

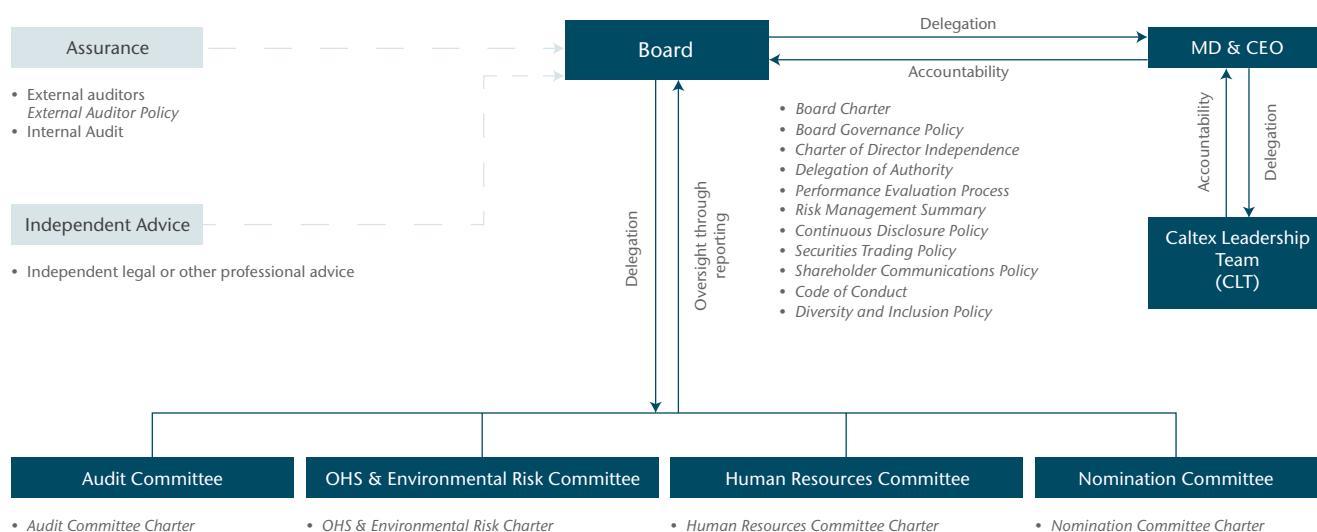


## INTRODUCTION

The Board is committed to conducting the business and operations of Caltex Australia Limited and its group companies (Caltex) in accordance with high standards of corporate governance and in the best interests of our shareholders.

The Corporate Governance Statement provides information about the Caltex Group's corporate governance practices, including compliance with the *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations* for the year ended 31 December 2015 and during the period to 23 February 2016.

An overview of Caltex's corporate governance framework, which is regularly reviewed and updated in response to changes in Caltex's business, Australian corporate governance practice and the law, is set out below.



## THE BOARD

### Role and responsibilities

The Board oversees and directs Caltex management in seeking to deliver superior business and operational performance, and long term growth in shareholder value.

The Board has delegated responsibility for managing Caltex's day-to-day business and operations to the Managing Director & CEO within the limits set out in delegations of authority approved by the Board. The Managing Director & CEO has in turn delegated authority for certain matters to the Caltex Leadership Team (CLT) who, along with the Managing Director & CEO, are accountable to the Board.

The *Board Charter* and Caltex's delegations of authority policy balance giving Caltex's Managing Director & CEO and the CLT the authority to manage Caltex's day-to-day operations, while reserving important strategic, business, operational and governance matters to the Board.

The Board's key responsibilities under the *Board Charter* include:

- approving Caltex's strategic direction, business plan and annual budget
- evaluating and monitoring Caltex's performance against financial, operational and safety objectives
- approving Caltex's financial statements and reports to shareholders
- approving Caltex's dividend policy and determining Caltex's capital structure
- assessing and monitoring Caltex's material business risks and the effectiveness of internal controls and risk management systems and policies
- establishing and promoting Caltex's culture, including high standards of ethical conduct, corporate integrity, safety, corporate governance, diversity and inclusion, and legal and regulatory compliance
- appointing, and reviewing the performance of, the Managing Director & CEO
- reviewing succession planning for the Board, the Managing Director & CEO and the CLT
- approving remuneration of the Managing Director & CEO and the CLT, and
- reviewing Board performance and approving Non-executive Director fees.

The *Board Charter* is available on the Corporate Governance page of the Caltex website ([www.caltex.com.au](http://www.caltex.com.au)).

### Composition of the Board

There are currently seven Directors on the Caltex Board, comprising six independent, Non-executive Directors and the Managing Director & CEO.

Details of Caltex's current Directors and their appointment are set out in the table below.

