

## Introduction

The Board of Caltex Australia Limited presents the 2015 Directors' Report (including the Remuneration Report) and the 2015 Financial Report for Caltex Australia Limited (Caltex) and its controlled entities (Caltex Group) for the year ended 31 December 2015 to shareholders. An Independent Audit Report from KPMG, as external auditor, is also provided.

## Board of directors

The Board of Caltex Australia Limited comprises Greig Gailey (Chairman), Julian Segal (Managing Director & CEO), Trevor Bourne, Steven Gregg, Bruce Morgan, Barbara Ward and Penny Winn.

The following changes to the composition of the Board have occurred since 1 January 2015:

- Barbara Ward was appointed to the Board as an independent, non-executive director with effect from 1 April 2015.
- The three Chevron-affiliated directors, Richard Brown, Barbara Burger and Ryan Krogmeier, resigned on 2 April 2015 following the divestment by Chevron of its entire shareholding in Caltex.
- Greig Gailey was appointed Deputy Chairman effective from 6 May 2015.
- Steven Gregg was appointed to the Board as an independent, non-executive director with effect from 9 October 2015.
- Penny Winn was appointed to the Board as an independent, non-executive director with effect from 1 November 2015.
- Elizabeth Bryan retired as Chairman from 9 December 2015.
- Greig Gailey was appointed as Chairman from 10 December 2015.

While appointed to the Caltex Board, Mr Brown, Ms Burger and Mr Krogmeier each served as alternate directors for each other.

Following the changes to the Board composition and the appointment of Greig Gailey as Chairman, the Board made changes to the composition of its standing Committees effective from 19 February 2016.

## Board profiles

### Greig Gailey

Chairman and Independent, Non-executive Director

#### *Date of appointment (Director):*

11 December 2007

#### *Date of appointment (Chairman):*

10 December 2015

#### *Board committees:*

Nomination Committee (Chairman) and attends meetings of the Audit Committee, the Human Resources Committee and the OHS & Environmental Risk Committee in an ex-officio capacity.

Mr Gailey brings to the Board extensive Australian and international oil industry experience, and broad management expertise from industrial and capital-intensive industries.

From 1964 to 1998, he worked at British Petroleum Company (BP), where he held various positions throughout Australia and offshore, including management of refining, supply and distribution in Australia and Europe. Mr Gailey was subsequently appointed CEO of Fletcher Challenge Energy (New Zealand), a position he held from 1998 to 2001. In August 2001, he joined Pasminco Limited as CEO. Pasminco relisted on the ASX as Zinifex Limited in April 2004, and Mr Gailey became Managing Director & CEO of Zinifex Limited from that date until standing down in June 2007.

Mr Gailey is Chairman of ConnectEast and the Australian Advisory Board of Canada Steamships, and Deputy Chairman of the Victorian Opera Company. Mr Gailey was previously President of the Business Council of Australia (from 2007 to 2009).

Mr Gailey holds a Bachelor of Economics from the University of Queensland.

### Julian Segal

Managing Director & CEO

#### *Date of appointment:*

1 July 2009

Mr Segal joined Caltex from Incitec Pivot Limited, a leading global chemicals company, where he served as the Managing Director & CEO from June 2005 to May 2009. Prior to Incitec Pivot, Mr Segal spent six years at Orica in a number of senior management positions, including Manager of Strategic Market Planning, General Manager – Australia/Asia Mining Services, and Senior Vice President – Marketing for Orica Mining Services.

Mr Segal is a director of the Australian Institute of Petroleum Limited (appointed 1 July 2009).

Mr Segal holds a Bachelor of Science (Chemical Engineering) from the Israel Institute of Technology and a Master of Business Administration from the Macquarie Graduate School of Management.

## **Board profiles continued**

### **Trevor Bourne**

Independent, Non-executive Director

***Date of appointment:***

2 March 2006

***Board committees:***

OHS & Environmental Risk Committee (Chairman),  
Human Resources Committee and Nomination Committee

Mr Bourne brings to the Board broad management experience in industrial and capital-intensive industries, and a background in engineering and supply chain. From 1999 to 2003, he served as CEO of Tenix Investments. Prior to Tenix, Mr Bourne spent 15 years at Brambles Industries, including six years as Managing Director of Brambles Australasia. He has also previously worked for Incitec Pivot and BHP.

Mr Bourne is Chairman of Senex Energy Limited (appointed 10 March 2015) and a director of Sydney Water Corporation (appointed February 2014). He was previously a director of Origin Energy Limited (from February 2000 to November 2012) and formerly Chairman of Hastie Group Limited (where he served as a director from February 2005 until February 2012).

Mr Bourne holds a Bachelor of Science (Mechanical Engineering) from the University of New South Wales, and a Master of Business Administration from the University of Newcastle, and is a Fellow of the Australian Institute of Company Directors.

### **Steven Gregg**

Independent, Non-executive Director

***Date of appointment:***

9 October 2015

***Board committees:***

Audit Committee, OHS & Environmental Risk Committee and Nomination Committee

Mr Gregg has over 30 years of investment banking experience in Australia and overseas and brings to the Board extensive executive, corporate finance, strategy, and mergers and acquisitions experience.

Mr Gregg was previously a partner in the Corporate Finance and Financial Institutions practice at McKinsey & Company in Sydney and overseas. Prior to this, he held various roles with ABN Amro, most recently as Global Head of Investment Banking and CEO, based in the United Kingdom.

Mr Gregg is a director of Challenger Limited, Challenger Life Company Limited, Tabcorp Holdings Limited and William Inglis & Son Limited. He is the Chairman of The Lorna Hodgkinson Sunshine Homes, a trustee of the Australian Museum and a member of the Grant Samuel non-executive advisory board. He has previously served as Chairman of Goodman Fielder Limited and Austock Group Limited.

Mr Gregg holds a Bachelor of Commerce from the University of New South Wales.

### **Bruce Morgan**

Independent, Non-executive Director

***Date of appointment:***

29 June 2013

***Board committees:***

Audit Committee (Chairman), Nomination Committee  
and OHS & Environmental Risk Committee

Mr Morgan brings to the Board expertise in accounting, business advisory services, risk and general management. He was a partner with professional services firm PricewaterhouseCoopers (PwC) for over 25 years, where he practised as an audit partner with a focus on the energy and mining sectors. He was previously Chairman of the PwC Board and a member of the PwC Global Board. Prior to that, he was managing partner of PwC's Sydney and Brisbane offices.

Mr Morgan is the Chairman of Sydney Water Corporation and Redkite, and a director of Origin Energy Limited (appointed November 2012), the University of NSW Foundation and the European Australian Business Council.

He is a Fellow of the Australian Institute of Company Directors and Chartered Accountants Australia and New Zealand, and holds a Bachelor of Commerce (Accounting and Finance) from the University of NSW.

### **Barbara Ward AM**

Independent, Non-executive Director

***Date of appointment:***

1 April 2015

***Board committees:***

Human Resources Committee (Chairman), Audit Committee  
and Nomination Committee

Ms Ward brings to the Caltex Board strategic and financial expertise in capital intensive industries. She has over 20 years of experience in senior management roles, including as Chief Executive Officer of Ansett Worldwide Aviation Services and General Manager Finance at TNT Limited. Ms Ward also served as a Senior Ministerial Adviser to the Honourable Paul Keating.

Ms Ward is a director of various Brookfield companies, Qantas Airways Limited and the Sydney Children's Hospital Foundation. An experienced director, she has previously served on the boards of various public companies including the Commonwealth Bank of Australia, Lion Nathan Limited and Multiplex Limited, and public sector entities, including as Chairman of Country Energy.

Ms Ward is a member of the Australian Institute of Company Directors and holds a Bachelor of Economics and a Master of Political Economy from the University of Queensland.

## Penny Winn

Independent, Non-executive Director

### *Date of appointment:*

1 November 2015

### *Board committees:*

Human Resources Committee and Nomination Committee

Ms Winn brings to the Board Australian and international strategic, major transformation and business integration, technology and retail marketing experience.

Prior to her appointment to the Caltex Board, Ms Winn was Director Group Retail Services with Woolworths Limited, and she has over 30 years of experience in retail with senior management roles in Australia and overseas.

Ms Winn is Chairman of Port Waratah Coal Services Ltd, a director of CSR Limited and a member of the University of Technology, Sydney (UTS) Business School's Advisory Board. She has previously served as a director of a Woolworths business, Greengrocer.com, a Myer business, sass & bide, and Quantum Group and was a member of the Australian Payments Clearing Association's CECS Advisory Council.

Ms Winn holds a Bachelor of Commerce from the Australian National University and a Master of Business Administration from the University of Technology, Sydney.

## Former directors

### Elizabeth Bryan AM

Chairman and Independent, Non-executive Director

Ms Bryan was appointed as a director of Caltex from 18 July 2002 and Chairman from 1 October 2007. She retired from the Caltex Board on 9 December 2015. She was Chairman of the Nomination Committee and attended Board Committee meetings in an ex officio capacity.

Ms Bryan has over 32 years of experience in the financial services industry, government policy and administration, and on the boards of companies and statutory organisations. Prior to becoming a professional director, she served for six years as Managing Director of Deutsche Asset Management and its predecessor organisation, NSW State Superannuation Investment and Management Corporation.

Ms Bryan is Chairman of Virgin Australia Holdings Limited (appointed May 2015), Deputy Chairman of Insurance Australia Group Limited (appointed June 2015) and a director of Westpac Banking Corporation (appointed November 2006). She is a member of the Australian Securities and Investment Commission's Director Advisory Panel and the Takeovers Panel, and serves as a trustee of the Museum of Applied Arts and Sciences.

Ms Bryan holds a Bachelor of Arts (Economics) from the Australian National University and a Master of Arts (Economics) from the University of Hawaii (US).

## Richard Brown

Non-executive Director

Mr Brown served as a director of Caltex from 28 June 2012 to 2 April 2015. He was a member of the Nomination Committee.

During his time at Caltex, Mr Brown served as Chevron's Regional Finance Officer – Asia Pacific, based in Singapore, where he was responsible for financial and management reporting, credit approval, local cash management, tax matters and risk management for Chevron's operations in the Asia Pacific region. Prior to this role, Mr Brown served as Chevron's General Manager – Finance for Europe, Eurasia and Middle East Opco.

Mr Brown holds a Bachelor of Arts (Economics) from the University of Warwick (UK).

## Barbara Burger

Non-executive Director

Ms Burger served as a director of Caltex from 28 June 2012 to 2 April 2015. She was a member of the OHS & Environmental Risk Committee and the Nomination Committee.

During her time at Caltex, Ms Burger was the President of Chevron Technology Ventures (CTV), based in Houston, Texas. CTV champions innovation, commercialisation and integration of emerging technologies and related new business models within Chevron; its business units include advanced biofuels, emerging energy technology and venture capital. Prior to this role, Ms Burger was the Vice President – Lubricants Supply Chain and Base Oil for Chevron Lubricants.

Ms Burger holds a Bachelor of Science (Chemistry) from the University of Rochester (US), a Doctor of Philosophy (Chemistry) from the California Institute of Technology (US) and a Master of Business Administration (Finance) from the University of California (US).

## Ryan Krogmeier

Non-executive Director

Mr Krogmeier served as a director of Caltex from 30 March 2012 to 2 April 2015. He was a member of the Human Resources Committee and the Nomination Committee.

During his time at Caltex, Mr Krogmeier was the Global Vice President of International Products, Joint Ventures and Affiliates for Chevron based in Singapore. Previously, he was the Vice President – Americas East, Caribbean and Latin America for Chevron, a role in which he was responsible for strategy and profits for Chevron's downstream fuels business in those regions.

Mr Krogmeier holds a Bachelor of Business Administration (Accounting) from the University of Iowa (US) and a Master of Business Administration from the University of California (US).

## **Operating and financial review**

The purpose of the operating and financial review (OFR) is to enhance the periodic financial reporting and provide shareholders with additional information regarding the Group's operations, financial position, business strategies and prospects. The review complements the Financial Report on pages 52 to 94.

The OFR may contain forward-looking statements. These statements are based solely on the information available at the time of this report, and there can be no certainty of outcome in relation to the matters to which the statements relate.

### **Company overview**

Caltex, including predecessor companies, has operated in Australia for more than 100 years, focusing on providing ongoing, reliable, safe and efficient fuel supply to our customers.

Caltex is one of Australia's leading transport fuel suppliers and convenience retailers and is listed on the Australian Securities Exchange. The head office is based in Sydney, and Caltex has approximately 3,000 employees working across the country. Caltex operates its business as one integrated value chain and incorporates operational excellence principles throughout supply, refining, logistics and marketing.

The principal activities of Caltex during the year were the purchase, refining, distribution and marketing of petroleum products and the operation of convenience stores throughout Australia. Aside from those discussed below, there were no significant changes in the nature of Caltex's principal activities or in the state of affairs during the financial year.

Caltex operates one oil refinery, the Lytton refinery in Brisbane. This refinery produces petrol, diesel and jet fuel, along with small amounts of fuel oil and specialty products, liquid petroleum gas (LPG) and other gases. Caltex also buys refined products on the open market both overseas and locally, and along with the products that Caltex refines, Caltex markets these products across retail and commercial channels. These products are supplied to customers via a network of pipelines, terminals, depots and company-owned and contracted transport fleets.

