



CALTEX

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

**BOARD APPROVED – 1 DECEMBER 2011**

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## **BOARD CHARTER**

### **INTRODUCTION**

1. At Caltex Australia Limited (Caltex), our business and corporate operations are managed under the direction of the Board on behalf of our shareholders. The Board oversees the performance of Caltex management in seeking to deliver superior business and operational performance and long term growth in shareholder value.
2. The Caltex Board recognises that providing strong leadership and strategic guidance to management is important to achieve our goals and objectives. This charter sets out a framework of responsibilities and accountabilities of the Board and management, which recognises that the Managing Director & CEO is authorised to oversee our day-to-day operations while reserving important strategic, business, operational and governance matters to the Board.
3. The charter also sets out important matters relating to the governance of the Caltex Board, such as its composition and the Board's expectations of its directors.

### **ROLE & RESPONSIBILITIES**

#### **Role**

4. The Board has a number of important responsibilities and accountabilities to shareholders under the *Corporations Act*, the ASX Listing Rules and Caltex's Constitution. These matters are required to be addressed directly by the Board.
5. Caltex's business and operations are managed under the Board's direction. The Board has authorised the Managing Director & CEO to oversee Caltex's day-to-day business and operations, within the limits of specific authorities set out in delegations approved by the Board. The Managing Director & CEO has, in turn, approved sub-delegations of authority that apply to management.
6. In addition to the delegations of authority, the Board has reserved a number of matters (to the Board) through this charter.

#### **Key responsibilities of the Board**

7. The key responsibilities of the Board include:

##### *Culture, ethical standards and diversity*

- 7.1 Establishing and modelling the Caltex culture, values and commitment to safety
- 7.2 Enhancing and protecting Caltex's reputation and corporate integrity
- 7.3 Approving Caltex's code of conduct and receiving an annual report from management in relation to compliance with the code
- 7.4 Approving Caltex's diversity policy and measurable objectives for achieving gender diversity across the Caltex Australia Group set in accordance with Caltex's diversity policy, assessing annually those objectives and the progress against them, and monitoring the proportion of women across the group



*Overall direction, objectives and goals, reviewing and approving strategy*

- 7.5 Approving Caltex's overall direction and financial, operational and safety objectives and goals each year
- 7.6 Approving Caltex's business plan and budget each year
- 7.7 Approving Caltex's strategies, as formulated by management with guidance from the Board, to implement the objectives and goals set by the Board
- 7.8 Monitoring business performance against the objectives and goals set by the Board and reviewing the implementation of Board-approved strategies

*Major capital expenditure, business acquisitions and other transactions*

- 7.9 Approving capital expenditure, business acquisitions and other transactions outside the authorities delegated to the Managing Director & CEO
- 7.10 Monitoring the progress of major capital projects and business acquisitions and reviewing the returns from these investments

*Financial matters and reports*

- 7.11 Approving Caltex's half year and full year reports to shareholders and the ASX
- 7.12 Receiving declarations from the Managing Director & CEO and the Chief Financial Officer in relation to financial reports (including as required by section 295A of the *Corporations Act*)
- 7.13 Assessing the external auditor's independence, based on advice from the Audit Committee and taking into account matters related to services provided by the external auditor during the year
- 7.14 Approving Caltex's dividend policy
- 7.15 Deciding on dividends
- 7.16 Approving changes to Caltex's capital structure and significant finance facility arrangements

*Corporate governance and legal and regulatory compliance*

- 7.17 Establishing appropriate standards of corporate governance and legal and regulatory compliance
- 7.18 Approving policies dealing with continuous disclosure, share trading and communications with shareholders
- 7.19 Approving the Board's charter of director independence and the charters of the Board's standing committees (Audit Committee, Human Resources Committee, Nomination Committee and OHS & Environmental Risk Committee)
- 7.20 Approving the corporate governance statement and related governance disclosures for the annual report, including:
  - 7.20.1 a statement as to the mix of skills and diversity which the Board is looking to achieve in its membership
  - 7.20.2 measurable objectives set by the Board for gender diversity and progress towards achieving those objectives
  - 7.20.3 the proportion of women across the Caltex Australia Group, including women in executive positions and women on the Board
- 7.21 Approving a policy for transactions between Caltex and Chevron to be carried out at arm's length and approving transactions with Chevron that are outside the delegations to management