DIRECTOR	TITLE	APPOINTED
Greig Gailey	Chairman Independent Non-executive Director	10 December 2015 11 December 2007
Julian Segal	Managing Director & CEO	1 July 2009
Trevor Bourne	Independent Non-executive Director	2 March 2006
Steven Gregg	Independent Non-executive Director	9 October 2015
Bruce Morgan	Independent Non-executive Director	29 June 2013
Barbara Ward	Independent Non-executive Director	1 April 2015
Penny Winn	Independent Non-executive Director	22 October 2015

The *Board Charter* requires that the Chairman be an independent, Non-executive Director.

Greig Gailey is the Chairman of the Caltex Board and, among other things, he is responsible for:

- facilitating the work of the Board
- overseeing the provision of appropriate information to the Board
- approving the agenda for each meeting in consultation with management
- managing Board activities to assist their efficient and effective conduct, and
- fostering a culture which encourages Directors to contribute in an open and constructive manner.

The roles of the Chairman and the Managing Director & CEO are not exercised by the same individual.

### Independence

Under the *Charter of Director Independence*, the Board recognises that it is in the best interests of shareholders to have a strong representation of independent Directors. At the date of this statement, six of the seven members of the Caltex Board are independent Non-executive Directors.

Currently, the only non-independent Director on the Caltex Board is the Managing Director & CEO.

### Assessing Director independence

Directors are required to disclose relevant personal interests and conflicts of interest when appointed and on an ongoing basis. A new interest or conflict of interest may trigger a review of a Director's independence. Independence is initially assessed on each Director's appointment and is reviewed each year, and Non-executive Directors are required to provide a certificate to the Board in which they confirm their independent status. Additionally, Directors complete a questionnaire each year providing details of any transactions with Caltex.

Caltex considers independent Directors are those who are independent of management and free from any business or other relationship that could (or could reasonably be perceived to) materially interfere with the independent exercise of a Director's judgement.

Under Caltex's *Charter of Director Independence*, an assessment of independence takes the following relationships into account:

- previous service as a senior executive of Caltex within the past three years
- service as a partner, principal or Director of a professional adviser or consultant that has had a material business relationship with Caltex within the past three years
- service as a Director, officer or senior executive of, or employee significantly associated with the service provided by, a professional adviser or consultant that has had a material business relationship with Caltex within the past three years
- a relationship (substantial shareholder, Director, officer or senior executive) with a supplier or customer that has had a material business relationship with Caltex
- service as an officer of a substantial shareholder
- significant direct or indirect involvement in the external audit of Caltex in the last five years or service as a partner, principal or Director of the external auditor in that period
- a contractual relationship (directly or indirectly), interest or other relationship with Caltex that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in Caltex's best interests.

A professional adviser, consultant, supplier or customer will be considered to have a material business relationship with Caltex if:

- from the perspective of the Caltex Director, the business relationship is significant (directly or indirectly) to their own circumstances, or
- from Caltex's perspective, the business relationship generates revenue or expenses (to Caltex) of 5% or more of Caltex's total revenues or expenses, as applicable.

### Access to independent advice

Caltex Directors have access to independent professional advice at Caltex's expense. A Director can seek professional advice with prior approval from the Board Chairman. The Board Chairman can seek professional advice with prior approval from the Audit Committee Chairman.

### Company secretaries

The company secretaries are accountable directly to the Board, through the Chairman, on all matters to do with governance and the proper functioning of the Board.

The decision to appoint or remove a company secretary is approved by the Board.

### Appointment of new Directors

When the Board decides to appoint a new Non-executive Director, the Nomination Committee prepares a set of selection criteria which reflects the Board's desired capabilities, Caltex's business and circumstances, and whether the new Director is being appointed to replace an outgoing Director or as an addition to the Board.

The Nomination Committee engages an independent search firm to conduct the search based on the selection criteria, and requests the firm to provide a list of candidates for consideration. Background checks, including checks as to each candidate's character, experience, education, criminal record and bankruptcy history, are conducted as part of the process.

Based in the advised selection criteria, candidates who are considered suitable for appointment as Directors meet with the Chairman and other Directors. In all cases, the decision to appoint a new Director is made by the Caltex Board. Further details about this process are contained in the *Board Governance Policy*, which is available on the Corporate Governance page of the Caltex website ([www.caltex.com.au](http://www.caltex.com.au)).

A letter is provided to each new Director which sets out the terms of their appointment, their responsibilities and the expectations of them in their role, and the assistance and resources Caltex provides to Directors. All current Directors have received an appointment letter.

The Nomination Committee periodically reviews the standard letter of appointment for new Directors to ensure that it appropriately reflect Directors' evolving roles and changes to Caltex's business and operations. The standard letter of appointment was most recently reviewed and revised in 2015.

### Election and re-election of Directors

All newly appointed Non-executive Directors hold office until the end of the next Annual General Meeting and are eligible for election by shareholders at the meeting. The Managing Director & CEO is appointed by the Board and is not subject to election by shareholders.