Chevron previously held a 50% shareholding in Caltex, which was sold in March 2015. The sale was the largest of its kind in Australian corporate history, and the fact that the offer was almost two times oversubscribed is an overwhelming endorsement of Caltex's strategy.

## **Group strategy**

Over the past five years, Caltex has transformed key elements of its business to place the company on a stronger footing to navigate the evolving marketplace and successfully deliver top quartile total shareholder returns. Critical components of this transformation include:

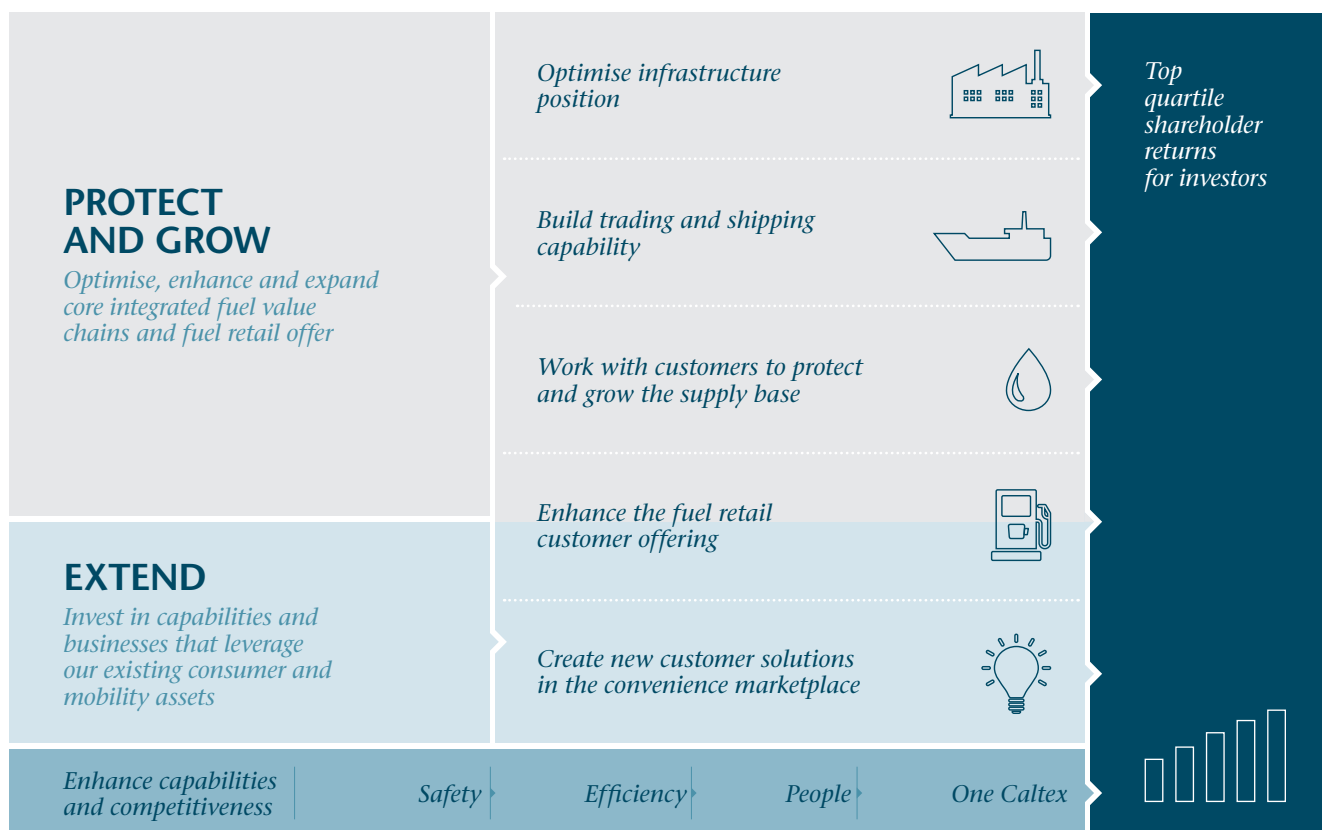
- the closure of the Kurnell refinery and its conversion to a major import terminal
- the establishment of the Ampol Singapore business, to directly manage sourcing and associated shipping of petroleum products to Australia
- implementation of "Tabula Rasa", a company-wide cost and efficiency program
- a major maintenance program at Lytton refinery, to underpin cost and performance improvements
- investment in further building out our retail network.

To date, our strategy has delivered strong results for the business and continues to position us to retain leadership in transport fuels in Australia, with a stronger retail convenience platform.

Our 2015 review of strategy builds on Caltex's core competitive advantage provided by the strength of our integrated fuel value chain across supply, infrastructure, network and the retail and business-to-business channels. It also looks to continue to adapt the business to drive growth in a changing industry and consumer environment.

The "Protect and Grow" aspect of the strategy outlined on the next page is focused on capturing the many opportunities that exist to continue to enhance and expand the core fuel business. In the "Extend" aspect of the strategy, Caltex will build on its current assets, capabilities and customer base to develop the business in both existing and new adjacent markets.

## Caltex's strategy – overview



Assessing each element in turn

<b>Optimise infrastructure position</b>	Maintain a relentless focus on a cost-competitive supply chain through excellence in infrastructure and refinery management and being proactive in adapting to changing market dynamics and pursuing new infrastructure opportunities.
<b>Build trading and shipping capability</b>	Continue to develop and expand the capabilities and operations of Ampol to capture opportunities for value creation in sourcing and delivering product.
<b>Protect and grow supply base</b>	Execute organic and inorganic strategies to increase marketing volumes in target regions to support long term infrastructure investment and competitive supply.
<b>Enhance the fuel retail customer offering</b>	Continue to develop elements of the fuel site retail offer which will attract more customers to Caltex sites and increase their spend while there.
<b>Create new customer solutions in the convenience marketplace</b>	Leverage Caltex's existing strong consumer facing business, including our network of over 800 retail sites and over three million weekly customer visits, to build a new and differentiated convenience offer for customers across multiple formats, products, locations and channels.

All of these elements of strategy are underpinned by a strong focus on continually enhancing Caltex's capabilities and competitiveness through:

- Safety – systematically managing both personal and process safety across the business to drive towards zero injuries and environmental harm.
- Efficiency – continuing to drive down costs and utilise assets more efficiently to ensure an industry-leading cost structure.
- People – continuing to invest in our people to strengthen organisational capability and agility.
- One Caltex – embedding a culture of delivering the best outcome for Caltex, through active collaboration across the business and a focus on optimal organisational, rather than business unit, outcomes.

Through the strategies outlined above, Caltex is committed to growing earnings by capturing opportunities across all elements of its existing business, as well as through extending into adjacent areas.

In pursuing this clear growth agenda in both the "Protect and Grow" and "Extend" aspects of the business strategy, Caltex will continue to assess potential acquisitions. These will only be pursued, however, where the strategic rationale is compelling and they deliver appropriate risk adjusted returns for shareholders.

Caltex's measure of success continues to be to safely and reliably deliver top quartile total shareholder returns.

## Operating and financial review continued

### Caltex Group results 31 December 2015

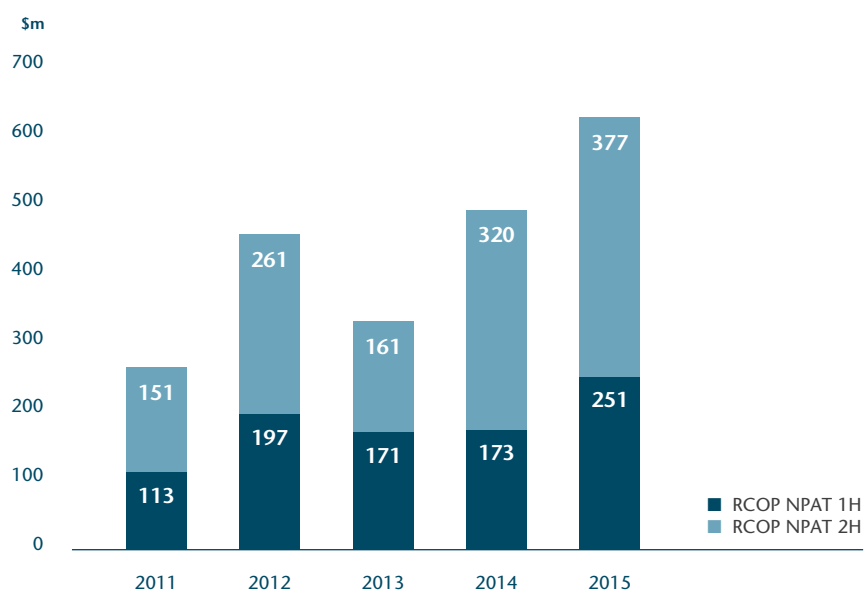
On an historical cost profit basis, Caltex recorded an after-tax profit of \$522 million for the 2015 full year, including a gain relating to significant items of \$29 million after tax. This compares with the 2014 full year profit of \$20 million, which included a loss relating to significant items of \$112 million after tax. The 2015 result includes a product and crude oil inventory loss of \$135 million after tax. The 2015 total inventory loss of \$135 million compares with an inventory loss of \$361 million after tax in 2014.

A reconciliation of the underlying result to the statutory result is set out in the following table:

Reconciliation of the underlying result to the statutory result	2015 \$m (after tax)	2014 \$m (after tax)
Net profit attributable to equity holders of the parent entity	522	20
Deduct/add: Significant items (gain)/loss	(29)	112
Deduct/add: Inventory loss	135	361
<b>RCOP NPAT (excluding significant items)</b>	<b>628</b>	<b>493</b>

On an RCOP<sup>1</sup> basis, Caltex recorded an after-tax profit for the 2015 full year of \$628 million, excluding significant items. This compares with an RCOP after-tax profit of \$493 million for the 2014 full year, excluding significant items.

### Caltex RCOP NPAT



The overall result reflects a strong Supply and Marketing profit, and excellent operational performance enabled the Lytton refinery to take advantage of strong refiner margins. Production was adversely impacted by the planned major maintenance carried out during the year.

1. Replacement cost of sales operating profit (RCOP) excluding significant items (on a pre- and post-tax basis) is a non-International Financial Reporting Standards (IFRS) measure. It is derived from the statutory profit adjusted for inventory gains/(losses), as management believes this presents a clearer picture of the company's underlying business performance, and is consistent with the basis of reporting commonly used within the global refineries industry. This is unaudited. RCOP excludes the impact of the fall or rise in oil and product prices (a key external factor). It is calculated by restating the cost of sales using the replacement cost of goods sold rather than the historical cost, including the effect of contract based revenue lags.

## Dividend

The Board has declared a final dividend of 70 cents per share (fully franked) for the second half of 2015. Combined with the interim dividend of 47 cents per share for the first half, paid in September 2015, this equates to a total dividend of 117 cents per share for 2015, fully franked. This compares with a total dividend payout of 70 cents per share (fully franked) for 2014. This is in line with a target dividend payout ratio of 40-60% of RCOP NPAT.

## Income statement

For the year ended 31 December 2015	2015 \$m	2014 \$m
1. Total revenue <sup>1</sup>	20,019	24,232
2. Total expenses <sup>2</sup>	(19,042)	(23,437)
<b>Replacement cost earnings before interest and tax</b>	<b>977</b>	<b>795</b>
Finance income	5	8
Finance expenses <sup>3</sup>	(82)	(99)
3. <b>Net finance costs</b>	<b>(77)</b>	<b>(91)</b>
Income tax expense <sup>4</sup>	(272)	(211)
<b>Replacement cost of sales operating profit (RCOP)</b>	<b>628</b>	<b>493</b>
4. Significant items gain/(loss) after tax	29	(112)
5. Inventory loss after tax	(135)	(361)
<b>Historical cost net profit after tax</b>	<b>522</b>	<b>20</b>
Interim dividend per share	47c	20c
Final dividend per share	70c	50c
Basic earnings per share		
• Replacement cost (excluding significant items)	233c	183c
• Historical cost (including significant items)	193c	7c

1. Includes other income of \$24 million (2014: \$1 million) less the significant item gain of \$32 million (2014: nil).

2. Excludes significant item loss of nil (2014: \$140 million).

3. Excludes significant item loss of nil (2014: \$20 million).

4. Excludes tax benefit on inventory loss of \$58 million (2014: \$155 million tax benefit) and excludes tax cost on significant items of \$3 million (2014: \$48 million tax benefit).

