



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

**BOARD APPROVED – 1 MARCH 2012**

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## **RELATIONSHIP WITH CHEVRON**

### **SHAREHOLDING**

Caltex Australia Limited (CAL) and its subsidiaries (together, Caltex) have a long history of association with Chevron Corporation and its group companies. Chevron is one of the world's leading global energy companies and is listed on the New York Stock Exchange.

Caltex can trace its origins to 1900 when Texaco, now also part of Chevron, began distributing refined petroleum products in Australia through an agency arrangement with RW Cameron Co.

In 1980/81, CAL listed on the Australian Securities Exchange and issued 45 million ordinary shares (25%) to the Australian public, leaving Chevron holding a 75% interest (through a then ChevronTexaco joint venture company).

In 1995, Caltex's petroleum refining and marketing business was merged with Ampol Limited to form Australian Petroleum Pty Ltd. CAL and Pioneer International Limited (Pioneer) each owned 50% of the merged business.

In December 1997, CAL acquired Pioneer's 50% interest in Australian Petroleum Pty Ltd and issued 90 million ordinary shares to Pioneer. As a result, Chevron held a 50% interest in CAL, Pioneer held a 33.3% interest, and public and institutional investors held (in total) a 17.7% interest.

In 1998, Pioneer sold down its interest in CAL and 50% of the shares in CAL are now widely held by the public and institutional investors.

Today, Caltex is the largest refiner and marketer of petroleum products in Australia with operations in all states and territories, and the number one convenience retailer in Australia. CAL has almost 30,000 shareholders, with institutions, retail investors and employees holding 50% of the shares and Chevron holding a 50% interest.

### **DIRECTORS**

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 of CAL gives the Board direct access to current executives of a leading global energy company. 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 who would be available to CAL is relatively small because many candidates have current or recent associations with our competitors.

CAL organises an education session, conducted by external legal counsel, for Chevron executives appointed as CAL non-executive directors. This session outlines their duties as directors under Australian law, including the management of any conflicts that may arise from their relationship with Chevron.



## GOVERNANCE ARRANGEMENTS

The CAL Board has approved the following policy for transactions with Chevron:

- (a) Transactions must be approved before being entered into by Caltex. A “transaction” means any dealing involving goods or services that has value or to which another would assign a value.
- (b) An approval may be given in relation to a transaction or a series of similar transactions (as appropriate).
- (c) A transaction must be no less favourable to Caltex than arm’s length terms. In the case of a series of similar transactions, the proposed transactions, when viewed as a whole, must be no less favourable (overall) to Caltex than arm’s length terms.
- (d) The following transactions are reserved to, and must be approved by, the Board:
  - (i) for crude, finished product and shipping transactions by or on behalf of Refining or Supply – all proposed transactions (as a series of transactions) for a financial year;
  - (ii) for secondments of Caltex personnel to Chevron – any secondment that:
    - is in accordance with the Board’s *Principles of Expatriate Development Assignments for Caltex Australia Employees in Chevron*; or
    - relates to a position at or above Caltex salary grade “58” for a term longer than one year;
  - (iii) for secondments of Chevron personnel to Caltex – any secondment that relates to a position at or above Caltex salary grade “58” for a term longer than one year; and
  - (iv) for all other transactions – any transaction, or series of transactions in a financial year, where the value exceeds \$1 million.
- (e) All other transactions with Chevron must be approved by the relevant Caltex Leadership Team member.
- (f) The approval of a transaction, or a series of transactions, must also comply with any internal processes for transactions with Chevron, as approved by the Company Secretary or Chief Financial Officer.

## INFORMATION, TECHNICAL ASSISTANCE & OTHER SERVICES

Caltex and Chevron have entered into a number of agreements governing the provision of information, technical assistance and other services. These agreements recognise the commercial benefits that Caltex derives from the provision of information, expertise and technical services from Chevron. Through Chevron, Caltex is able to access significant technical and research capabilities which Chevron possesses due to its scale and its position as one of the world’s leading global energy companies.

## BRAND

Caltex licenses a range of trade marks from Chevron, including the main “Caltex” brand (known as the Caltex Delta Star) and Caltex’s key brand names “Vortex”, “Havoline” and “Delo”. The initial term of the current licence agreement ends on 28 February 2017, with automatic extension until terminated on two years’ notice. The licence allows Caltex to use the licensed trade marks in all business dealings throughout Australia, including in Caltex’s retail and reseller franchise systems.