Following election 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 and is assessed with regard to advice provided by the Nomination Committee. The Nomination Committee considers various factors in forming its recommendations to the Board about the election or re-election of a Director including:

- the Director's performance having regard to Caltex's *Performance Evaluation Policy*
- the desired composition of the Board, including its size, capabilities and diversity, having regard to Caltex's *Charter of Director Independence* and the *Board Governance Policy*
- the length of time the Director has served on the Board, having regard to the *Board Governance Policy*, and
- the Director's external commitments.

The Board's recommendations are disclosed in the notice of meeting sent to shareholders, together with biographical information for each Director standing for election or re-election at that meeting. The notice of meeting also includes relevant material information disclosed to or identified by Caltex to facilitate the making of an informed decision on whether or not to elect or re-elect a Director.

### Induction and training

All new Directors take part in an induction program to familiarise them with Caltex's business, strategy and operations, performance, risks, governance and external environment. The induction program is tailored to each Director's experience and circumstances and includes briefings with other Board members and senior executives, site visits and external training. New Directors also receive an information pack containing key business documents, reference materials and internal policies.

The Nomination Committee periodically reviews the Director induction program to ensure that it appropriately reflects Directors' experience and circumstances, evolving roles and changes to Caltex's business and operations.

### Director's shareholding

Each Non-executive Director is required to accumulate Caltex shares to the value of at least the annual Non-executive Director base fee within three years of that Director's appointment to the Board, and maintain that minimum shareholding for the duration of his or her tenure. Currently, all Non-executive Directors are in compliance with that requirement, noting that the Directors who were appointed in 2015 are still within the three year window.

### Performance evaluation

A formal Board evaluation process is carried out every two to three years in accordance with Caltex's *Performance Evaluation Process* (available on the Corporate Governance page of the Caltex website, [www.caltex.com.au](http://www.caltex.com.au)). The Nomination Committee engaged an independent specialist to facilitate a performance review of the Board, its standing committees and individual Directors at the end of 2012. As part of the review, the independent specialist interviewed each Director to explore a range of focussed topics relating to the Board's effectiveness. Senior executives were also interviewed to obtain further information, including on the relationship between the Board and management.

The independent specialist prepared a report on the review which was discussed with the whole Board. The Board subsequently agreed on specific actions, together with expected time frames and areas of responsibility, to further develop the Board's effectiveness. The Chairman also discussed the report with individual Directors and with the CLT.

Due to the number of changes to the Board in 2015, the external performance review scheduled for 2015 was postponed to 2016.

### Directors' skills and diversity

The Board annually reviews its composition, including the number of independent Directors and the mix of skills, experience, expertise and diversity of Directors and the Board, to ensure it is able to effectively discharge its obligations.

Details of the skills, experience and expertise and special responsibilities for each Director are contained in the Directors' Report at pages 7 to 52 of Caltex's 2015 Annual Report.

The table below summarises the board skills matrix setting out the mix of skills and diversity that the Board currently has in its membership.

SKILLS/EXPERIENCE	NUMBER OF DIRECTORS
Industry experience	3
Retail/marketing	2
Strategy	7
Financial acumen	7
Executive experience	7
International experience	7
Risk management	7
Technology and new media	1
Large capital projects	6

## BOARD COMMITTEES

### Overview

The Board has established the four standing committees (Committees) to assist it in performing its role.

The Committees provide advice and recommendations to the Board in relation to their areas of expertise and make decisions on specific matters that have been delegated to them by the Board.

Each standing Committee is governed by a charter and the scope of the Committees' advisory role and delegated authorities are set out in their respective charters (all of which are published on the Caltex website ([www.caltex.com.au](http://www.caltex.com.au))).

A summary of each Committee's composition and responsibilities are set out below.

### Audit Committee

The Audit Committee comprises three independent Directors, including an independent chairman (who is not the Chairman of the Board). Between them, its members have the accounting and financial expertise and a sufficient understanding of the industry in which Caltex operates, to be able to discharge the Audit Committee's mandate effectively.

The Audit Committee assists the Board to, among other things:

- review the integrity of financial reporting, including accounting policies and significant areas of judgement
- review dividend recommendations
- monitor the adequacy, integrity and effectiveness of financial risk management and internal controls, and
- review the findings, plans, independence and performance of the external auditors and Caltex's internal audit function and approve the scope of their work.

### **Human Resources Committee**

The Human Resources Committee comprises three independent Directors, including an independent chairman.

The Human Resources Committee assists the Board to, among other things:

- review the remuneration of Non-executive Directors
- review the incentive frameworks and remuneration levels for the Managing Director & CEO and the CLT
- review the remuneration frameworks for employees
- review the performance of the Managing Director & CEO and the CLT
- review the remuneration disclosures in the annual report to shareholders
- review termination payments
- review succession planning for the Managing Director & CEO and the CLT, and
- review the diversity and inclusion policy and gender diversity objectives and disclosures across Caltex.