## DISCUSSION AND ANALYSIS – INCOME STATEMENT

1. <b>Total revenue</b> ▼ 17%	<p>Total revenue decreased primarily due to the impact of the significant fall in world crude oil prices and product prices which are denominated in US dollars. This decline was partly offset by the fall in the Australian dollar.</p> <p>The weighted average Brent crude oil price in 2015 was US\$51/bbl, compared to US\$101/bbl in 2014.</p>
2. <b>Total expenses – replacement cost basis</b> ▼ 19%	<p>Total expenses also decreased primarily as a result of lower replacement cost of goods sold due to the lower price of refined product.</p>

## Operating and financial review continued

### DISCUSSION AND ANALYSIS – INCOME STATEMENT CONTINUED

#### RCOP EBIT BREAKDOWN<sup>1</sup>

<b>Caltex Refiner Margin (CRM)</b> <b>\$757m</b>	<p>CRM represents the difference between the cost of importing a standard Caltex basket of products to eastern Australia and the cost of importing the crude oil required to make that product basket. The CRM calculation basically represents: average Singapore refiner margin + product quality premium + crude discount/(premium) + product freight – crude freight – yield loss.</p> <p>US dollar CRM was higher in 2015 at US\$16.46/bbl, compared with US\$12.42/bbl for 2014. In AUD terms, the CRM was 13.85 Australian cents per litre in 2015, compared with 8.70 Australian cents per litre in 2014.</p> <p>Total refinery production in 2015 of all products was 5.6 billion litres compared with 10.2 billion litres in 2014, reflecting the closure of the Kurnell refinery and its conversion to terminal operations in October 2014.</p>
<b>Transport fuels margin</b> <b>\$999m</b>	<p>Transport fuels comprise petrol, diesel and jet. The transport fuels margin consists of the earnings on these products within the Supply and Marketing segment and represents the integrated sourcing, distribution and sales margin.</p> <p>Premium fuel sales were 4.3 billion litres in 2015, in line with 2014. Caltex's overall transport fuel sales volumes declined 5% compared to the prior year. Total retail diesel margins have continued to grow strongly, driven by increased sales of the premium diesel product, Vortex Diesel, and as a result of growth in the diesel vehicle market.</p> <p>The decrease in transport fuel sales volumes reflected a decrease in base grade fuel sales and jet sales. However, premium petrol sales volumes continue to grow, with Vortex Premium Unleaded petrol sales volumes increasing 4%. The ongoing decline in regular unleaded petrol sales is due to the continued increase in sales of vehicles requiring diesel or premium grades of petrol.</p> <p>Jet volumes declined 5% off a strong prior corresponding period volume performance, driven by reduced domestic capacity and the shedding of unprofitable volume. Diesel fuel volumes decreased approximately 5%, and include impact of timing of a major supply contract loss and the commencement of a new larger long term supply contract.</p>
<b>Lubricants and specialties margin</b> <b>\$65m</b>	<p>Lubricants and specialties products include finished lubricants, base oils, liquefied petroleum gas, petrochemicals, wax and marine fuels.</p> <p>Specialty products fell in 2015, mainly driven by a decline in fuel oil sales and a reduction in sales of gases following the closure of the Kurnell refinery. Lubricants volumes also declined in a competitive market.</p>
<b>Non-fuel income</b> <b>\$184m</b>	<p>Non-fuel income includes convenience store income, franchise income, royalties, property, plant and equipment rentals, StarCard income and share of profits from distributor businesses. Non-fuel income is in line with the prior year.</p>
<b>Operating expenses</b> <b>(\$941m)</b>	<p>Operating expenses in this caption include Supply Chain, Marketing and Corporate operating expenditure.</p> <p>The major drivers of the operating expenses decrease of \$204 million are:</p> <ul style="list-style-type: none"> <li>• Kurnell transformation from refinery to terminal for full year 2015;</li> <li>• good control and low inflationary environment; and</li> <li>• partially offset by higher Corporate costs supporting capability developments, growth initiatives and higher bonuses in line with higher RCOP NPAT result.</li> </ul>
<b>Other</b> <b>(\$87m)</b>	<p>Other includes a number of miscellaneous items that typically include: foreign exchange impacts, other refining gross margin impacts, gain/loss on disposal of assets and subsidiary earnings. The most significant component was the net foreign exchange loss of \$26 million (after hedging).</p>
<b>RCOP EBIT excluding significant items</b> <b>\$977m</b>	

1. The breakdown of RCOP shown here represents a management reporting view of the breakdown and, therefore, individual components may not reconcile to statutory accounts.

## DISCUSSION AND ANALYSIS – INCOME STATEMENT CONTINUED

<b>3. Net finance costs</b> ▼ 16%	Net finance costs decreased by \$14 million compared with 2014, reflecting the lower cost of funding as a result of the composition of borrowings and lower average net debt for the period.
<b>4. Significant items after tax</b> ▼ \$141m	<p>During 2015, the Group recognised a significant item gain of \$32 million (\$29 million after tax) on the sale of a surplus property in Western Australia.</p> <p>During 2014, the Group incurred significant item losses of \$112 million after tax in relation to the Group's cost and efficiency review. These significant items related to redundancy expenses, contract cancellation costs, consulting fees and asset rationalisation costs.</p>
<b>5. Inventory losses after tax</b> ▼ \$226m	<p>Inventory losses in 2015 were driven by the significant decrease in crude oil prices in the second half of 2015, with crude oil falling from US\$62/bbl in June 2015 to US\$38/bbl in December 2015. This decrease resulted in a net inventory loss of \$102 million after tax, compared to inventory losses of \$361 million after tax in 2014.</p> <p>Included in the 2015 inventory loss is a write-down of inventory on hand at year end of \$34 million after tax to its net realisable value, due to the continued decline in crude oil prices in January 2016.</p> <p>Similarly, the 2014 inventory loss included a write-down of inventory on hand at year end of \$82 million after tax to its net realisable value, due to the continued decline in crude oil prices in January 2015.</p>

### Business unit performance

#### Supply & Marketing

Supply & Marketing delivered an EBIT of \$672 million. This result includes a realised loss on US dollar denominated product payables of \$26 million (2014 loss of \$26 million) less a price timing lag gain of \$23 million (versus a 2014 price timing lag gain of \$102 million). Excluding these net externalities (net \$3 million unfavourable), the underlying Supply & Marketing EBIT of \$675 million, is up 5% on the 2014 result.

Sales volumes are 5% below last year, reflecting lower diesel demand as a number of LNG projects near completion and the timing of some major supply contracts. Caltex has vigorously defended contract volumes in 2015 and secured new supply volumes in 2016. From a product mix perspective, Caltex continues to drive premium fuels sales (including Vortex Diesel). Higher sales of premium grades of petrol and retail diesel continue to offset the long term decline in demand for unleaded petrol, including E10. The increased penetration of premium Vortex products has been driven by targeted investment in growth, including new retail service stations, the refurbishment of existing service stations and increased marketing spend.

#### Lytton Refinery

The Lytton Refinery has delivered a record 2015 EBIT contribution of \$406 million. This compares with an EBIT contribution of \$218 million for 2014 and a 2015 first half EBIT of \$134 million. The 2015 result has benefitted from a strong operating performance following Lytton refinery's major first half Turnaround & Inspection (T&I) that has enabled the refinery to take advantage of these favourable conditions. This result also includes T&I related supply costs of \$23 million (including \$20 million previously allocated to Supply and Marketing within the first half results).

The realised Caltex Refiner Margin (CRM) averaged US\$16.46/ bbl for the 2015 full year. This compares to the first half 2015 average of US\$16.00/bbl and the 2014 full year (US\$12.42/bbl). A strong Singapore Weighted Average Margin has been boosted by lower crude premiums, yield loss and net freight costs, year on year. The lower than forecast December average Dated Brent crude oil price of US\$38.21/bbl favourably impacted the refiner margin compared with that assumed in the 17 December 2015 profit outlook (US\$40/bbl).

### Corporate

Corporate costs increased to \$102 million. This is higher than 2014 (\$81 million), reflecting an increased investment in technology and new capabilities, including business development, and higher bonuses accrued in relation to the strong 2015 financial performance.

#### Balance sheet remains strong

Net debt at 31 December 2015 was \$432 million compared with \$715 million at 30 June 2015 and \$639 million at 31 December 2014. The lower debt reflects stronger second half earnings, disciplined capital expenditures, and the net impact of lower crude prices and a lower Australian dollar on working capital balances.

#### Capital Management – Off-Market Buy-Back

Caltex has previously indicated that it was focussing on the efficient allocation of capital. The successful closure of the Kurnell refinery in 2014 and the company's continued evolution into an integrated transport fuels value chain business, enhanced by the company's ongoing cost and efficiency program, has resulted in significantly improved cash flows. Today, Caltex is pleased to announce its intention to conduct a \$270 million off-market share buy-back, which is expected to be completed during the second quarter of 2016.

The company's overarching objective is to deliver top quartile Total Shareholder Returns. Our capital management framework is therefore designed to provide a balanced approach to the allocation of capital between maintenance to ensure a safe and sustainable business, investing for growth and returning capital to shareholders. The size of the buy-back will enable the return of surplus capital relative to the company's target BBB+ credit rating, and maintain financial flexibility to take advantage of growth opportunities as they arise. Management continues to actively pursue options to grow the business based on our core capabilities including management of complex supply chains, infrastructure services and leveraging our convenience and mobility base. Our priority remains growth, but over time, both investment in growth opportunities and capital management are expected to play a role in delivering top quartile shareholder returns.

## Operating and financial review continued

### Business unit performance continued

#### Capital Management – Off-Market Buy-Back continued

All of the relevant details of the Buy-Back will be set out in a booklet which Caltex shareholders should start to receive from 3 March 2016. A summary of the buy-back details, including the proposed timetable, are contained in the 2015 Full Year Results investor presentation.

Shareholders should seek advice as to the taxation consequences for them of participating in the Buy-Back. As the Buy-Back will have different tax consequences for different shareholders, each shareholder's decision to participate will be determined by their own personal circumstances. In some circumstances (particularly those shareholders who are on a low marginal tax rate), selling their Shares under the Buy-Back may be more advantageous to selling their Shares on market.

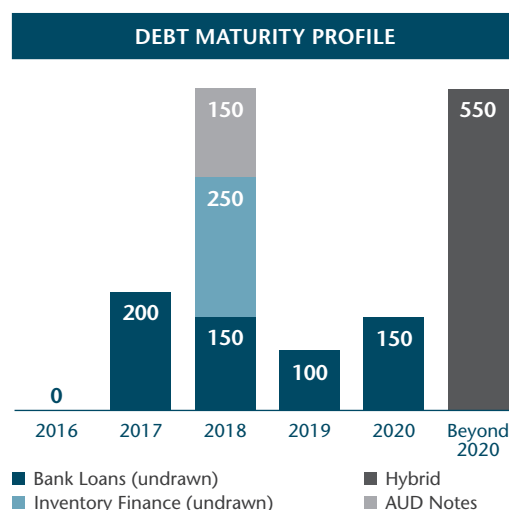
### Balance sheet

As at 31 December 2015	2015 \$m	2014 \$m	Change \$m
1. Working capital	524	542	(18)
2. Property, plant and equipment	2,603	2,364	239
3. Intangibles	183	188	(5)
4. Net debt	(432)	(639)	207
5. Other non-current assets and liabilities	(90)	78	(168)
Total equity	2,788	2,533	(255)

### DISCUSSION AND ANALYSIS – BALANCE SHEET

1. <b>Working capital</b> ▼ \$18m	The decrease in working capital is primarily due to lower inventory balances due to the fall in crude oil and product prices. The decrease is partially offset by: <ul style="list-style-type: none"> <li>lower payables, partially offset by lower receivables, due to the fall in crude oil and product prices in 2015, net of the impact of the lower Australian dollar, and</li> <li>a decrease in current redundancy and environmental provisions during 2015.</li> </ul>
2. <b>Property, plant and equipment</b> ▲ \$239m	The increase in property, plant and equipment is due to capital expenditure and accruals, including major cyclical maintenance, of \$437 million. This is partly offset by depreciation of \$178 million and disposals of \$20 million.
3. <b>Intangibles</b> ▼ \$5m	The decrease in intangibles is due to the impairment of software of \$12 million, partially offset by the acquisition of goodwill and intangibles from Hawkins Fuels of \$5 million and the acquisition of software of \$16 million, less depreciation of \$14 million.
4. <b>Net debt</b> ▼ \$207m	Net debt decreased by \$207 million to \$432 million at 31 December 2015. Caltex's gearing at 31 December 2015 (net debt to net debt plus equity) was 13.4%, decreasing from 20.2% at 31 December 2014. On a lease-adjusted basis, gearing at 31 December 2015 was 27.8% compared with 34.2% at 31 December 2014.

