



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

**BOARD APPROVED – 1 MARCH 2011**

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**BOARD COMPOSITION, APPOINTMENT, INDUCTION & ELECTION**

**BOARD COMPOSITION**

The Board of Caltex Australia Limited (Caltex) has adopted a set of desired capabilities for appointment to the Board. These capabilities include general corporate attributes, industry-specific attributes and personal attributes.

The Caltex Board reviews its composition each year, including the number of independent directors and the mix of skills, experience, expertise and diversity of directors and the Board, as appropriate, and determines the number of directors in office in accordance with its Constitution.

The Board's current composition reflects its policy of having at least four independent, non-executive directors and up to three directors who are Chevron executives. Chevron does not have a right to appoint a nominee as a director. All decisions to appoint a new director are made by the Board.

The appointment of Chevron executives as non-executive directors gives the Board direct access to current executives of a leading global energy company who have many years of industry experience. These directors bring important knowledge and experience to the Board's consideration of operational, strategic and business matters. This level and breadth of experience is generally not available from Australian-based directors unless they are, or have been, involved in the petroleum industry. The potential pool of directors with industry experience who would be available to Caltex is relatively small because many candidates have current or recent associations with Caltex's competitors.

**APPOINTMENT**

**Independent, Non-Executive Directors**

The process for the selection and appointment of an independent, non-executive director typically involves the following steps:

- The Nomination Committee reviews the current Board composition (excluding any director known to be stepping down) against the desired capabilities of the Board, considers Caltex's current and likely circumstances and develops criteria for the selection of a new director. This is documented by the Committee and approved by the Board.
- The Committee engages an external executive firm to conduct a search. The Committee provides a brief on the selection criteria and requests the firm to provide a list of candidates for consideration. This process may include directors referring names of possible candidates.
- Members of the Committee interview one or more of the selected candidate. The Board is updated on the selection process at appropriate times.
- The Committee agrees on a preferred candidate or candidates and arranges meetings with directors.



- The Board appoints their preferred candidate as a director (as a casual vacancy or as addition to the Board).

### **Non-Executive Directors who are currently Chevron executives**

The process for the selection and appointment of a non-executive director who is a Chevron executive typically involves the following steps:

- The Nomination Committee makes recommendations to the Board about the desirable set of capabilities that would best enhance the Board's composition.
- The Chairman and Managing Director & CEO, typically with assistance from existing directors from Chevron, contact Chevron to discuss a potential candidate or candidates who would best meet the desired set of capabilities. This includes consideration of:
  - flexibility in the work schedule of a Chevron executive to meet the time commitments of being a Caltex director
  - the networks of an executive within Chevron and their access to senior Chevron executives
- The Chairman updates the Board at appropriate times on the selection process and the Board is provided with an opportunity to meet the Chevron executive determined by the Chairman and the Managing Director & CEO as the most appropriate candidate.
- The Board considers the candidate and, if satisfied, appoints that person as a director (as a casual vacancy or as an addition to the Board).

### **INDUCTION**

When a new non-executive director is appointed to the Caltex Board, it is important that the director understands the expectations of them in this role. Following appointment, a non-director receives a letter of appointment which covers a wide range of matters relating to their appointment, including the director's duties to Caltex, the statutory contract between the director and Caltex, and the Board's expectations of the commitment required of the director.

New directors are invited to meetings with relevant senior executives to gain further background on Caltex's business operations and group structure. The director is also provided with an information pack containing (as appropriate):

- the most recent Caltex annual and half year reports
- the current Caltex business plan
- Caltex's Constitution
- the Board's charter
- Board approved policies and charters of its standing committees
- a list of the meeting dates of the Board and its standing committees
- a Caltex Group structure diagram
- details of the Directors' & Officers' insurance policy
- background reading on directors' duties, rights and responsibilities



Training on directors' duties is also offered to newly-appointed directors as part of their induction process.

A new member of a Board standing committee receives an induction from the Committee Chairman and management on matters relevant to the committee's work.

The Nomination Committee reviews the induction process on a regular basis to ensure that new directors receive appropriate induction to Caltex.

## **ELECTION**

Under Caltex's Constitution, any person who is appointed as a director (other than the Managing Director), whether as an addition to the Board or as a casual vacancy, holds office until the end of the next Annual General Meeting and is eligible for election by shareholders at the meeting.

If elected or re-elected by shareholders, a director holds office for three years or until the third Annual General Meeting following the director's last election (whichever is longer).

Before each Annual General Meeting, the Board decides whether to support a director standing for election or re-election. This is not automatic. The Board's recommendation is included in the notice of meeting sent to shareholders, together with biographical information on the director standing for election or re-election.

The Board takes advice from the Nomination Committee in relation to the election and re-election of directors. The matters considered by the Nomination Committee in forming its recommendation to the Board about the election or re-election of a director include:

- the director's performance
- the desired composition of the Board, including its size and desired capabilities
- the length of time the director has served on the Board
- the director's external commitments