### **OHS & Environmental Risk Committee**

The OHS & Environmental Risk Committee comprises three independent Directors, including an independent chairman.

The OHS & Environmental Risk Committee assists the Board to, among other things:

- monitor the adequacy, integrity and effectiveness of the critical systems, internal controls and processes and procedures used to manage occupational health and safety (OHS) and environmental risks
- review the appropriateness of Caltex's practices to manage material OHS and environmental risks
- monitor compliance with legal obligations in relation to OHS and environmental matters
- review investigations into significant OHS and/or environmental incidents, and
- review OHS and environmental policies and internal audit plans and findings in relation to OHS and environmental matters.

### **Nomination Committee**

The Nomination Committee comprises six independent Directors, including an independent chairman (who is Chairman of the Board).

The Nomination Committee assists the Board to, among other things:

- review the composition of the Board
- identify skills and desirable competencies for Board and Board committees
- review policies and processes for the selection and induction program for Non-executive Directors
- make recommendations on the election and re-election of Non-executive Directors
- review and oversee succession planning for Non-executive Directors
- oversee the process for evaluating the performance of the Board, its committees and individual Directors.

The current members of each Committee are set out below.

AUDIT COMMITTEE	HUMAN RESOURCES COMMITTEE	OHS & ENVIRONMENTAL RISK COMMITTEE	NOMINATION COMMITTEE
Bruce Morgan (Chairman) Barbara Ward Steven Gregg	Barbara Ward (Chairman) Penny Winn Trevor Bourne	Trevor Bourne (Chairman) Bruce Morgan Steven Gregg	Greig Gailey (Chairman) Trevor Bourne Steven Gregg Bruce Morgan Barbara Ward Penny Winn

The Chairman of the Board acts as Chairman of the Nomination Committee, and attends meetings of the other standing Committees in an ex-officio capacity. All Directors receive Committee reports from all the standing Committees, and they are invited, and encouraged, to attend meetings of Committees of which they are not members.

From time to time, the Board also establishes certain specific-purpose committees to assist it in performing its role in respect of particular projects or governance matters, including disclosure. Membership of specific purpose committees is determined on a case by case basis, with reference to the specific responsibilities of each committee.

### **Directors' attendance at meetings**

The Board held eight scheduled and two unscheduled meetings during 2015. Meetings are generally held monthly, with additional meetings called to consider specific or urgent matters, as appropriate.

In addition to formal Board and Committee meetings, in the year ended 31 December 2015, Directors attended Board and Committee strategy sessions, workshops, site visits and specific purpose committee meetings.

Details of the 2015 Board and Committee meetings and each Director's attendance at the meetings are provided on pages 45 to 46 of Caltex's 2015 Annual Report.

In accordance with the requirements of their Charters, the Board and relevant Committees held preliminary meetings in the absence of Caltex management at scheduled Board and Committee meetings throughout the year.

### **Non-executive Director remuneration**

The Caltex Constitution and the ASX Listing Rules require the total annual fee pool for Non-executive Directors be determined by security holders. Within this aggregate amount, Non-executive Director fees are reviewed by the Human Resources Committee, taking into account recommendations from an independent remuneration consultant, and set by the Board.

Fees for Non-executive Directors are set at a level to attract and retain Directors with the necessary skills and experience to allow the Board to have a proper understanding of, and competence to deal with, current and emerging issues for Caltex's business. The Board seeks to attract Directors with different skills, experience and abilities to enable it to effectively oversee and challenge the performance of management. Additionally, when setting Non-executive Director fees, the Board takes into account factors such as external market data on fees and the size and complexity of Caltex's operations.

Remuneration for Non-executive Directors is fixed and is subject to a remuneration pool of \$2,250,000, which was approved by shareholders in 2015. Non-executive Directors receive statutory superannuation (and may salary sacrifice fees to superannuation) but do not participate in any incentive plans or receive any performance-based remuneration. Superannuation is not paid for overseas Directors and there is no retirement benefits scheme for Non-executive Directors.

Details of Non-executive Directors' fees are disclosed in pages 41 to 43 of the 2015 Remuneration Report contained in Caltex's 2015 Annual Report.

## **SENIOR EXECUTIVES**

### **Appointment**

Senior executives enter into a service agreement (contract of employment) upon their appointment. The material terms of the service agreements of the CLT are set out in section 3 of the 2015 Remuneration Report contained in Caltex's 2015 Annual Report. The standard service agreement is reviewed periodically to ensure it remains appropriate and in line with contemporary human resources practice.

### **Performance evaluation**

Evaluation of the performance of both the Managing Director & CEO and the CLT is undertaken with reference to the *Performance Evaluation Process* (available on the Corporate Governance page of the Caltex website, [www.caltex.com.au](http://www.caltex.com.au)).