CURRENT SOURCES OF FUNDING		
	A\$m	Source
A\$ notes	150	Australian and Asian institutional
Bank facilities	600	Australian and global banks
Inventory finance facility	250	Australian bank
Hybrid	550	Australian and Asian retail and institutional investors
	<b>\$1,550</b>	



5. <b>Other non-current assets and liabilities</b> ▼ \$168m	Other net non-current liabilities have decreased primarily due to utilisation of deferred tax assets resulting from timing differences between the accounting and tax basis of inventory, provisions, and property, plant and equipment.
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## Cash flows

For the year ended 31 December 2015	2015 \$m	2014 \$m	Change \$m
1. Net operating cash inflows	885	662	223
2. Net investing cash outflows	(411)	(476)	65
3. Net financing cash outflows	(263)	(333)	70
Net increase/(decrease) in cash held	211	(147)	358

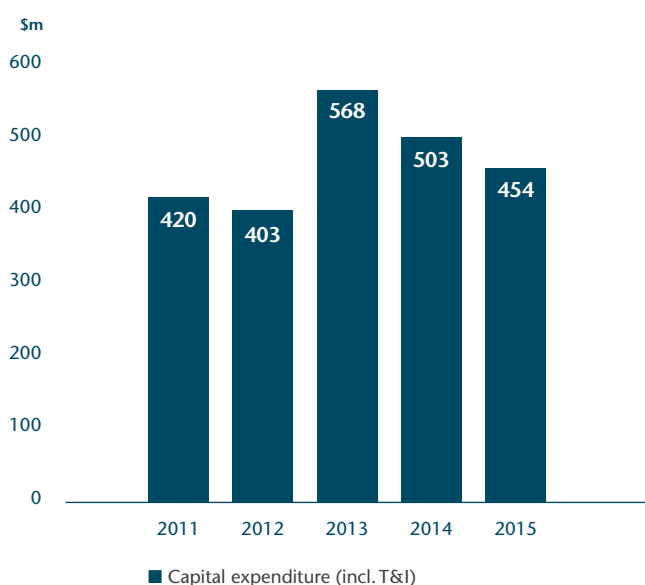
### DISCUSSION AND ANALYSIS – CASH FLOWS

1. <b>Net operating cash inflows</b> ▲ \$223m	The increase in net cash inflows from operating activities is primarily due to lower fuel excise payments, lower borrowing costs and lower tax payments.
2. <b>Net investing cash outflows</b> ▲ \$65m	The decrease in net investing cash outflows is due lower payments for property, plant and equipment, partially offset by higher proceeds from the sale of assets.
3. <b>Net financing cash outflows</b> ▲ \$70m	The net financing outflow in 2015 arose from dividend payments. Net proceeds/repayment of borrowing was nil, as there were no drawdowns or repayment of fixed borrowings in the period.  The net financing outflow in 2014 arose from dividend payments and the repayment of US private placement facilities.

## Capital expenditure

Capital expenditure in 2015 totalled \$454 million. Excluding major turnaround and inspection (T&I) spending of \$91 million, capital expenditure was \$363 million. Capital expenditure in 2016 is expected to range between \$370 million and \$420 million.

### Caltex capital expenditure



## Business outlook and likely developments

This section includes information on Caltex's prospects for future financial years. As Caltex's financial prospects are dependent to a significant extent on external factors, such as the exchange rate and refiner margins, it is difficult to provide an outlook on Caltex's financial prospects. Therefore, this section includes a general discussion of the key business drivers. To the extent that there are statements which contain forward-looking elements, they are based on Caltex's current expectations, estimates and projections. Such statements are not statements of fact, and there can be no certainty of outcome in relation to the matters to which the statements relate. Accordingly, Caltex does not make any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward-looking statement.

### Overview

Caltex's focus for the short term is to remain the outright leader in transport fuels in Australia. In support of this, short term priorities include the optimisation of the entire value chain from product sourcing to customer, underpinned by the company's product sourcing requirements via Ampol Singapore.

The Lytton refinery will continue to focus on capturing further operational and margin improvements.

The company will continue the organisation-wide cost and efficiency value program ("Tabula Rasa").

## Operating and financial review continued

### Business outlook and likely developments continued

#### Supply and Marketing

The industry landscape remains highly competitive. This is expected to continue, with new industry players competing in the market.

Caltex remains committed to building a focused strategy for growth by targeting high growth products, geographies and channels, including continuing to build and leverage its supply chain across its national network.

This will involve the continuation of its retail network expansion and refurbishment and the increased emphasis on inorganic growth, leveraging core capabilities of retailing, supply chain management and infrastructure services.

The company's infrastructure enables Caltex to supply product to customers safely and reliably. It is this sustained investment in infrastructure that has enabled Caltex to attain the outright leadership in transport fuels across Australia.

Caltex remains committed to ongoing investment to broaden and enhance its supply chain.

The closure of the Kurnell refinery (in the fourth quarter of 2014) has seen the amount of crude oil imported for Caltex refining reduce, while imports of refined fuel products are increasing. In adapting and evolving to the changing market conditions, Caltex established an office in Singapore to grow and strengthen its product sourcing supply via Ampol Singapore (a wholly owned subsidiary of Caltex Australia). Ampol Singapore's primary role is to manage the sourcing of transport fuels product supplies and related shipping to Australia.

#### Lytton

The Lytton refinery is now Caltex's sole refinery. Caltex will continue to maintain an ongoing focus on capturing further operational and margin improvements at Lytton.

Caltex considers itself operationally well placed to ensure that the company remains the outright leader in providing transport fuels to Australia.

### Business risks and management

The key business risks that could have an impact on Caltex achieving its financial goals and business strategy are discussed below. In addition to the risk management procedures discussed below, Caltex has adopted a risk management framework to proactively and systematically identify, assess and address events that could potentially impact its business objectives. This framework integrates the consideration of risk into the company's activities so that:

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

These risks are assessed on a regular basis by management, and 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.

The Board and the OHS & Environmental Risk Committee also receive quarterly risk updates throughout the year.

#### Caltex Refiner Margin

The Caltex Refiner Margin (CRM) is a key metric which drives the profitability of Caltex's refinery. The CRM represents the difference between the cost of importing a standard Caltex basket of products to eastern Australia and the cost of importing the crude oil required to make that product basket. A low CRM will adversely impact Caltex's refining earnings and cash flows.

The CRM can be negatively impacted by a range of factors:

- a decline in global and regional economic activity, leading to a surplus in refining capacity
- increased regional refinery capacity ahead of demand growth
- a decrease in product freight rates relative to crude freight rates
- an increase in the premium paid for light/sweet (e.g. Brent) crudes used by Caltex compared with the heavy/sour crudes used by major refineries in the region (the light/heavy spread), and
- the A\$ strengthening versus the US\$ (as the CRM components are US\$ based, strengthening of the A\$ relative to the US\$ reduces the A\$ revenue earned by Caltex).

#### Commodity price risk

Caltex is exposed to the risk of both crude and finished product price movements, as these impact Caltex's earnings and cash flows. Caltex seeks, through policy, to neutralise adverse basis and timing risk brought about by purchase and sales transactions that are materially outside the normal operating conditions of Caltex. Caltex's policy has been not to hedge refiner margins. However, given the unusual strength in regional refiner margins during 2015, Caltex hedged a portion of its third quarter 2015 refiner margins in order to support near term earnings. Caltex utilises both crude and finished product swap contracts from time to time, on specific cargoes, to manage the risk of price movements (basis and timing).

#### Foreign exchange

Caltex is exposed to the effect of changes in exchange rates on crude and product payables, refiner margin and capital expenditure. As Caltex purchases crude and products in US dollars, a decrease in the A\$:US\$ exchange rate between the time Caltex assumes liability for the crude and the time it subsequently pays for that crude will negatively impact Caltex's payables, earnings and cash flows.

Additionally, the CRM is determined principally with reference to the US dollar Singapore spot product price relative to the US dollar Brent crude price. An increase in the A\$:US\$ exchange rate will adversely impact Caltex's Australian dollar refiner margin, and therefore refining earnings and cash flows.

Caltex has implemented a foreign exchange hedging policy of 80% of Caltex's US dollar denominated crude and product payables exposure (after applying natural hedges). The instruments used to manage foreign exchange risk expose Caltex to fair value foreign exchange rate risk and counterparty risks. Exposure limits are set on each counterparty to ensure that Caltex is not exposed to excess risks.

### **Liquidity risk**

Due to the nature of the underlying business, Caltex must maintain sufficient cash and adequate committed credit facilities to meet the forecast requirements of the business. From time to time, Caltex will be required to refinance its debt facilities. There is no certainty as to the availability of debt facilities or the terms on which such facilities may be provided to Caltex in the future. Caltex seeks to prudently manage liquidity risk by maintaining adequate banking facilities and reserve borrowing facilities, with an extended facility maturity profile.

### **Operational risk**

The nature of many of Caltex's operations is inherently risky. Major hazards may cause injury or damage to people and/or property. Major incidents may cause a suspension of certain operations and/or financial loss.

Caltex's operations are heavily reliant on information technology. While these systems are subject to regular review and maintenance, and business continuity plans are in place, if these systems are disrupted due to external threat or system error, this may have an adverse effect on Caltex's operations and profitability.

### **Competitive risk**

Caltex operates in a highly competitive market space, and could be adversely impacted by new entrants to the market or increased competition from existing competitors, changes in contractual terms and conditions with existing customers, and/or the loss of a major customer.

### **Environmental risks**

Caltex imports, refines, stores, transports and sells petroleum products. Therefore, it is exposed to the risk of environmental spills and incidents. It is also responsible for contaminated sites which it operates or has previously operated.

### **Demand for Caltex's products**

Caltex's operating and financial performance is influenced by a variety of general economic and business conditions, including economic growth and development, the level of inflation and government fiscal, monetary and regulatory policies. In a global or a local economic downturn, demand for Caltex's products and services may be reduced, which may negatively impact Caltex's financial performance.

### **Labour shortages and industrial disputes**

There is a risk that Caltex may not be able to acquire or retain the necessary labour for operations and development projects. This may disrupt operations or lead to financial loss.

### **Credit risk**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Primary credit exposure relates to trade receivables.

### **Regulatory risk**

Caltex operates in an extensively regulated industry and operates its facilities under various permits, licences, approvals and authorities from regulatory bodies. If those permits, licences, approvals and authorities are revoked or if Caltex breaches its permitted operating conditions, it may lose its right to operate those facilities, whether temporarily or permanently. This would adversely impact Caltex's operations and profitability.

Changes in laws and government policy in Australia or elsewhere, including regulations, licence conditions and fuel quality standards, could materially impact Caltex's operations, assets, contracts, profitability and prospects.

### **Events subsequent to the end of the year**

Joanne Taylor was appointed Executive General Manager, Human Resources effective 5 February 2016. Mr Willshire will retire from the company effective 30 April 2016.

On 23 February 2016, the Group announced its intention to conduct a \$270 million off-market share buy-back, which is expected to be completed during the second quarter of 2016.

There were no other items, transactions or events of a material or unusual nature, that, in the opinion of the Board, are likely to significantly affect the operations of Caltex, the results of those operations or the state of affairs of the Group subsequent to 31 December 2015.

### **Environmental regulations**

Caltex is committed to compliance with Australian laws, regulations and standards, as well as to minimising the impact of our operations on the environment. The Board's OHS & Environmental Risk Committee addresses the appropriateness of Caltex's OHS and environmental practices to manage material health, safety and environmental risks, so that these risks are managed in the best interests of Caltex and its stakeholders.

Caltex sets key performance indicators to measure environmental, health and safety performance and drive improvements against targets. In addition to review by the Board, progress against these performance measures is monitored regularly by the Managing Director & CEO and the General Managers.

Risks are examined and communicated through the Caltex Risk Management Framework, an enterprise-wide risk management system which provides a consistent approach to identifying and assessing all risks, including environmental risks. Under the framework, risks and controls are assessed, improvements identified, and regular reports are made to management and the Board.

The Caltex Operational Excellence Management System is designed to ensure that operations are carried out in an environmentally sound, safe, secure, reliable and efficient manner. Its operating standards and procedures support the Caltex Environment Policy, and the Caltex Health and Safety Policy.

In 2015, Caltex made its seventh submission under the National Greenhouse and Energy Reporting Scheme, reporting energy consumption and production as well as greenhouse gas emissions from Group operations. Caltex also continued to disclose information on emissions under the National Pollutant Inventory. Caltex is a signatory to the Australian Packaging Covenant, with 100% compliance among Caltex product suppliers and 40% of current packing reviewed using the Sustainable Packaging Guidelines.

### **Compliance with environmental regulations**

A total of 19 environmental protection licences were held by companies in the Caltex Group in 2015 in respect of one refinery site, 12 terminals, three marketing facilities and three aviation refuelling facilities.

## **Environmental regulations continued**

### ***Compliance with environmental regulations continued***

Any instances of non-compliance against these licences were reported to the environmental regulator. All significant spills and environmental incidents were recorded and reported as required to government authorities.

Regular internal audits are carried out to assess the efficacy of management systems to prevent environmental incidents, as well as to control other operational risks. Improvement actions determined through the audit process are reviewed by the Board's OHS & Environmental Risk Committee and senior management.

Caltex is committed to achieving 100% compliance with environmental regulations and to ensuring that all breaches have been investigated thoroughly, and corrective actions are taken to prevent recurrence.

In terms of environmental infringements in 2015, Caltex's Kurnell terminal:

- received one penalty infringement notice of \$1,000 from the NSW Environment Protection Authority (NSW EPA) relating to the delay in publishing monitoring data, and
- entered into an Enforceable Undertaking with the NSW EPA to provide \$120,000 to a number of local environmental programs as a result of a water pollution incident which occurred when the Kurnell refinery was still operational. During heavy rain on 24 March 2014, oily water was discharged from the refinery into Botany Bay.

Caltex has pleaded guilty to a Tier 1 offence under the *Protection of the Environment Operations Act 1997* in respect of a loss of containment into a tank bund at Caltex's Banksmeadow Terminal in July 2013. Those proceedings were commenced by the NSW EPA in 2014 and the matter is currently before the Court for a determination on penalty. Caltex has entered into an Enforceable Undertaking (EU) with SafeWork NSW in relation to the same incident, and the details of the EU are published below.

