



Independence of Directors Policy

1. Introduction

ROC is committed to best practice corporate governance in relation to the independence of the Board. This requires ROC to have a board that:

- has a proper understanding of, and the competence to deal with, the current and emerging issues of the business;
- can effectively review and challenge the performance of management; and
- exercises independent judgement.

To achieve this, the Board recognises the need to have a formal policy for assessing the independence of directors.

2. Purpose of the Independence of Directors Policy

The Board has adopted this policy to provide guidelines in relation to:

- The appointment of independent directors to the ROC Board
- The test of independence
- Determining independence
- Non independent criteria and thresholds
- Annual assessment of independence
- Directors information
- Reporting on independence of directors in the Annual Report.

3. The Appointment of Independent Directors to the ROC Board

The Board recognises the need to have independent directors on the ROC Board and it is intended that a majority of directors on the ROC Board are independent at all times.

In considering the suitability of directors, both new appointments or reappointments the Nomination Committee and/or the Board must take into account the independence or not of the nominated director in accordance with this policy.

4. The Test of Independence

The test to determine the independence of directors is:

An independent director is a non-executive director who is not a member of management and free of any business or other relationship with ROC that could materially interfere - or could reasonably be perceived to materially interfere - with the exercise of objective, unfettered and independent judgment.

This policy is based on the criteria for independence recommended by the ASX Corporate Governance Council.

5. Determining Independence

In determining independence of directors all relevant information, facts and circumstances must be taken into account.

It is not possible to provide for all circumstances that will indicate a conflict of interest or a material relationship that could, or could be perceived to, materially interfere with the exercise of objective, unfettered and independent judgment of directors.

A director will normally be considered to not be independent if he or she satisfies the Non Independent Criteria and Thresholds set out in Paragraph 6 of this policy.

A director may still be considered by the Board to be independent notwithstanding the existence of relationships listed in the Non Independent Criteria and Thresholds set out in this policy provided the Board disclose the existence of any such relationships in accordance with this policy. The Board reserves its right to make such an assessment at any time and to disclose it accordingly.

6. Non Independent Criteria and Thresholds

A director would not be considered independent if he or she met any of the following criteria:

- the director is an executive or member of management or an officer of ROC;
- the director has been employed in an executive capacity by ROC within the last 3 years.
- the director is a "substantial shareholder" of ROC or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of ROC.

For the purpose of this policy ROC has adopted the Corporations Act 2001(Cth) definition of substantial shareholder which provides that a person is a substantial shareholder if they hold more than 5% of the shares entitled to vote in an entity.

*An **officer** is defined by the Corporations Act 2001 (Cth). It includes:*

- (i) a director or secretary of the Company;*
- (ii) a person who makes or participates in making decisions that affect the whole or substantial part of the business of the Company or who has the capacity to affect significantly the Company's financial standing; and*
- (iii) a liquidator, receiver and administrator of the Company;*
- the director has been a principal or material employee of a material professional adviser or consultant to ROC within the last 3 years.

A professional advisor will typically be material if the adviser's fees account for more than 2% of ROC's consolidated gross revenue or \$250,000, or if ROC accounts for more than 5% of the advisers consolidated gross revenue. ROC's auditor, principal financial and legal advisers are regarded as material advisers.

- the director currently receives material consulting, advisory or other fees except in the capacity as a director. This includes payments to a family member or an entity in which the director is a partner, member or officer if the entity provides legal, financial, consulting or other similar services to ROC. A director may at the request of the Board undertake and be rewarded for additional services. Any resulting fee will not be considered to affect the assessment of independence.

- the director, or a direct family member, is a material supplier or customer of ROC or is an officer, substantial shareholder, or otherwise associated directly or indirectly with a material supplier or customer.

A supplier or customer will typically be material if the value of purchases or sales accounts for more than 2% of ROC's consolidated gross revenue or \$100,000, or more than 5% of the consolidated gross revenue of the customer or 5% of the consolidated gross revenue of a supplier.

- the director, or a direct family member, has a material contractual relationship with ROC or is an officer, substantial shareholder of or otherwise associated directly or indirectly with an entity which has a material contractual relationship with ROC.

A contractual relationship will typically be material if: the value of the contract is more than 5% of ROC's consolidated gross revenue; or, if the contract is for more than five years; or, the contract is for the supply of essential goods or services in a competitive market.

- the director has had a material business relationship with ROC either directly, or as a partner, shareholder or director of an entity that has had such a relationship with a member of the ROC Group within the last 3 years.

A business relationship will typically be material if the value of the business relationship is in excess of 5% of ROC's or the director's (or related entity's) consolidated gross revenue.

- the Board determines the director is not otherwise independent in character and judgement.

7. Annual Assessment of Independence

At least once in every financial year an assessment of the independence of each director on the Board will be undertaken in accordance with this policy. The outcome of this assessment will be disclosed in the annual report following the assessment.

8. Directors Information

Directors will provide the Board with all information in relation to their interests or relationships relevant to determining independence and will inform the Board of any change in their position. The Board will assess the independence of directors when any new relevant interests or relationships are disclosed by a director.

9. Reporting on Independence of Directors in the Annual Report

The Board will make appropriate disclosure regarding independence of directors in ROC's Annual Report in accordance with the ASX Corporate Governance Principle and Recommendations.

This Independence of Directors Policy will be posted on ROC's website www.rocoil.com.au

Adopted by the Board on 8 April 2004. Updated on 17 October 2007 and 25 January 2012