



**AUDIT COMMITTEE
CALTEX AUSTRALIA LIMITED
ACN 004 201 307**

BOARD APPROVED – 1 DECEMBER 2010

COMMITTEE CHARTER

INTRODUCTION

1. The Audit Committee (Committee) is established as a committee of the Board of Caltex Australia Limited (CAL) on the terms set out in this charter and in accordance with the Board's charter and CAL's Constitution.

ROLE OF THE COMMITTEE

2. The Committee assists the Board to fulfil its responsibilities in relation to the integrity of reporting to shareholders and the market on the financial performance and position of CAL and the Caltex Australia Group (Caltex).
3. The Committee oversees matters relating to the appointment and tenure of Caltex's external auditor. The Committee approves the terms of engagement of the external auditor.
4. The Committee oversees matters relating to the independence of Caltex's external auditor.
5. The Committee undertakes a number of functions delegated by the Board, including approving the internal audit plan and the scope of work of the internal audit function. The Committee reviews the effectiveness of the internal audit function and provides a reporting line independent of management.
6. The Committee addresses the appropriateness of Caltex's accounting policies, our practices to manage material financial risks and the integrity of Caltex's financial reporting so that financial reports present a true and fair view of Caltex's financial performance and position.

RESPONSIBILITIES OF THE COMMITTEE

Advisory role

7. The Committee should undertake the following functions and, as appropriate, advise or make recommendations to the Board:

Integrity of reporting

- 7.1 Review and discuss with management and the external auditor the appropriateness of accounting policies applied in Caltex's financial reports and any significant financial reporting issues and judgements made in connection with the preparation of the financial statements
- 7.2 Review the draft financial reports (including the financial statements and notes and the directors' declaration), draft directors' reports and accompanying material intended for publication, including for release to the market, prior to consideration by the Board



- 7.3 Review and discuss with management the key developments in relation to accounting, reporting and tax issues and their impact on Caltex
- 7.4 Review management's recommendation for interim (half year) and final (full year) dividends
- 7.5 Discuss with management and the external auditor any correspondence with regulators and any published reports that raise material issues regarding Caltex's financial results and reports or accounting policies

Financial risk management and compliance

- 7.6 Monitor the adequacy, integrity and effectiveness of the critical systems and internal controls used to manage financial risks
- 7.7 Review declarations to be made by the Managing Director & CEO and the Chief Financial Officer in relation to financial reports (including as required by section 295A of the *Corporations Act*)
- 7.8 Review reports on litigation matters with the potential to have a significant impact on Caltex

External audit

- 7.9 Review reports from the external auditor and discuss findings with the external auditor and management
- 7.10 Monitor services provided by the external auditor, including:
 - 7.10.1 the total amount of fees paid for statutory financial audit services and all other services (non-audit services)
 - 7.10.2 the nature of non-audit services provided
 - 7.10.3 the ratio of audit to non-audit services
- 7.11 Advise the Board of any matters that:
 - 7.11.1 may affect the directors' annual statement in relation to the independence of the external auditor
 - 7.11.2 are not in compliance with the Board-approved policy for the provision of services by the external auditor
- 7.12 Review the policy for the provision of services by the external auditor
- 7.13 Review independence declarations to be made by the external auditor in relation to the full year and half year
- 7.14 Assess the external auditor's performance and consider matters relating to the appointment, re-appointment or replacement of the external auditor, as required



Internal audit

- 7.15 Review reports from internal audit covering major issues arising from the financial internal audit plan, the status of actions taken by management to address internal audit findings, any incidents reported through the Caltex employee hotline and any disclosures made by whistleblowers in relation to suspected breaches of the *Corporations Act* or the *Australian Securities and Investments Commission Act*
- 7.16 Review the scope, activities, responsibilities, resources, budget and staffing of the internal audit function
- 7.17 Review the effectiveness of the internal audit function, including whether it has all necessary access to management and the right to seek information and explanations
- 7.18 Review the independence of the internal audit function, including its independence from the external auditor

Delegated authority

- 8. The Committee has delegated authority to undertake the following functions:

External audit

- 8.1 Approve the scope of work of the external audit plan (including the full year audit and the half year audit or review)
- 8.2 Approve procedures to ensure that there is adequate audit coverage of major financial risks of the business
- 8.3 Approve the terms of engagement of the external auditor (including the fees to perform the desired scope of the full year audit and the half year audit or review)
- 8.4 In accordance with the Board's policy for the provision of services by the external auditor, approve proposed engagements reserved for Committee approval
- 8.5 Approve the statements to be made to the Board in relation to the independence of the external auditor for the full year and the provision of that advice to the Board on the Committee's behalf
- 8.6 Approve policies and practices in relation to:
 - 8.6.1 the appointment and monitoring of the external auditor
 - 8.6.2 the rotation of external audit partners
 - 8.6.3 external auditor independence,and the summary to be made available on the Caltex website in relation to these policies and practices

Internal audit

- 8.7 Approve the annual internal audit plan in relation to financial risks
- 8.8 Approve the internal audit charter
- 8.9 Participate in the appointment and removal of the Internal Audit Manager



MEMBERSHIP & ATTENDANCE

9. The Committee should comprise **three** non-executive directors (other than the Board Chairman) appointed by the Board. All members of the Committee should be **independent directors**.
10. The appointment of the Committee Chairman is a matter for the Board. The Committee Chairman must be an independent director.
11. The Managing Director & CEO, Chief Financial Officer, Assistant Chief Financial Officer, Internal Audit Manager, and other members of the senior management team as requested by the Chairman, should attend all Committee meetings. The Committee Chairman may invite other members of management or external parties (as appropriate) to attend all or part of a meeting.
12. Representatives of the external auditor should attend all Committee meetings.

SKILLS & COMPETENCIES OF COMMITTEE MEMBERS

13. The Committee should bring a variety of perspectives and skills to matters before the Committee and, in particular:
 - 13.1 all Committee members should be able to read and understand financial statements
 - 13.2 at least one member of the Committee should have accounting or related financial management qualifications and experience
 - 13.3 at least one member should have an understanding of the industry in which Caltex operates

MEETINGS WITH EXTERNAL & INTERNAL AUDITORS

14. The Committee Chairman should meet as required with the external auditor in the absence of Caltex management. Matters discussed with the external auditor will include the external auditor's judgements about the appropriateness of accounting policies applied in Caltex's financial statements and whether any Caltex employee has attempted to improperly influence or mislead any member of the external audit team for the purpose of materially misstating the financial statements.
15. The Committee Chairman should meet with the Internal Audit Manager at least once between Committee meetings and otherwise, as required, without other Caltex management present.

MEETINGS

Quorum

16. The quorum for a Committee meeting is **two** Committee members.

Number of meetings

17. The Committee will meet as required but should meet **at least four times** a year.



Preliminary meetings

18. At the beginning of each Committee meeting, the Committee should meet:
- 18.1 firstly, in the absence of the external auditor and Caltex management, to allow Committee members to raise issues and the Committee Chairman to raise any issues discussed with the external auditor and / or the internal auditor
 - 18.2 secondly, with the internal auditor in the absence of other Caltex management and the external auditor
 - 18.3 thirdly, with the external auditor in the absence of Caltex management

Committee agendas and program

19. The Chairman will approve the agenda for each committee meeting.
20. The Committee Secretary, in consultation with the Chief Financial Officer, will develop a program of items of business to be considered by the Committee during the next year. The program should be provided to the Committee for its last meeting of the year.

COMMITTEE SECRETARY

21. The Assistant Company Secretary will serve as the Committee Secretary. If this person is unable to attend a Committee meeting, an appropriate member of the Caltex Secretariat will attend the meeting in the capacity of Committee Secretary.

ACCESS TO INFORMATION & ADVISERS

22. Any Committee member may request a copy of any or all reports between the external auditor and management, and the internal auditor and management.
23. In addition, Committee members are authorised to require management to provide any information the Committee requires to discharge its responsibilities.
24. The Committee and Committee members have direct access to Caltex's senior management and advisers (both external and internal).
25. The Committee is authorised to obtain external professional advice if it considers this is necessary.

REVIEW OF COMMITTEE PERFORMANCE

26. The Committee should review its own performance, paying particular attention to the extent to which its responsibilities in this charter have been met.

REVIEW OF CHARTER

27. The Committee should review its charter each year and recommend to the Board any changes considered appropriate.

PUBLICATION

28. This charter will be made available from the Caltex website (www.caltex.com.au).