Additionally, the Queensland Department of Environment and Heritage Protection commenced proceedings against Caltex for two separate incidents described below:

- The first involved breaches of Caltex's licence conditions and failing to carry out certain activities with respect to a trackable waste, being residual ethyl mercaptan contained in some redundant vessels which were being disposed of. Ethyl mercaptan is an odourant used to give LPG its characteristic smell. Caltex had engaged a specialist independent contractor to handle this task. Caltex pleaded guilty and was fined \$40,000. In separate proceedings, Caltex's specialist waste contractor was also fined.
- The second related to the release of catalyst dust (fine, inert sand-like material) from the Lytton refinery's Fluidised Catalytic Cracker Unit (FCCU) during a unit restart in May 2014. During this restart, sudden changes in the system pressure resulted in 80-90 tonnes of regenerated catalyst dust loss to the atmosphere through the unit stack. Caltex pleaded guilty and was fined \$20,000.

Caltex regrets that the above incidents occurred and, in each case, undertook a detailed investigation into the causes and has taken positive steps to minimise the risk of re-occurrence.

### ***Notice of Acceptance of an Enforceable Undertaking under Part 11 of the Work Health and Safety Act 2011***

On 12 July 2013, 157,205 litres of unleaded petrol was released from a storage tank into a purpose built bund at Caltex Australia Petroleum Pty Ltd's (ABN 17 000 032 128) (Caltex) premises at the Banksmeadow Terminal (BMT) during a planned transfer from the water draw valve of the storage tank. Two workers involved in the transfer were taken to hospital and discharged shortly afterwards.

SafeWork NSW investigated the incident and subsequently alleged that Caltex contravened section 19 of the *Work Health and Safety Act 2011* (WHS Act).

This notice has been placed under the terms of an Enforceable Undertaking and acknowledges acceptance of an undertaking that is enforceable under the WHS Act, from Caltex, as settlement of the above mentioned alleged contravention.

The undertaking requires the following actions:

- Continue to progress various internal work health and safety initiatives relating to Caltex's "Permit to Work System", emergency management training and hazard identification training.
- Fund the training of five fire fighters at Fire and Rescue NSW (FRNSW) in relation to advanced petroleum fire-fighting in Texas, Houston, USA.
- Fund the provision of an online training program for FRNSW in relation to responding to fires and other emergency events at petrochemical facilities.
- Continue discussions in good faith with FRNSW with a view to agreeing to a principles of agreement in relation to the operation of a live fire training facility at the Caltex Kurnell Terminal by FRNSW.
- Invest in the development of a mobile application in relation to contractor management that will be available free of charge to all businesses across Australia in any industry.
- Provide webinar training to small to medium enterprises that manage the use of petrochemicals in relation to management of organisational change, drug and alcohol programs, process safety key performance indicators (KPIs) and implementing Global Harmonisation System requirements.

Any incident of this nature occurring on one of the company's sites is a matter of regret, especially given Caltex's longstanding commitment to work health and safety. As a responsible local employer and business, we apologise for the disturbance caused to the Botany community immediately following the incident. We focus every day on continuously improving every aspect of our operations to ensure that we meet our own expectations and those of the community.

The full undertaking and general information about Enforceable Undertakings is available at [www.safework.nsw.gov.au](http://www.safework.nsw.gov.au).

## **Lead auditor's independence declaration**

The lead auditor's independence declaration is set out on page 49 and forms part of the Directors' Report for the financial year ended 31 December 2015.

## Remuneration Report

The directors of Caltex Australia Limited present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* (Cth) (*Corporations Act*) for the Caltex Group for the year ended 31 December 2015.

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act*, apart from where it is indicated that the information is unaudited.

### 1. Remuneration snapshot

#### 1a. Key Management Personnel (KMP)

This Remuneration Report is focused on the KMP of Caltex, being those persons with authority and responsibility for planning, directing and controlling the activities of Caltex. KMP includes the Non-executive Directors and Senior Executives (including the Managing Director (MD) & CEO). Senior Executives are also referred to as the Caltex Leadership Team (CLT) in this report.

Unless otherwise indicated, the KMP were classified as KMP for the entire financial year.

#### Current Non-executive Directors

Greig Gailey	Chairman and Independent, Non-executive Director <sup>(i)</sup>
Trevor Bourne	Independent, Non-executive Director
Steven Gregg	Independent, Non-executive Director ( <i>appointed 9 October 2015</i> )
Bruce Morgan	Independent, Non-executive Director
Barbara Ward	Independent, Non-executive Director ( <i>appointed 1 April 2015</i> )
Penny Winn	Independent, Non-executive Director ( <i>appointed 1 November 2015</i> )

#### Former Non-executive Directors

Elizabeth Bryan	Chairman ( <i>to 9 December 2015</i> ) <sup>(ii)</sup>
Richard Brown	Non-executive Director ( <i>to 2 April 2015</i> ) <sup>(iii)</sup>
Barbara Burger	Non-executive Director ( <i>to 2 April 2015</i> ) <sup>(iii)</sup>
Ryan Krogmeier	Non-executive Director ( <i>to 2 April 2015</i> ) <sup>(iii)</sup>

#### Current Senior Executives

Julian Segal	MD & CEO
Andrew Brewer	Executive General Manager, Supply Chain Operations
Simon Hepworth	Chief Financial Officer
Peter Lim	Executive General Manager, Legal & Corporate Affairs
Adam Ritchie	Executive General Manager, Supply ( <i>appointed 1 April 2015</i> )
Bruce Rosengarten	Executive General Manager, Commercial
Simon Willshire	Executive General Manager, Human Resources

#### Notes:

<sup>(i)</sup> Mr Gailey was appointed Chairman effective from 10 December 2015.

<sup>(ii)</sup> Ms Bryan retired from the Board on 9 December 2015.

<sup>(iii)</sup> Mr Brown, Ms Burger and Mr Krogmeier were Chevron employees appointed to the Caltex Board. They resigned from the Caltex Board following Chevron's sale of its shareholding in Caltex.

#### Changes to KMP since the end of the financial year

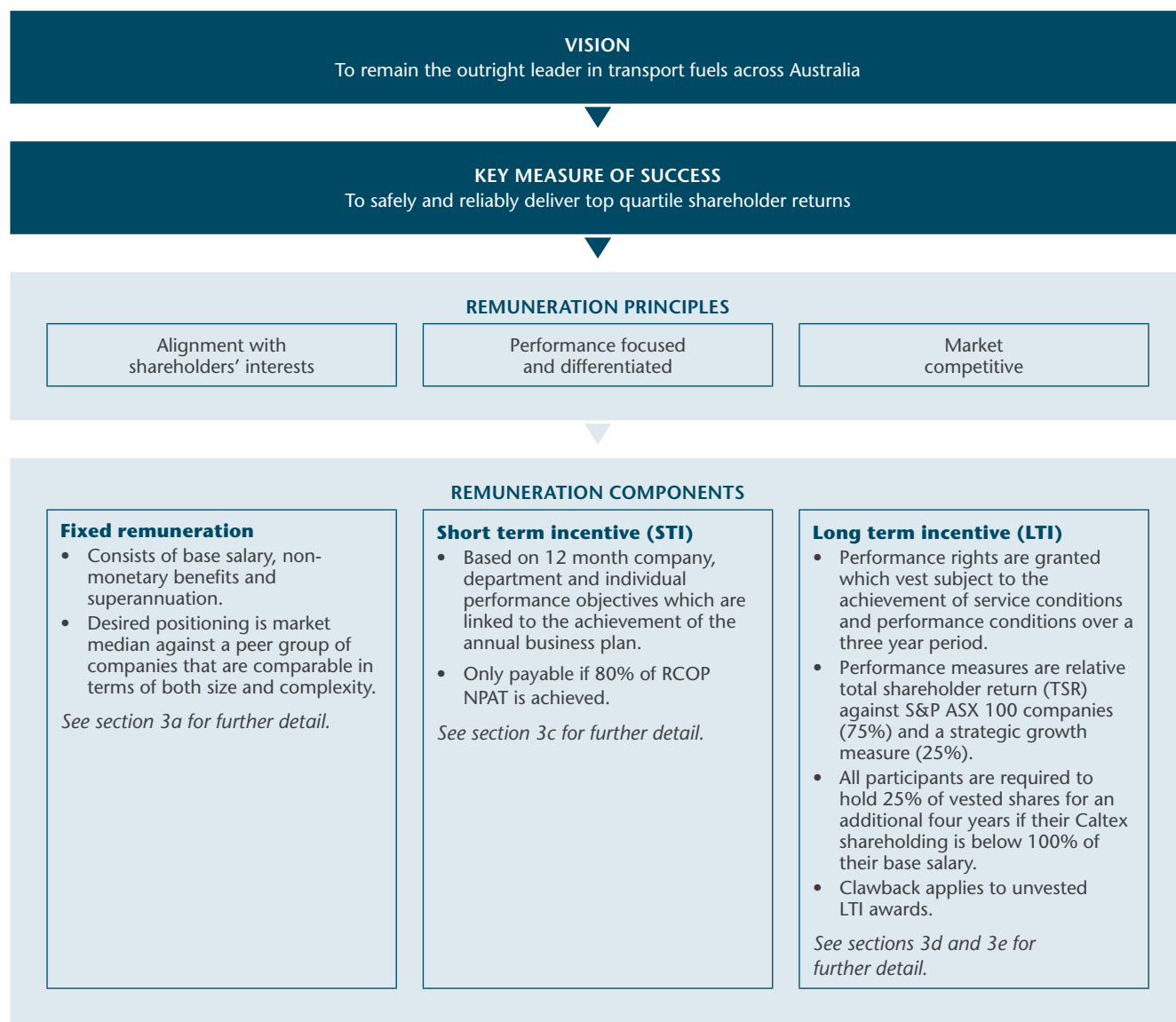
Joanne Taylor was appointed Executive General Manager, Human Resources effective 5 February 2016.

Mr Willshire will retire from the company effective 30 April 2016.

## Remuneration Report continued

### 1. Remuneration snapshot continued

#### 1b. Summary of 2015 remuneration arrangements for Senior Executives



### 1c. Senior Executive remuneration outcomes in 2015

REMUNERATION COMPONENT	OUTCOME
Fixed remuneration	As foreshadowed in the 2014 Remuneration Report, base salaries for Senior Executives increased by an average of 10%. These increases were determined by the Board, based on recommendations to the Human Resources Committee by an independent remuneration consultant. These increases shifted Senior Executive fixed remuneration levels closer to our desired market positioning of the median of our chosen peer group and compensated Senior Executives for prior years' pay restraint.
STI	RCOP NPAT performance in 2015 was 134% of target and the average 2015 STI award for Senior Executives was 146% of target. This outcome demonstrates the strong alignment between STI payments and profit outcomes.
LTI	<p><b>2012:</b> The 2012 LTI grant was subject to the achievement of two relative TSR measures. 75% of the grant was assessed against S&amp;P/ASX 100 companies and 25% of the grant was assessed against a group of six international refining and marketing companies. This grant had a performance period from 1 January 2012 to 31 December 2014.</p> <p>Over the 2012-2014 performance period, Caltex's share price increased from \$11.09 to \$34.21 and its TSR was 256%. This placed Caltex at the 95.8th percentile against S&amp;P/ASX 100 companies and at the 66.7th percentile against the selected group of international refining and marketing companies. As a result, 88.9% of the 2012 grant vested in April 2015, with the remaining 11.1% lapsing. Actual LTI earned by Senior Executives in 2015 reflects this strong performance and is aligned with the shareholder experience.</p> <p><b>2013:</b> The 2013 LTI grant was subject to the achievement of relative TSR against S&amp;P/ASX 100 companies (60%), free cash flow (20%) and a mix of strategic measures (20%). This grant had a performance period from 1 January 2013 to 31 December 2015.</p> <p>Over the 2013-2015 performance period, Caltex's share price increased from \$19.21 to \$37.70 and its TSR was 200%. This placed Caltex at the 82nd percentile against S&amp;P/ASX 100 companies. We also achieved 97.9% of our free cash flow target and the Board determined that performance against the strategic measures was almost at stretch performance (allowing 95.75% of this tranche to vest). As a result, 80.49% of the 2013 grant will vest on 1 April 2016 and the remaining 19.51% will lapse.</p> <p>No clawback occurred in respect of the LTI in 2015.</p>

### 1d. Summary of 2015 Non-executive Director fees

Non-executive Director fees are fixed and do not have any variable components. The Chairman receives a fee for chairing the Caltex Board and is not paid any other fees. Other Non-executive Directors receive a base fee and additional fees for each additional Committee chairmanship and membership, other than the Nomination Committee where no additional fee is paid. In FY15, the Chairman's fee and Non-executive Director base fees increased by 3%.

For FY15, superannuation contributions were made at a rate of 9.5%. Superannuation was not paid for overseas directors and no additional retirement benefits are paid.

Fees paid to Non-executive Directors are subject to a maximum annual Non-executive Director fee pool of \$2,250,000 (including superannuation). This fee pool was approved by shareholders at the 2015 AGM.

See sections 4a and 4b for further detail.

## Remuneration Report continued

### 1. Remuneration snapshot continued

#### 1e. Outlook for FY16 (unaudited)

In 2015, the Board commissioned a review of the executive variable pay arrangements which was undertaken by PricewaterhouseCoopers. The review found that our remuneration arrangements were fit for purpose. Accordingly, the FY16 remuneration arrangements for Senior Executives will remain largely consistent with FY15.

