CALTEX AUSTRALIA LIMITED
RISK MANAGEMENT SUMMARY

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PURPOSE

- This document summarises the practices of Caltex Australia Limited (**CAL**) and the Caltex Australia Group (**Caltex**) for risk oversight and the management of material business risks.

- The oversight and management of material business risks plays an important part in ensuring that Caltex protects the health and wellbeing of its people, understands and complies with its obligations to the community, and continues to protect shareholder value.

RISK MANAGEMENT FRAMEWORK

- Caltex has developed a risk management framework based on the International Standard for Risk Management (ISO 31000). This framework is designed to proactively and systematically identify, assess and address events that could potentially impact business objectives. This framework integrates the consideration of risk into activities so that risks are identified, control measures are evaluated and, where potential improvements in controls are identified, improvement plans are scheduled and implemented.

- Under Caltex's Risk Management Policy, which supports the risk management framework, each department must identify and document key risks as part of the annual business planning process. In addition, a consistent project development and execution process is used to manage risks for Caltex's major initiatives and projects.

- For each key business risk identified through the risk management framework, the control measures in relation to those risks must be identified and documented and their effectiveness regularly assessed. Where a control is assessed as ineffective, improvements in the control must be scheduled.

- Material risks are regularly reported to the Board and its Committees. These reports include the status and effectiveness of control measures relating to each material risk. The Board, the Audit Committee, the OHS & Environmental Risk Committee and the Human Resources Committee each receive reports on material risks relevant to their responsibilities.

- Risks involving progressively lower impacts are reported to the Caltex Leadership Team and departmental leadership teams.

ROLES AND RESPONSIBILITIES

- The CAL Board's role in relation to risk management includes:
  - reviewing Caltex's risk management framework with management at least annually to satisfy itself that it continues to be sound
  - representing and protecting shareholder and stakeholder interests by monitoring the material business risks facing Caltex (including any changes) and the strategies in place to manage them
  - overseeing the status of material business risks facing the company and the adequacy and effectiveness of key controls in relation to those risks to ensure that they remain within the risk appetite set by the Board
  - approving the delegations of authority in relation to Caltex's day to day operations

- o periodically reviewing the *Caltex Risk Management Policy* and other specific risk management policies, and management's compliance with these policies

- To assist the Board with these responsibilities, the Board operates (as standing committees) an Audit Committee, a Human Resources Committee and an OHS & Environmental Risk Committee. Caltex does not have a separate risk committee and the Board retains ultimate oversight of Caltex's risk management framework.

- To drive risk management across the whole of Caltex, the Caltex Leadership Team is responsible for approving (where applicable) compliance and risk policies, strategies and systems and overseeing their implementation. The Caltex Leadership Team comprises the Managing Director & CEO and direct reports.

- Management at Caltex is responsible for cultivating an appropriate risk management culture within their teams.

- Caltex has a dedicated internal audit function which provides an independent and objective assessment to the Board and management regarding the adequacy, effectiveness and efficiency of Caltex's risk management, control and governance processes. Internal audit conducts audits in accordance with audit plans approved by the Audit Committee (for financial risks) and the OHS & Environmental Risk Committee (for occupational health, safety and environmental risks), and provides regular reports to those Committees and to senior management.

- All Caltex employees are required to comply with all risk management policies.

FINANCIAL CONTROLS AND REPORTING

- The Audit Committee considers the appropriateness of Caltex's accounting policies, financial risk management practices and the integrity of financial reporting so that financial reports present a true and fair view of Caltex's financial performance and position. The responsibilities of the committee are set out in its charter, which is available from the Caltex website (www.caltex.com.au).

- Financial statement control questionnaires are completed by all relevant management and members of the Caltex Leadership Team. The questionnaires support the certifications made to the Board by the Managing Director & CEO and Chief Financial Officer in relation to the half year and full year financial reports.

- The Caltex Board receives assurance from the Managing Director & CEO and the Chief Financial Officer that the declaration provided under section 295A of the *Corporations Act* is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

REVIEW

The Board will review this Summary at least every two years. The Summary was last reviewed and approved by the Board on 12 October 2017.

PUBLICATION

This summary is available on the Caltex website (www.caltex.com.au).