The Board sets annual performance objectives for the Managing Director & CEO based on Caltex's business plan and advice provided by the Human Resources Committee. The Chairman met with the Managing Director & CEO in February 2016 to assess his performance for the previous year and discussed his performance review. The Human Resources Committee discussed the Managing Director & CEO's performance review with the Chairman and the Managing Director & CEO and made a recommendation to the Board for an annual performance assessment. In February 2016, the Board further discussed the Managing Director & CEO's performance and approved an annual performance assessment for 2015.

The Managing Director & CEO regularly reviews the performance of his direct reports against agreed business objectives and their job descriptions. The 2015 full year performance reviews for the CLT were considered by the Human Resources Committee and the Board in February 2016.

Further information on the performance review process for the CLT is provided at section 3c of the 2015 Remuneration Report contained in Caltex's 2015 Annual Report.

## Remuneration

The overarching goal of the Caltex remuneration philosophy and structure is to support the delivery of top quartile shareholder returns. The guiding philosophy for how Caltex rewards senior executives is disclosed in pages 25 to 41 of the 2015 Remuneration Report contained in Caltex's 2015 Annual Report.

The Board takes an active role in the governance and oversight of Caltex's remuneration policies and practices. Approval of certain key human resources and remuneration matters is reserved to the Board, and the Human Resources Committee assists the Board by providing advice and recommendations in relation to Caltex's remuneration framework and seeks to put in place appropriate remuneration arrangements and practices that are clear and understandable and which support superior performance and long term growth in shareholder value.

Remuneration levels are set at competitive levels to attract and retain appropriately qualified and experienced executives. The Board and the Human Resources Committee consider performance, duties and responsibilities, market comparison and seek independent advice as part of the remuneration review process.

Details of Caltex's remuneration arrangements for the Managing Director & CEO and the CLT are provided in pages 25 to 41 of the 2015 Remuneration Report contained in Caltex's 2015 Annual Report.

In 2015, the Board commissioned an external review of the executive variable pay arrangements. The review, undertaken by PricewaterhouseCoopers, concluded that Caltex's remuneration arrangements were fit for purpose.

## CORPORATE GOVERNANCE

### Diversity

At Caltex, we embrace a strong belief in the advantages of an inclusive workplace in which individuals of varied backgrounds and perspectives are welcomed, encouraged and given the opportunity to contribute to their full potential.

We define diversity as the prevalence of difference in our workplace, including thinking styles, capabilities, education and background, gender, ethnicity, religion, age, sexual orientation, disability, family status and all the other differences in our background that make each of us who we are.

Our commitment to diversity and inclusion forms part of our merit-based organisational culture. We believe diversity and inclusion is a key enabler for Caltex to be a highly capable organisation, with benefits ranging from greater innovation, productivity and employee engagement to a better understanding our customers, and building and retaining a diverse talent pipeline.

The *Diversity and Inclusion Policy* sets out Caltex's vision for a diverse workplace and the responsibilities of the Board, its committees, Caltex leaders and individuals.

With assistance from the Human Resources Committee, the Board annually approves measurable objectives set in accordance with the *Diversity and Inclusion Policy*, assesses the progress against those objectives, and monitors the proportion of women and Indigenous Australians at various levels across Caltex.

The Board approved a set of measureable objectives, related to gender diversity, Indigenous employee representation, and inclusion, for 2015. The 2015 objectives were disclosed in Caltex's 2014 Corporate Governance Statement.

In August and December 2015, and again in February 2016, the Board assessed Caltex's progress in achieving the 2015 diversity and inclusion objectives. The table below sets out the status of each 2015 objective.