Key changes to remuneration arrangements in FY16 are outlined below:

CHANGE	COMMENTARY
Share retention arrangements	<p>The share retention arrangements (that were introduced in 2013) will first apply to LTI awards that vest in April 2016.</p> <p>The share retention arrangements for the 2013, 2014 and 2015 awards require 25% of vested shares to be held for an additional four years (following the end of the three year performance period). These arrangements were implemented to require executives to build up and maintain more sizeable shareholdings in Caltex over a longer period of time and corresponded with the removal of our short term incentive deferral arrangements.</p> <p>As the purpose of the share retention arrangements is to create alignment between executives and shareholders, the Board determined that for the 2016 awards (which potentially vest in April 2019) and future awards, the share retention arrangements would no longer apply if the executive holds 100% of their base salary in Caltex shares in the month prior to the vesting date.</p>
MD & CEO remuneration	<p>The Board determined to freeze the fixed remuneration of the MD &amp; CEO in 2016 and instead to direct his pay increase into the STI, which is subject to the achievement of rigorous performance conditions.</p> <p>The MD &amp; CEO's target STI opportunity will increase from 50% to 60% of base salary and his stretch STI opportunity will increase from 100% to 120% of base salary. The Board determined that this was appropriate given:</p> <ul style="list-style-type: none"> <li>advice from Aon Hewitt, the Human Resources Committee's independent remuneration adviser, indicated that target STI opportunities for MD &amp; CEOs in our peer group were typically around 90-100% of fixed remuneration and were typically higher (in percentage terms) than other members of the leadership team, and</li> <li>the increase in the STI opportunity brings the MD &amp; CEO's target STI and total target remuneration closer to the median of the customised peer group that is used for benchmarking purposes. See section 3a for further information on the peer groups used.</li> </ul>
Senior Executive remuneration	<p>Excluding the MD &amp; CEO and the EGM Supply Chain Operations, Senior Executive remuneration will increase on average by 2.26% in April 2016. As noted above, the MD &amp; CEO's fixed remuneration was frozen for 2016. The EGM Supply Chain Operations will receive a fixed remuneration increase of 13.6%.</p> <p>This restrained level of average base salary increase is below forecast market movement and is below the budgeted salary increase which will apply to the majority of Caltex employees.</p> <p>These increases were determined by the Board, upon the recommendation of the Human Resources Committee, taking into account the market data, forecast market movements, and the remuneration recommendations made by Aon Hewitt, and the Senior Executive's performance over the year.</p> <p>The larger remuneration increase awarded to the EGM Supply Chain Operations was determined to be appropriate by the Board taking into account the market data, his strong performance and strategic contribution, and internal relativities to his peers.</p>
Non-executive Director fees	<p>Non-executive Director base fees will increase by 2.8% in January 2016. The Board determined that this pay increase was appropriate taking into account the market data, forecast market movements, and the remuneration recommendations made by Aon Hewitt. Committee fees will remain unchanged.</p>
Non-executive Director fee pool	<p>Shareholder approval will be sought at the 2016 Annual General Meeting to increase the Non-executive Director fee pool by \$250,000 or 11.11% to \$2.5 million. This will enable Caltex to maintain an appropriate reserve to effect Board and Committee succession in an orderly manner.</p>

## 2. Oversight and external advice

### 2a. Board and Human Resources Committee

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, including setting remuneration for directors and Senior Executives and any discretion applied in relation to the targets or funding pool for Caltex's incentive plans.

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, in the best interests of Caltex and support superior performance and long term growth in shareholder value.

The Human Resources Committee has also been delegated specific functions by the Board, including approving Caltex's annual remuneration program and aspects of its incentive plans.

Further information about the role of the Board and the Human Resources Committee is set out in their charters, which are available on the company's website ([www.caltex.com.au](http://www.caltex.com.au)).

### 2b. External advice

The Human Resources Committee is independent of management and is authorised by the Board to obtain external professional advice as necessary. The use of external specialists to provide advice and recommendations specifically in relation to the remuneration of Non-executive Directors, the MD & CEO and Senior Executives is either initiated directly, or approved by, the Human Resources Committee, and these specialists are directly engaged by the Human Resources Committee Chairman.

During 2015, Caltex received "remuneration recommendations" (as defined in the *Corporations Act*) from Aon Hewitt in relation to Non-executive Director fees and the remuneration for the MD & CEO and other Senior Executives.

Aon Hewitt has provided a formal declaration confirming that the recommendations provided were free from "undue influence" by the members of the KMP to whom the recommendations were related, and the Board is satisfied that the recommendations were made free from any undue influence. None of the KMP were involved in the selection and appointment of Aon Hewitt or in the development of any advice or recommendations in relation to their own roles.

The fee paid to Aon Hewitt for the above remuneration advice and recommendations was \$31,800 excluding GST. Aon Hewitt also provided additional services (Finance and HR related) to Caltex over 2015. The fee for these additional services was \$110,981 excluding GST.

## 3. Senior Executive remuneration

### 3a. Remuneration philosophy and structure

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 and all other employees is outlined below:

GUIDING PHILOSOPHY	COMMENTARY
Alignment with shareholders' interests	The payment of variable incentives is dependent upon achieving financial and non-financial performance measures that are aligned with shareholders' interests. Share retention arrangements require all executives to build up and maintain shareholdings to encourage further alignment with Caltex shareholders.
Performance focused and differentiated	The company's reward and performance planning and review systems are closely integrated to maintain a strong emphasis and accountability for performance at the company, department and individual levels. Rewards are differentiated to incentivise and reward superior performance.
Market competitive	All elements of remuneration are set at competitive levels for comparable roles in Australia and allow Caltex to attract and retain quality candidates in the talent market.

#### *Alignment with strategy*

Both the short term and long term incentive plan are directly aligned to the company's strategy.

Short term incentives reward the delivery of stretching but potentially attainable financial and non-financial performance measures aligned to the annual business plan.

Long term incentives are directly aligned to the company's key measure of success, being to safely and reliably deliver top quartile shareholder returns. The company's secondary strategic growth measures focus the Senior Executives on the most important initiatives that need to be executed to support top quartile shareholder returns. Further detail on these measures is outlined in section 3d.

## Remuneration Report continued

### 3. Senior Executive remuneration continued

#### 3a. Remuneration philosophy and structure continued

##### Market positioning and peer groups

In order to be able to attract and retain key talent, and drive strong performance, the company's remuneration philosophy is to position fixed remuneration at the median of a customised peer group of companies, with total remuneration able to reach the upper quartile for outstanding performance. For 2016, the customised peer group consisted of 19 companies that are broadly of comparable size and complexity and who the Board considers to be leading competitors for capital and people.

The Board recognises that external stakeholders often assess pay reasonableness against a pure market capitalisation peer group. Due to this, in making pay decisions, the Board also considers pay positioning against a secondary peer group. This secondary peer group consists of 20 companies (10 with a market capitalisation directly above, and 10 with a market capitalisation directly below, that of Caltex). Externally managed trusts and overseas domiciled companies are excluded.

##### Remuneration structure

Our Senior Executive remuneration structure consists of:

- 1. Fixed remuneration** – this comprises base salary, non-monetary benefits and superannuation. Superannuation is generally payable at a rate of 9.5% of base salary plus any cash incentive payments. Where an employee's superannuation contributions are above the superannuation contributions limit, the employee may elect to receive the excess amount as cash in lieu of superannuation.
- 2. Variable remuneration** – this comprises a mix of cash and equity based incentives awarded upon the achievement of financial and non-financial performance measures.

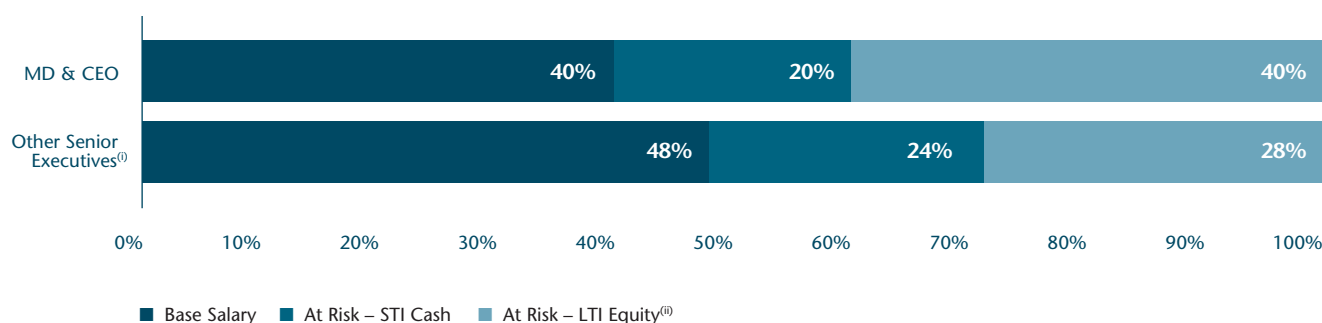
The remuneration structure (including the remuneration mix) is reviewed annually by the Board.

#### 3b. Remuneration mix

The "at target" remuneration mix for Senior Executives is outlined below.

The remuneration mix is skewed towards variable pay to better align executive pay and performance, and within the variable pay components, the mix is skewed towards the long term incentive. Research undertaken by Caltex, and confirmed by external advisers, shows that Caltex has a more stretching relative TSR vesting schedule than most ASX 100 companies. See section 3d for further information on the relative TSR vesting schedule.

#### 2015 Remuneration mix "at target"

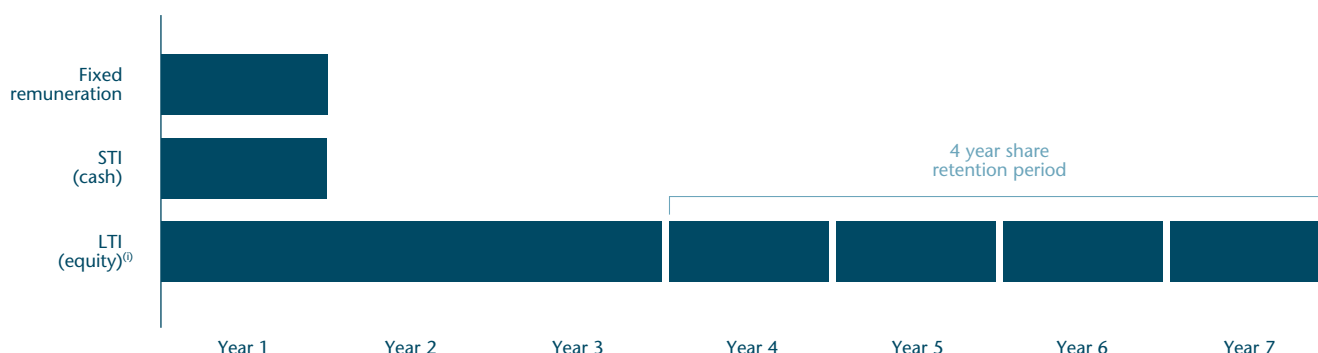


##### Notes:

<sup>(i)</sup> "At target" performance in the remuneration mix for "Other Senior Executives" reflects a STI target of 50% of base salary for Mr Brewer, Mr Hepworth, Mr Ritchie and Mr Rosengarten. Mr Lim and Mr Willshire have a STI target of 46% of base salary.

<sup>(ii)</sup> LTI Equity comprises performance rights granted under the Caltex Equity Incentive Plan (CEIP). It assumes that the relative TSR measure is achieved at the 75th percentile and the strategic growth measure is achieved at target. Grants of performance rights under the CEIP are made at the maximum stretch level of 150% of base salary for the MD & CEO and 90% of base salary for other Senior Executives. The proportion of the grant that vests is based on meeting service and performance conditions.

The below diagram shows the payout profile of the various remuneration elements:



Note:

<sup>(i)</sup> For LTI awards made in 2013, 2014 and 2015, 25% of vested equity needs to be held by the Senior Executive up until Year 7. For awards made in 2016 onwards, this requirement only applies if the Senior Executive does not hold at least 100% of their base salary in Caltex shares.

### 3c. Performance based “at risk” remuneration – 2015 STI Plan

<b>Plan</b>	STI awards are made under the Rewarding Results Plan.
<b>Plan rationale</b>	The Plan rewards a combination of financial and non-financial performance measures that are aligned to the creation of shareholder value. Primary emphasis is placed on RCOP NPAT, and the non-financial measures focus our executives and employees on executing the most critical objectives aligned to the annual business plan.
<b>Performance period</b>	The performance period is for 12 months ending 31 December 2015.
<b>2015 target and maximum stretch opportunity levels</b>	MD & CEO – the target STI opportunity is 50% of base salary and the maximum stretch STI opportunity is 100% of base salary. Other Senior Executives – the target STI opportunity is between 46% and 50% of base salary and the maximum stretch STI opportunity is between 92% and 100% of base salary depending upon role.
<b>Financial gateway</b>	RCOP NPAT performance, including the cost of incentives, needs to be at least at 80% of target before any short term incentives are payable.
<b>Use of discretion</b>	The Human Resources Committee, in its advisory role, reviews proposed adjustments to Rewarding Results outcomes where there are exceptional unforeseen and uncontrollable impacts on the agreed performance measures and makes recommendations for any changes to performance measures, which may only be approved by the Board.  During 2015, discretion was exercised by the Board to exclude the impact of the profit on the sale of the Fremantle terminal as a significant item from the RCOP NPAT result. This was determined by the Board to be outside of the control of employees and not considered part of normal trading operations.
<b>Payment vehicle</b>	STI awards are delivered in cash. STI deferral was removed for STI awards made to Senior Executives from payments made in 2016 onwards because the long term incentive share retention arrangements came into place at this time. See section 3d for further detail.
<b>Payment frequency</b>	STI awards are paid annually. Payments are made in April following the end of the performance period.

