed through a formal process involving a formal meeting with each senior executive.

The basis of the evaluation of senior executives will be on performance measures agreed with the executive at their previous performance review.

The remuneration packages for senior executives will be determined by the Managing Director/Chief Executive Officer in accordance with the Remuneration Policy set by the Remuneration Committee. The Remuneration Committee will review the proposed remuneration packages for senior executives (including incentive awards, equity awards and service contracts), to ensure that it is consistent with the Remuneration Policy.

When determining or reviewing the remuneration of senior executives, due consideration will be given to ensure that the remuneration packages properly reflect the executive's duties, responsibilities and performance and that the remuneration is competitive in attracting, retaining and motivating appropriate people to each position.

Additional remuneration, linked to the Company's financial and operational performance, may be agreed with individual senior executives from time to time.

### **Policy history**

Established:	July 2009
Last review:	December 2011
Review frequency:	Annually or as required