*Risk management*

- 7.22 Approving risk management policies in relation to the following material business risks:
- 7.22.1 crude, product and freight hedging
  - 7.22.2 foreign exchange hedging
  - 7.22.3 foreign exchange risk management
  - 7.22.4 interest rate management
  - 7.22.5 liquidity risk management
  - 7.22.6 treasury controls
  - 7.22.7 credit risk management
- 7.23 Monitoring the adequacy, integrity and effectiveness of the critical systems and internal controls used to manage Caltex's material business risks, as implemented by management, including the identification, assessment, elimination, avoidance and control of these risks
- 7.24 Receiving statements from management in relation to the effectiveness of risk management and internal control systems implemented to address material business risks

*Human resources matters*

- 7.25 Approving the terms of appointment, including the remuneration package on appointment, of the Managing Director & CEO
- 7.26 Approving the cessation of the Managing Director & CEO's appointment
- 7.27 Approving the Managing Director & CEO's annual performance review
- 7.28 Approving the Managing Director & CEO's annual remuneration package
- 7.29 Approving, following review with the Managing Director & CEO, the annual remuneration packages of members of the Caltex Leadership Team (CLT) and, on appointment of a new CLT member, the remuneration package of the new CLT member
- 7.30 Approving changes to Caltex's remuneration system (on a whole of remuneration system basis)
- 7.31 Approving Caltex's short term and long term incentive schemes (with any discretionary powers to re-set approved targets or the size of a funding pool for incentive payments being specifically reserved to the Board)
- 7.32 Approving the terms of any salary sacrifice share plans for directors (subject to the requirements of the ASX Listing Rules), senior executives and Caltex staff

**BOARD & DIRECTORS**

**Board composition**

8. The Board should review its composition each year, including the number of directors and the mix of skills, experience, expertise and diversity on the Board.
9. The Board should be structured so that it:
- 9.1 has an appropriate balance of independent, non-executive and executive directors

- 9.2 has a proper understanding of, and competence to deal with, current and emerging issues for Caltex's business and operations
  - 9.3 effectively reviews and challenges management and encourages superior business and operational performance
  - 9.4 exercises independent judgement in decision making
  - 9.5 brings together directors with a variety of perspectives and talents, taking into account diversity including gender, age, ethnicity and cultural background
10. The Board should consider the succession of non-executive directors, including the chairman, to ensure that an appropriate mix of skills, experience, expertise and diversity is maintained on the Board and develop strategies to address these matters over time.

### **Skills and competencies of directors and the Board**

11. Directors should bring a variety of perspectives, skills and experience to the Board and, in particular:
- 11.1 non-executive directors should be able to read and understand financial statements
  - 11.2 at least one non-executive director should have accounting or related financial management qualifications and experience
  - 11.3 at least one non-executive director should have a detailed knowledge and understanding of the industries in which Caltex operates, bringing a depth of experience across operational, strategic and business issues for matters that come to the Board
12. The Board should review the skills and experience required for directors and the Board on an ongoing basis.
13. Directors should devote the necessary time and attention for the Board to carry out its responsibilities.
14. On appointment, a non-executive director should receive a letter confirming the terms of their appointment. The letter should include details of the director's duties to Caltex, the statutory contract between the director and Caltex, and the Board's expectations of the commitment required from them.
15. A new non-executive director should receive an induction to Caltex. The induction should include (as appropriate) meetings with relevant senior executives to gain further background on Caltex's business and operations and group structure and an information pack containing key governance and business documents. In addition, a new member of a Board standing committee should receive an induction from the Committee Chairman and management on matters relevant to the committee's work.
16. All directors are encouraged to attend director training and professional development courses, as appropriate, at Caltex's expense.