**2015 Diversity & Inclusion objectives**

OBJECTIVE	PROGRESS
<b>2015 Gender diversity objectives</b>	
1. Increase women in senior leadership roles to 33% by 2017	<p>Female representation in senior leadership has increased to 32% as at 31 December 2015, a 7% increase from the 2014 year-end figure of 25%.</p> <p>We are well on track to achieve our goal of having 33% senior females by 2017.</p>
2. Increase the percentage of external female new hires in Marketing, Supply, and Supply Chain Operations, and maintain a strong percentage of external female new hires in Corporate, at the experienced professional level and above	<p>While 54% of external hires in 2015 were women at the senior leader level, we faced challenges in bringing in external female new hires at the experienced professional level, particularly across the more technical parts of our business.</p> <p>Overall, 33% of our external hires were women at the experienced professional level and above.</p> <p>External female new hires in Marketing, Supply Chain Operations and Corporate decreased compared to 2014. Supply is a new division that was set up in 2015 and in establishing this business, 55% of external new hires were women.</p>
3. Ensure the female promotion rate in Marketing, Supply, Supply Chain Operations and Corporate exceeds the female representation at the experienced professional level and above	Over 2015, all of our divisions had a female promotion rate in excess of their female representation level at the experienced professional level and above.
4. Manage female voluntary turnover to 6% or less at the experienced professional level and above	As at 31 December 2015, female voluntary turnover was 4.1% at the experienced professional level and above.
5. Maintain minimal gender-based pay differences	We significantly reduced our gender-based pay differential over the year. At the end of 2015, our gender-based pay differential on a like-for-like basis was 0.88% in favour of males, compared to 2.4% at the end of 2014.
<b>2015 Indigenous diversity objective</b>	
6. Increase Indigenous employee representation	<p>Over 2015, our Indigenous employee representation increased and we have now met over 100% of our commitment to the Australian Employment Covenant, a national industry-led initiative that aims to close the gap between Indigenous and non-Indigenous Australians in respect of employment.</p> <p>We also developed an Indigenous employment strategy, with our vision being to make a meaningful difference in the lives of Indigenous Australians through investing in building long-term employment market capability. We have begun to execute this strategy over 2016.</p>
<b>2015 Inclusion objectives</b>	
7. Increase the score for the number of employees who answer "yes" to the Employee Survey question "The work environment is very open and accepting of individual difference"	<p>88% of respondents agreed or strongly agreed with this statement, a 21% improvement on the 2014 result of 67%.</p> <p>This significant improvement can be attributed to increased diversity and inclusion communications from leaders and Human Resources, increased employee and manager understanding of the importance of having diverse and inclusive teams, and making diversity and inclusion more visible through celebrating events such as International Women's Day, Harmony Day and NAIDOC week.</p>
8. At least maintain the score for the number of employees who answer "yes" to the Employee Survey question "Do you feel comfortable talking to your manager about flexible work?"	85% of respondents agreed or strongly agreed with this statement, a 6% improvement on the 2014 result of 79%.

### 2016 Diversity & Inclusion measures

In 2015, the Board approved the following diversity and inclusion objectives for 2016.

OBJECTIVE	
<b>2016 Gender diversity objectives</b>	
1.	Increase women in senior leadership roles to 33% by 2017
2.	Eliminate gender based pay differences on a job level basis
<b>2016 Indigenous diversity objective</b>	
3.	Build long-term Indigenous employment market capability
<b>2016 Inclusion objective</b>	
4.	Implement initiatives to drive inclusiveness and flexibility

### Female representation across Caltex

The table below contains details about the representation of females on the Caltex Board, in leadership and management positions, and across Caltex as at 31 December 2015.

Level	2015	2014	2013
Board	29%	25%	25%
Senior executives (direct reports to the CEO)	0%	0%	0%
Senior managers (salary grades 58 and above)	32%	25%	20%
Middle managers (salary grades 56 & 57)	24%	23%	18%
Caltex	38%	36%	34%

As seen, we have made substantial progress with increasing our female representation, particularly at the senior manager level. In 2013, one in five of our senior managers were female. At this time, we set a publicly disclosed goal to have one in three female senior managers by 2017. In 2014, we increased this to one in four year-on-year, and we are almost at one in three in 2015.

Similarly, progress has been made at increasing our female board representation (from 25% in 2013 to 29% in 2015), our senior manager pipeline of middle managers (from 18% in 2013 to 24% in 2015) and across the entire company (from 34% in 2013 to 38% in 2015).

While we had no female senior executives in 2015, this has changed for 2016. In light of Mr Simon Willshire's upcoming retirement, Ms Joanne Taylor was appointed as EGM Human Resources on 5 February 2016, being a direct report to the CEO. If the "Senior executives (direct reports to the CEO)" statistics were calculated at this time inclusive of Ms Taylor and exclusive of Mr Willshire, the percentage of female direct reports to the CEO would be 17%.

### WGEA citation

In light of the policies and practices that Caltex has in place to encourage gender diversity and gender equality, in 2015 Caltex received citation from the Workplace Gender Equality Agency recognising the company as an employer of choice in relation to gender equality.

### Code of Conduct

Caltex's *Code of Conduct* applies to Caltex Directors, senior executives and all staff and provides a framework for decision making and business behaviour, which builds and sustains our corporate integrity, reputation and success. The *Code of Conduct* identifies responsibilities for investigating breaches of the *Code of Conduct* and associated reporting of breaches to the Board or senior management as appropriate.

The Board receives an annual report from the Executive General Manager, Human Resources in relation to the administration of, and compliance with, the *Code of Conduct*.

The *Code of Conduct* is reviewed by the Board biennially.

A copy of the *Code of Conduct* is available on Caltex's website ([www.caltex.com.au](http://www.caltex.com.au)).