#### Setting and evaluating the performance of executives in 2015

Performance measures for 2015 were derived from the business plan in line with the company direction set by the Board. The Board approved the 2015 business plan and has regularly monitored and reviewed progress against plan milestones and targets.

The approved Caltex business plan was then translated into department objectives. The company objectives were approved by the Human Resources Committee at the start of the performance year.

Within each business unit, specific performance agreements were then developed for individual employees, thus completing the link between employees and the delivery of the business plan. Performance agreements must be agreed between the employee and his or her manager. Senior Executives set their performance agreements jointly with the MD & CEO, and the MD & CEO's performance objectives are approved by the Board.

## Remuneration Report continued

### 3. Senior Executive remuneration continued

#### 3c. Performance based "at risk" remuneration – 2015 STI Plan continued

##### Senior Executive performance objectives and outcomes

The table below outlines the common performance objectives that applied to the Senior Executives over 2015. These measures accounted for between 80% and 85% of the Senior Executive's scorecard depending upon their role. The remaining 15-20% of performance objectives were customised to the executive's remit. Actual performance against the objectives has also been provided.

MEASURE	DESCRIPTOR OF MEASURE	WEIGHTING	ACTUAL PERFORMANCE RANGE					COMMENTARY ON PERFORMANCE
			Below Threshold	Threshold to Target	Target	Target to Stretch	Stretch	
Personal safety (assessed at company or business unit level)	Performance is measured based on the total treatable injury frequency rate (TTIFR)	5-7.5%	✓					Personal safety results were disappointing with 19 employees suffering injuries requiring medical treatment during FY15.
Process safety (assessed at company or business unit level)	Performance is measured based on the number of spills	5-7.5%					✓	Process safety results were strong with no Tier 1 or 2 process safety incidents and nine spills (> 1 bbl and marine) across the company. This significant performance improvement (from 22 in 2014) follows targeted improvement programs across the business.
RCOP NPAT	See explanation of RCOP NPAT below	40%				✓		A record level of RCOP NPAT (\$628.4 million) was achieved in 2015.
Tabula Rasa	Key business improvement program focusing on revenue generation and cost efficiency	15-25%					✓	This highly successful program exceeded expectations which achieved more than double the budgeted targets of revenue generation and costs saved.
Organisational Health Index (OHI)	Performance is measured through a global survey based on key areas including Leadership, Culture and Innovation	5-10%		✓				Demonstrable improvement since last survey participation in 2014, indicating Caltex has some clear strengths and also some particular areas of focus.

If business objectives are achieved at threshold level, 60% of the target STI opportunity would be payable. If 100% of the target is achieved, 100% of the STI target opportunity would be payable. If business objectives are achieved at the maximum level, 200% of the STI target opportunity would be payable. Payments are pro-rated between threshold and target, and between target and maximum. This payout schedule deliberately incentivises over-plan performance.

At Caltex, incentives are not designed as "profit sharing arrangements" and as such performance measures may factor in externalities which management cannot control (such as global refining margins). There will be occasions when incentives are paid when externalities such as the refiner margins and exchange rate fluctuations may have reduced overall shareholder returns. Equally, incentives may not be paid when externalities are favourable to shareholders but the company's relative performance is poor.

*RCOP NPAT (explanation of the relevance of this measure to the Caltex business and treatment of significant items)*

The Board has selected replacement cost of sales operating profit (RCOP) NPAT as the primary STI measure because RCOP NPAT removes the impact of inventory gains and losses, giving a truer reflection of underlying financial performance.

Gains and losses in cost of goods sold due to fluctuations in the AUD price of crude and product prices (which are impacted by both the USD price and the foreign exchange rate) constitute a major external influence on Caltex's profits. RCOP NPAT restates profit to remove these impacts. The Caltex RCOP methodology is consistent with the methods used by other refining and marketing companies for restatement of their financial results.

As a general rule, an increase in crude prices on an AUD basis will create an earnings gain for Caltex (but working capital requirements will also increase). Conversely, a fall in crude prices on an AUD basis will create an earnings loss. This is a direct consequence of the first in first out (FIFO) costing process used by Caltex in adherence with accounting standards to produce the financial result on a historical cost basis.

With Caltex holding approximately 30 to 45 days of inventory, revenues reflect current prices in Singapore whereas FIFO costing reflects costs some 30 to 45 days earlier. The timing difference creates these inventory gains and losses.

To remove the impact of this factor on earnings and to better reflect the underlying performance of the business, the RCOP NPAT methodology calculates the cost of goods sold on the basis of theoretical new purchases instead of actual costs from inventory. The cost of these theoretical new purchases is calculated as the average monthly cost of cargoes received during the month of those sales.

Each year the Board reviews any significant items, positive and negative, and considers their relevance to the RCOP NPAT result. Generally, the Board will exclude any exceptional events from RCOP NPAT that management and the Board consider to be outside the scope of usual business. These are excluded to give a clearer reflection of underlying financial performance from one period to the next.

**3d. Performance based "at risk" remuneration – 2015 LTI plan**

<b>Plan</b>	LTI awards are granted under the CEIP.
<b>Plan rationale</b>	<p>The Plan aligns executive rewards with the shareholder experience. This is done through the use of relative TSR as the primary performance measure, and through the use of strategic growth measures which contribute towards the delivery of top quartile shareholder returns as the secondary measure.</p> <p>The Plan has also been designed to act as a retention mechanism and to encourage Senior Executives to build and retain Caltex shares over the long term.</p>
<b>LTI instrument</b>	<p>Performance rights are granted by the company for nil consideration. Each performance right is a right to receive a fully-paid ordinary share at no cost if service based and performance based vesting conditions are achieved. Performance rights do not carry voting or dividend rights.</p> <p>For all awards from 2013, the Board may determine to pay executives the cash value of a share in satisfaction of a vested performance right, instead of providing a share or restricted share. It is expected such discretion will only be exercised in limited cases, typically where the executive is a "good leaver" from Caltex, i.e. where the employee ceases employment due to redundancy or retirement.</p>
<b>Allocation methodology</b>	<p>The number of performance rights granted is determined by dividing the maximum opportunity level by the five day volume weighted average share price up to the first day of the performance period, discounted by the value of the annual dividend to which the performance rights are not entitled. No discount is applied for the probability of achieving the performance measures.</p>
<b>Performance period</b>	<p>The performance period is three years commencing on 1 January in the year the awards are made. For the 2015 awards, this is the three year period from 1 January 2015 – 31 December 2017.</p>
<b>2015 target and maximum stretch opportunity levels</b>	<p>The MD &amp; CEO received a grant of performance rights based on a maximum stretch LTI value of 150% of base salary. The target LTI value is 100% of base salary.</p> <p>Other Senior Executive grants were based on a maximum stretch LTI value of 90% of base salary. The target LTI value is 60% of base salary.</p>

## Remuneration Report continued

### 3. Senior Executive remuneration continued

#### 3d. Performance based "at risk" remuneration – 2015 LTI plan continued

<b>Performance measures</b>	<p>For 2015, the LTI performance measures were relative TSR (weighted at 75%) and a strategic growth measure (weighted at 25%).</p> <p><b>Relative TSR</b> Relative TSR is assessed against a comparator group of S&amp;P/ASX 100 companies. The vesting schedule is:</p> <table> <tr> <th>Performance scale</th><th>Vesting %</th></tr> <tr> <td>Below Threshold</td><td>Zero</td></tr> <tr> <td>Threshold: 50th percentile</td><td>33.3% of the rights will vest</td></tr> <tr> <td>Between Threshold and Target</td><td>Pro-rata vesting occurs between these relative performance levels</td></tr> <tr> <td>Target: 75th percentile</td><td>66.6% of the rights will vest</td></tr> <tr> <td>Between Target and Stretch</td><td>Pro-rata vesting occurs between these relative performance levels</td></tr> <tr> <td>Stretch: 90th percentile</td><td>100% of the rights will vest</td></tr> </table> <p><b>Strategic growth measure</b> In 2015, the strategic growth measure is a three year earnings growth measure from mergers and acquisitions (core and non-core) and step-out ventures (new products/services/geographies). This measure was chosen as it reflects the importance of growth in achieving our key success measure of top quartile shareholder returns.</p> <p><b>Disclosure of performance outcomes</b> In the 2017 Remuneration Report, the Board will set out how Caltex performed against these measures. See section 3h for the Board's rationale for the performance outcomes of the LTI awards that were granted in 2013 and that vest in April 2016.</p>	Performance scale	Vesting %	Below Threshold	Zero	Threshold: 50th percentile	33.3% of the rights will vest	Between Threshold and Target	Pro-rata vesting occurs between these relative performance levels	Target: 75th percentile	66.6% of the rights will vest	Between Target and Stretch	Pro-rata vesting occurs between these relative performance levels	Stretch: 90th percentile	100% of the rights will vest
Performance scale	Vesting %														
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Target: 75th percentile	66.6% of the rights will vest														
Between Target and Stretch	Pro-rata vesting occurs between these relative performance levels														
Stretch: 90th percentile	100% of the rights will vest														
<b>Shares acquired upon vesting of the performance rights</b>	<p>Shares to satisfy vested performance rights are purchased on market at the time of vesting if the vesting conditions are met and the performance rights vest.</p> <p>Shares allocated upon vesting of performance rights will carry the same rights as other ordinary shares (including dividends and voting rights).</p>														
<b>Share retention arrangements</b>	<p>The share retention arrangements are designed to encourage all executives to build up and maintain more sizeable shareholdings in Caltex for a longer period of time and further align the interests of Caltex executives and shareholders.</p> <p>Under the share retention arrangements, 25% of the vested portion of performance rights will be converted into restricted shares. These shares are unable to be sold for a further period of four years (until 1 April 2022 for the 2015 LTI awards). This effectively extends the life of the LTI plan from three years to seven years.</p> <p>Based on this policy, if it is assumed that the LTI awards vest at target levels over a period of four years, the MD &amp; CEO and Senior Executives would have theoretical shareholdings of 100% and 60% of their base salary respectively.</p> <p>On ceasing employment, all dealing restrictions on the restricted shares cease to apply, subject to the application of the Clawback Policy.</p>														
<b>Clawback Policy</b>	See section 3e for information on the Caltex Clawback Policy.														
<b>Termination provisions</b>	<p>If a participant ceases to be an employee due to resignation, all unvested equity awards held by the participant will lapse, except in exceptional circumstances as approved by the Board.</p> <p>The Board has the discretion to determine the extent to which equity awards granted to a participant under the LTI plan vest on a pro-rated basis where the participant ceases to be an employee of a Group company for reasons including retirement, death, total and permanent disablement, and bona fide redundancy. In these cases, the Board's usual practice is to pro-rate the award to reflect the portion of the period from the date of grant to the date the participant ceased to be employed. In addition, the portion of the award that ultimately vests is determined by testing against the relevant performance measures at the usual time.</p>														
<b>Change of control provisions</b>	Any unvested performance rights may vest at the Board's discretion, having regard to pro-rated performance.														

### Legacy LTI awards

The 2013 and 2014 LTI awards will vest in April 2016 and April 2017 respectively. The operation of these awards is consistent with the 2015 awards, except for the weighting and nature of the performance measures. The performance measures for the 2013 and 2014 awards were relative TSR (weighted at 60%), free cash flow (weighted at 20%) and strategic measures (weighted at 20%).

Performance measure	Commentary
Relative TSR	The operation of the relative TSR measure is the same as that outlined above under the 2015 awards.
Free cash flow (FCF)	<p>FCF measures performance against the cumulative FCF threshold, target and stretch levels set by the Board for the three year periods ending 31 December 2015 (2013 award) and 31 December 2016 (2014 award), based on the respective three year business plan. The targets are achievable only if growth expectations in Marketing are achieved, a competitive supply chain is maintained, and key strategic projects are delivered.</p> <p>FCF performance is measured before dividends and growth investment capital to ensure management is not discouraged from considering growth opportunities. The Board may modify the performance outcome to take into account material changes to the external environment and potentially those controllable items that may change to reflect appropriate Board decisions over the three year period.</p> <p>See section 3h for Caltex's performance against the cumulative FCF target applicable for the 2013 awards. The Board will set out Caltex's performance against the cumulative FCF target applicable for the 2014 awards in the 2016 Remuneration Report, including how, if at all, the Board has modified the performance outcome noted above.</p>
Strategic measures – 2013 award	<p>The 2013 strategic measure is based on performance against the Board approved project cost and schedule milestones for the Kurnell conversion project. The cost schedules and milestones are those that were to be delivered before 31 December 2015 and which were approved by the Board during 2013.</p> <p>Half of the Board's assessment (10% weighting) was based on the delivery of the Kurnell conversion project to budget. The remaining half (10% weighting) was based on the Board's qualitative assessment of performance during the three year period against a range of parameters including delivery of project milestones to time, safety and environment performance, and continuity of supply to customers.</p> <p>See section 3h for the Board's rationale on the vesting percentage that applied for the 2013 LTI awards.</p>
Strategic measures – 2014 award	<p>The 2014 strategic measure is based on the Board's qualitative assessment of the outcomes achieved through key strategic projects, each designed to support top quartile shareholder returns, through the transformation of the company into a competitively efficient organisation with innovation and growth capabilities.</p> <p>The expected outcomes of the projects will be:</p> <ul style="list-style-type: none"> <li>• a competitively efficient organisation</li> <li>• the development and demonstration of end to end value chain optimisation capability</li> <li>• the development and demonstration of competitive supply capability</li> <li>• the development and demonstration of innovation and growth capabilities.</li> </ul> <p>In the 2016 Remuneration Report, the Board will set out how Caltex performed against these measures, including the Board's rationale for the relevant vesting percentage.</p>

### 3e. Clawback Policy

Caltex has a Clawback Policy which allows the company to recoup incentives which may have been awarded and/or vested to Senior Executives in certain circumstances. The specific triggers which allow Caltex to recoup the incentives include Senior Executives acting fraudulently or dishonestly, acting in a manner which has brought a Group company into disrepute; where there has been a material misstatement or omission in the financial statements in relation to a Group company in any of the previous three financial years; or any other circumstances occur which the Board determines in good faith to have resulted in an "unfair benefit" to the Senior Executive.