### **Board performance**

17. The Board should review its own performance, the performance of its standing committees, and the performance of individual directors every two to three years. The Board may engage an external consultant to facilitate this review.
18. The Board should review its performance against appropriate measures.



### **Appointment, election and re-election of directors**

19. The Board should apply policies and procedures for:
- 19.1 the selection and appointment of a new non-executive director, either to fill a casual vacancy or as an addition to the Board
  - 19.2 the election and re-election of non-executive directors, including the Board's process for deciding whether to support a director standing for election or re-election

### **Director independence**

20. The Board's policy on composition is to have at least four independent non-executive directors and up to three directors who are Chevron executives. Additionally, the CEO serves as the Managing Director.
21. The Board's charter of director independence sets out the interests and relationships considered by the Board when assessing the independence of each non-executive director.

### **Independent advice and access to senior management**

22. Directors may obtain independent professional advice at Caltex's expense. Where a director seeks professional advice, the director should obtain prior approval from the Board Chairman. If the Board Chairman wishes to seek independent advice, the Board Chairman is required to obtain prior approval from the Audit Committee Chairman.
23. Directors have access to senior management and to any information of Caltex, as required.

### **REMUNERATION OF NON-EXECUTIVE DIRECTORS**

24. The Board should review the remuneration of non-executive directors (in relation to the amount and nature of Board and committee remuneration) each year. Fees paid to non-executive directors are subject to a remuneration pool, which is approved by shareholders.
25. The Board should review the total remuneration pool for non-executive directors each year. If the Board's view is that the remuneration pool should be increased, the Board must seek shareholder approval of the new proposed pool.

### **BOARD MEETINGS**

#### **Number of meetings**

26. The Board should formally meet at regularly scheduled intervals throughout the course of each year. Additional Board meetings may be convened as special meetings as and when required.

#### **Meetings in the absence of management**

27. The non-executive directors should meet on a regular basis, as determined by the non-executive directors, in the absence of Caltex management.

#### **Operational excellence moment**

28. Each Board meeting should include an operational excellence topic presented by management. The operational excellence moment should demonstrate Caltex's commitment to our values and behaviours.



### **Company secretary**

29. The Company Secretary of Caltex serves as the Company Secretary of the Board. If the Company Secretary is unable to attend a Board meeting, the Assistant Company Secretary should attend the meeting in the capacity of secretary.

### **BOARD COMMITTEES**

30. The Board has established the following standing Committees:
- 30.1 the Audit Committee
  - 30.2 the Human Resources Committee
  - 30.3 the Nomination Committee
  - 30.4 the OHS & Environmental Risk Committee,
- to advise the Board, and make decisions on the Board's behalf, in accordance with the responsibilities and delegated authority set out in each committee's charter.
31. The membership of each standing committee is approved by the Board and set out in the committee's charter. The Board should review the composition and membership of the standing committees each year.
32. The Board may, from time to time, establish special purpose committees as advisory bodies or with delegated authority on specific matters.
33. A director (including the Board Chairman) may attend any meeting of a committee in an ex-officio capacity.
34. At the next Board meeting after a committee meeting, the committee chair should advise the Board of material issues discussed at the committee meeting. In addition, minutes of committee meetings should be provided to all directors.

### **BOARD CHAIRMAN**

35. The Board Chairman is elected by the Board on the basis of relevant experience, skills and leadership abilities. The Board Chairman must be an independent, non-executive director.
36. The Board Chairman should:
- 36.1 facilitate the work of the Board
  - 36.2 oversee the provision of appropriate information to the Board
  - 36.3 approve the agenda for each meeting in consultation with the Managing Director & CEO and the Company Secretary
  - 36.4 manage Board activities so that they are carried out efficiently and effectively
  - 36.5 create a culture which encourages directors to contribute in an open and constructive manner

### **MANAGEMENT'S REPORTING TO THE BOARD**

37. The Board should review the quality and timeliness of management's reporting to the Board on an ongoing basis.

### **PUBLICATION**

38. This charter will be made available from the Caltex website ([www.caltex.com.au](http://www.caltex.com.au)).