### Integrity in financial reporting

Before it approved Caltex's financial statements for the year ended 31 December 2015, the Board received a declaration from the Managing Director & CEO and the Chief Financial Officer, pursuant to section 295A of the *Corporations Act 2001* (Cth) (Corporations Act), that, in their opinion, Caltex's financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of Caltex and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Board confirms that the Directors have received the declarations required by section 295A of the Corporations Act from the Managing Director & CEO and the Chief Financial Officer for the year ended 31 December 2015 in the Directors' Declaration on page 50 of the 2015 Annual Report.

### Continuous disclosure

Caltex is committed to promoting investor confidence by ensuring that trading in our securities takes place in an informed market. Caltex has mechanisms in place to ensure that we meet our continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

Caltex's *Continuous Disclosure Policy*, which is available on our website ([www.caltex.com.au](http://www.caltex.com.au)), sets out the key obligations of the Board, senior executives and staff to ensure that we comply with our continuous disclosure obligations so that investors have equal and timely access to material information concerning Caltex, and company announcements are factual and presented in a clear and balanced way.

The *Continuous Disclosure Policy* is reviewed by the Board biennially to ensure it continues to facilitate Caltex's compliance with its continuous disclosure obligations so that all investors have equal and timely access to Caltex's material information (including Caltex's financial position, performance, ownership and governance).

### Communicating with security holders and other stakeholders

#### Caltex website

Caltex is committed to giving our investors and other stakeholders timely, balanced and understandable information about our business and performance, including via the Caltex website ([www.caltex.com.au](http://www.caltex.com.au)).

The Caltex website contains, among other things:

- an overview of our business
- our history
- information about our approach to safety, the environment and the community
- a key events calendar
- our contact details and contact details for our share registry.

Caltex's website contains a Corporate Governance landing page from where all relevant corporate governance information can be accessed. The Corporate Governance page contains details of our corporate governance policies and practices (including the Caltex Constitution) and links to the names, photographs and brief biographical information for Directors and members of the CLT, ASX announcements, shareholder information and media releases.

In addition to statutory reporting, Caltex publishes an annual review and a half year review which provide an overview of our key business developments, operational highlights and financial performance. Current and previous annual reviews are available on the Caltex website ([www.caltex.com.au](http://www.caltex.com.au)). Caltex also provides monthly updates to the market (which are available on the Caltex website) on the Caltex Refiner Margin, which is a key contributor to our performance.

Caltex's *Shareholder Communications Policy* sets out further details of our approach to providing fair and equal information to all investors.

#### Security holder meetings

Caltex has implemented various policies and processes to facilitate and encourage participation at meetings of security holders, including holding its general meetings at a central location, encouraging security holders to submit questions to the company or the external auditor in the lead up to general meetings and webcasting general meetings to enable viewing by security holders who are unable to attend the meeting.

The Chairman discusses significant issues raised in security holders' questions in the address to the meeting and security holders who attend general meetings in person have the opportunity to ask further questions at the meeting. The Chairman's and Managing Director & CEO's addresses are released to the market prior to annual general meetings and are published on the Caltex website immediately following their release by ASX.

### **Investor relations program**

Caltex has a mature investor relations program which allows investors and other financial market participants to gain a greater understanding of our business, governance, financial performance and prospects.

During 2015, Caltex undertook a detailed program of scheduled and unscheduled engagements with institutional investors, private investors, sell-side and buy-side analysts and the financial media.

While Caltex's investor relations program are a valuable way of disseminating information to our investors and other stakeholders, the interactions also provide an opportunity for investors and other financial market participants to express their views to Caltex on matters of concern or interest to them.

Investor presentations are released to the market before the briefings occur and Caltex gives prior notice of significant briefings, such as those for annual and half yearly reporting.

Investor relations matters are reported to the Board, and views and concerns arising from the interactions are discussed with the Board.

### **Electronic communication**

Caltex provides security holders and other stakeholders the option to receive communications from, and send communications to, Caltex and (where relevant) its security registry electronically.

Caltex ensures its communications (and those from its share registry) are easily readable on computers screen and other commonly used electronic devices and are printer-friendly.

### **Securities trading**

Caltex's *Securities Trading Policy*, which is available on our website ([www.caltex.com.au](http://www.caltex.com.au)), sets out clear requirements for the Board, senior executives and staff to comply with insider trading laws when dealing in the securities of Caltex and other companies.

The *Securities Trading Policy* contains trading restrictions which apply during black-out periods prior to results releases.

It also prohibits senior executives from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in Caltex's executive incentive plans.

## **RISK MANAGEMENT**

### **Risk management framework**

The Board is ultimately responsible for monitoring the effectiveness of the critical systems and internal controls used to manage Caltex's material business risks. It is also responsible for approving key financial and other risk management policies. The Board has delegated oversight of particular risks to the Committees (for example, the Audit Committee is responsible for financial risk management and the OHS & Environmental Risk Committee is responsible for OHS and environmental risks).

The Managing Director & CEO and the CLT are responsible for the design, implementation and maintenance of risk management systems to manage Caltex's material business risks.

Caltex has adopted a risk management framework to proactively and systematically identify, assess and address events that could potentially impact our business objectives. This framework integrates the consideration of risk into our activities so that:

- risks in relation to the effective delivery of our business strategy are identified
- control measures are evaluated, and
- where potential improvements in controls are identified, improvement plans are scheduled and implemented.

The Board reviews Caltex's risk management framework at least annually to satisfy itself that it continues to be sound. The Board reviewed Caltex's risk management framework most recently in October 2015.

Management assesses risks on a regular basis, and reports on material risks 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 regular reports on material risks relevant to their responsibilities. The Board and the OHS & Environmental Risk Committee also receive quarterly risk updates throughout the year.

Caltex's policies for overseeing and managing material business risks are regularly reviewed and approved by the Board.

The *Risk Management Summary* is available on the Caltex website ([www.caltex.com.au](http://www.caltex.com.au)) and outlines Caltex's practices to oversee and manage risks, including the risk management framework and the roles and responsibilities of the Board, its Committees, senior executives and staff.

### Internal audit

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 our risk management, control and governance processes.

The internal audit function is led by the Head of Internal Audit, who reports to the Executive General Manager, Legal & Corporate Affairs.

Internal audit conducts audits in accordance with audit plans approved by the Audit Committee (for financial risks) and the OHS & Environmental Risk Committee (for OHS and environmental risks), and provides regular reports to those Committees and to senior management.

The Head of Internal Audit has a direct reporting line to the Chairman of each of the Audit and OHS & Environmental Risk Committees and meets with them regularly. In addition, the Audit Committee and the OHS & Environmental Risk Committee meet privately with the Head of Internal Audit during each scheduled meeting.

### External auditor

The Board has approved an *External Auditor Policy* that addresses the provision of services by the external auditor, including non-audit services. The Audit Committee monitors services provided by KPMG during the year to confirm that KPMG continues to be independent and to confirm compliance with the policy. The Audit Committee also monitors the rotation requirements for the external auditor under the Corporations Act with KPMG each year. Caltex's *Relationship with the External Auditor* document is available on the Caltex website ([www.caltex.com.au](http://www.caltex.com.au)) and provides a summary of this process.

One of the Audit Committee's key responsibilities is to assess the performance of the external auditor and, as appropriate, make recommendations to the Board on the appointment, re-appointment or replacement of the external auditor. The Audit Committee reviewed KPMG's performance as external auditor for 2014 before KPMG was engaged for the 2015 full year audit and half year review.

The Audit Committee meets privately with the external auditor at each scheduled Committee meeting and the Committee Chairman also meets with the external auditor from time to time outside Committee meetings, as appropriate.

Caltex's external auditor attends its annual general meetings and is available to answer questions from security holders relevant to the audit.

Security holders receive notification of the external auditor's attendance in the notice of meeting for each relevant annual general meeting and are given the opportunity to put questions relevant to the audit to the external auditor prior to the meeting via a shareholder question form.

### Economic, environmental and social sustainability risks

Caltex is focussed on conducting our operations with care. We work to deliver sustainable growth and shareholder value, contribute to the communities in which we operate, minimise our impact on the environment and remain an employer of choice.

Maintaining safe, reliable and sustainable operations is at the core of our business. A culture of operational excellence is formally supported through an enterprise-wide risk management framework and our operational excellence management system. Caltex has a health and safety policy, approved by the OHS & Environmental Risk Committee, which requires Caltex to provide a safe and healthy workplace for all our people, and to operate in a way that will not adversely affect the health and safety of our neighbours, customers or the public. The emphasis on health and safety is embedded in our business planning process and entrenched in our culture.

The Caltex Risk Management Framework includes a broad range of economic, environmental and social sustainability risks. Of these a large number relate to the safety of personnel (employees and contractors) who work at our facilities. These include risks associated with the operation of facilities containing flammable goods (predominantly liquid fuels) and the risks of transporting those goods. Caltex manages those risks by maintaining a positive safety culture combined with a rigorous operational excellence management system. Caltex also establishes, monitors and reports against various personal and process safety.

The manufacture, storage and transportation of liquid fuels also raises the risk of environmental incidents. As such, the environmental performance of our facilities is actively managed and monitored and are licenced in accordance with state regulations. We manage these risks within our operational excellence management system, which supports the systematic management of process safety, personal safety and health, environment, reliability and efficiency to achieve world-class performance.

Caltex has also assessed the impact of climate change and climate change regulation on its physical assets, operations and product demand, and is committed to working with governments through the transition to a lower carbon society. Caltex is actively improving energy efficiency of its facilities and reports regularly to the Carbon Disclosure Project as well as the National Greenhouse and Energy Reporting scheme.

Further information and key metrics associated with these and other economic, environmental and social sustainability risks are included in our Annual Review.



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