Upon the occurrence of any of the triggers, the Board may then take such actions it deems necessary or appropriate to address the events that gave rise to an "unfair benefit". Such actions may include:

1. requiring the Senior Executive to repay some or all of any cash or equity incentive remuneration paid in any of the previous three financial years
2. requiring the Senior Executive to repay any gains realised in any of the previous three financial years through the CEIP or on the open-market sale of vested shares
3. cancelling or requiring the forfeiture of some or all of the Senior Executive's unvested performance rights, restricted shares or shares
4. reissuing any number of performance rights or restricted shares to the participant subject to new vesting conditions in place of the forfeited performance rights, restricted shares or shares
5. adjusting the Senior Executive's future incentive remuneration, and/or
6. initiating legal action against the Senior Executive.

## Remuneration Report continued

### 3. Senior Executive remuneration continued

#### 3f. Hedging and margin lending policies

The Caltex Securities Trading Policy prohibits Senior Executives from hedging an exposure to unvested or vested Caltex securities held through any of our incentive plans. The policy also requires directors and Senior Executives to give prior notice to the Company Secretary of any proposed margin loan arrangements. If a demand for payment is made under a margin loan arrangement, the director or Senior Executive must immediately advise the Company Secretary.

The Securities Trading Policy is a core corporate governance policy and Caltex has implemented appropriate measures to ensure compliance. Each year, directors, Senior Executives and certain other personnel are required to provide a certificate to the Company Secretary confirming their compliance with the Securities Trading Policy. Any breach of the Securities Trading Policy must be immediately advised to the Company Secretary, who will report the breach to the Board. A breach of the Securities Trading Policy may lead to disciplinary action, which may include termination of employment in serious cases.

#### 3g. Senior Executive remuneration and service agreements

##### MD & CEO

The MD & CEO's remuneration is determined by the Board, upon the recommendation of the Human Resources Committee. In making its 2015 remuneration recommendation, the Human Resources Committee considered the performance of the MD & CEO and advice provided by Godfrey Remuneration Group (GRG), which took into account remuneration levels provided by companies of a similar size and complexity.

The split between the MD & CEO's 2015 total target and maximum stretch remuneration is outlined below.

TOTAL TARGET AND MAXIMUM STRETCH REMUNERATION		
Fixed remuneration including superannuation	"At risk" – performance based remuneration	
	STI	LTI <sup>(ii)</sup>
\$2,248,500 <sup>(i)</sup>	"At target"	"At target" – when TSR is at the 75th percentile of peer companies, and the strategic growth measure has been met at target.
	\$1,074,250 (50% of base salary)	\$2,148,500 (100% of base salary)
	"Stretch"	"Stretch" – when TSR is at the 90th percentile of peer companies and the strategic growth measure has been met at stretch.
	\$2,148,500 (100% of base salary)	\$3,222,750 (150% of base salary)

Notes:

<sup>(i)</sup> The MD & CEO's remuneration increased by 8% during the 2015 remuneration review.

<sup>(ii)</sup> Share retention arrangements have been implemented to encourage share retention and promote alignment with shareholders over the longer term. For the 2013, 2014 and 2015 LTI awards, all Senior Executives are required to hold 25% of the shares awarded when the performance rights vest for an additional four years. For 2016 LTI awards, this requirement will only apply if the Senior Executive does not hold at least 100% of their base salary in Caltex shares in the month prior to the vesting date.

Table 1. Summary of MD & CEO's Service Agreement

Term	Conditions
Duration	Ongoing until notice is given by either party
Termination by MD & CEO	Six months' notice Company may elect to make payment in lieu of notice
Termination by company for cause	No notice requirement or termination benefits (other than accrued entitlements)
Termination by company (other)	12 months' notice Termination payment of 12 months' base salary (reduced by any payment in lieu of notice) Treatment of unvested STI and LTI in accordance with plan terms
Post-employment restraints	Restraint applies for 12 months if employed in the same industry within Australia

#### Other Senior Executives

The remuneration and other terms of employment for the other Senior Executives are formalised in Service Agreements (contracts of employment). The material terms of the Service Agreements are set out below.

The other Senior Executives of Caltex are appointed as permanent Caltex employees. Their employment contracts require both Caltex and the executive to give a notice period within a range between three and six months as stipulated by their individual contracts should they resign or have their service terminated by Caltex. The terms and conditions of the executive contracts reflect market conditions at the time of the contract negotiation and appointment.

The details of the contracts of the current Senior Executives of Caltex are set out below. The durations of the contracts are open ended (i.e. ongoing until notice is given by either party).

Table 2. Summary of Service Agreements for other Senior Executives

	Termination on notice (by the company)	Resignation (by the Senior Executive)
Andrew Brewer	6 months	6 months
Simon Hepworth	3 months	3 months
Peter Lim	6 months	6 months
Adam Ritchie	6 months	6 months
Bruce Rosengarten	6 months	6 months
Simon Willshire	6 months	6 months

If a Senior Executive was to resign, their entitlement to unvested shares payable through the LTI would generally be forfeited and, if resignation was on or before 31 December of the year, generally their payment from the Rewarding Results Plan would also be forfeited, subject to the discretion of the Board. If a Senior Executive is made redundant, their redundancy payment is determined by the Caltex Redundancy Policy, with the payment calculated based on years of service and the applicable notice period.

Other than prescribed notice periods, there is no special termination benefit payable under the contracts of employment. Statutory benefits (such as long service leave) are paid in accordance with the legislative requirements at the time the Senior Executive ceases employment.

#### Executive General Manager, Commercial

Mr Bruce Rosengarten was appointed on 1 November 2013. Mr Rosengarten's contract included relocation support to assist him to relocate from Melbourne, where he was previously employed. If Mr Rosengarten's employment ceases due to resignation, serious and wilful misconduct or negligent behaviour within 36 months of commencement, a pro-rated portion of relocation assistance must be repaid.

Mr Rosengarten also received a payment to compensate him for forgone STI and an award of restricted shares to compensate him for forgone unvested LTI at his prior employer. 50% of the restricted share grant vested on Mr Rosengarten's second anniversary of commencement in November 2015, and the remaining 50% will vest on his third anniversary. The second tranche will lapse if Mr Rosengarten's employment ceases due to resignation, serious and wilful misconduct, negligent behaviour or unsatisfactory performance prior to his third anniversary. The award of restricted shares is outlined in table 6.

#### Executive General Manager, Supply

Mr Adam Ritchie was appointed on 1 April 2015. Mr Ritchie's contract included relocation and accommodation support to assist him to relocate from the United States, where he was previously employed. If Mr Ritchie's employment ceases due to resignation, serious and wilful misconduct or negligent behaviour within 12 months of commencement, the entire cost of relocation assistance must be repaid, with a pro-rated portion repayable if employment ceases for these reasons between 12 and 24 months.

Mr Ritchie also received an award of restricted shares to compensate him for forgone unvested LTI at his prior employer. 33.33% of the restricted share grant will vest on each of Mr Ritchie's first, second and third anniversary of his commencement date. Each unvested tranche will lapse if Mr Ritchie's employment ceases due to resignation, serious and wilful misconduct or negligent behaviour prior to each respective vesting date.

The award of restricted shares is outlined in table 6.

## Remuneration Report continued

### 3. Senior Executive remuneration continued

#### 3h. Link between company performance and executive remuneration

The link between executive remuneration and company performance is outlined in various parts of this report. This includes section 1 where the 2015 remuneration outcomes are provided, and section 3 where the STI and LTI performance measures are explained, including why the measures have been chosen and how they relate to the performance of the company.

Table 3 below outlines Caltex's TSR, dividend, share price, earnings per share, RCOP NPAT results and safety performance each year from 2011 to 2015 together with the linkage to actual STI and LTI outcomes.

Table 3. Link between company performance and executive remuneration (unaudited)

Summary of performance over 2011-2015	2015	2014	2013	2012	2011
12 month TSR % <sup>(i)</sup>	13.6	74.1	6.1	66.6	(15.0)
Dividends (cents per share)	117c	70c	34c	40c	45c
Share price <sup>(ii)</sup>	\$37.70	\$34.21	\$20.05	\$19.21	\$11.77
RCOP excluding significant items earnings per share	\$2.33	\$1.83	\$1.23	\$1.70	\$0.98
RCOP NPAT excluding significant items (million) <sup>(iii)</sup>	\$628	\$493	\$332	\$458	\$264
Caltex Safety – TTIFR <sup>(iv)</sup>	2.35	1.76	1.36	2.86	2.53
Caltex Safety – LTIFR <sup>(v)</sup>	0.62	0.77	0.63	0.59	0.99
<b>Link to remuneration</b>					
STI – percentage of business plan RCOP NPAT target achieved	134%	125%	76%	137%	83%
STI – funding of STI pool (relative to target)	141%	127%	0%	144%	94%
LTI – percentage vesting three years after grant date					
Year of grant	2013	2012	2011	2010	2009
Percentage of grant vesting	80.49%	88.9%	42.3%	77.8%	82.2%

Notes:

<sup>(i)</sup> TSR is calculated as the change in share price for the year, plus dividends announced for the year, divided by the opening share price. TSR is a measure of the return to shareholders in respect of each financial year.

<sup>(ii)</sup> The price quoted is the trading price for the last day of trading (31 December) in each calendar year.

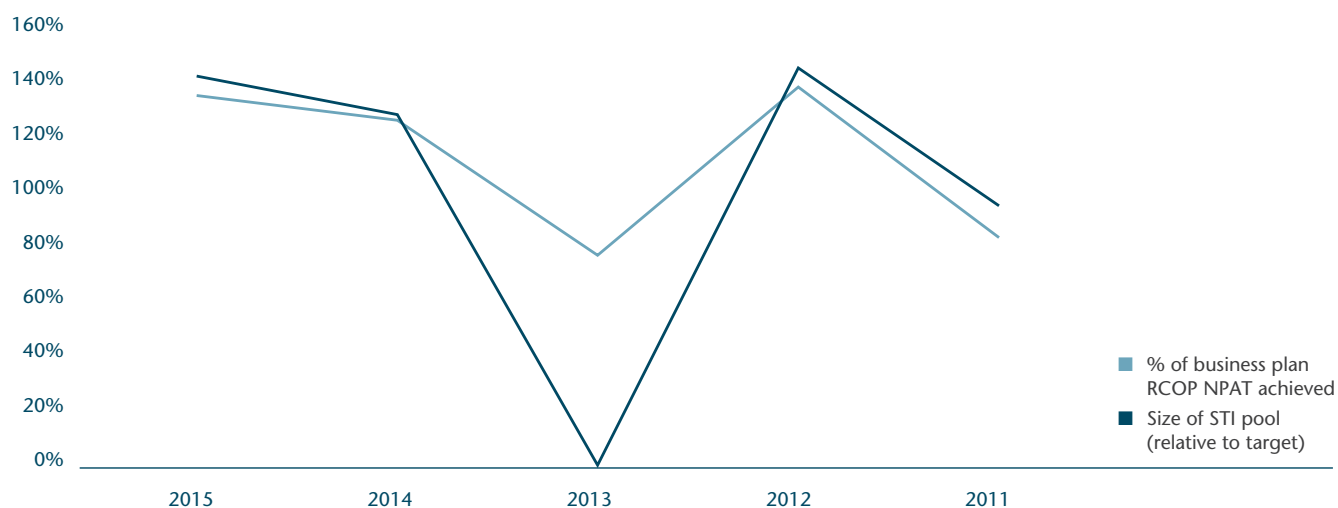
<sup>(iii)</sup> Measured using the RCOP method which excludes the impact of the rise or fall in oil and product prices (a key external factor) and excludes significant items as determined by the Board.

<sup>(iv)</sup> TTIFR – Total Treatable Injury Frequency Rate.

<sup>(v)</sup> LTIFR – Lost Time Injury Frequency Rate.

#### Alignment between STI outcomes and RCOP NPAT

The strong alignment between STI outcomes and company profitability as measured by RCOP NPAT is shown below.

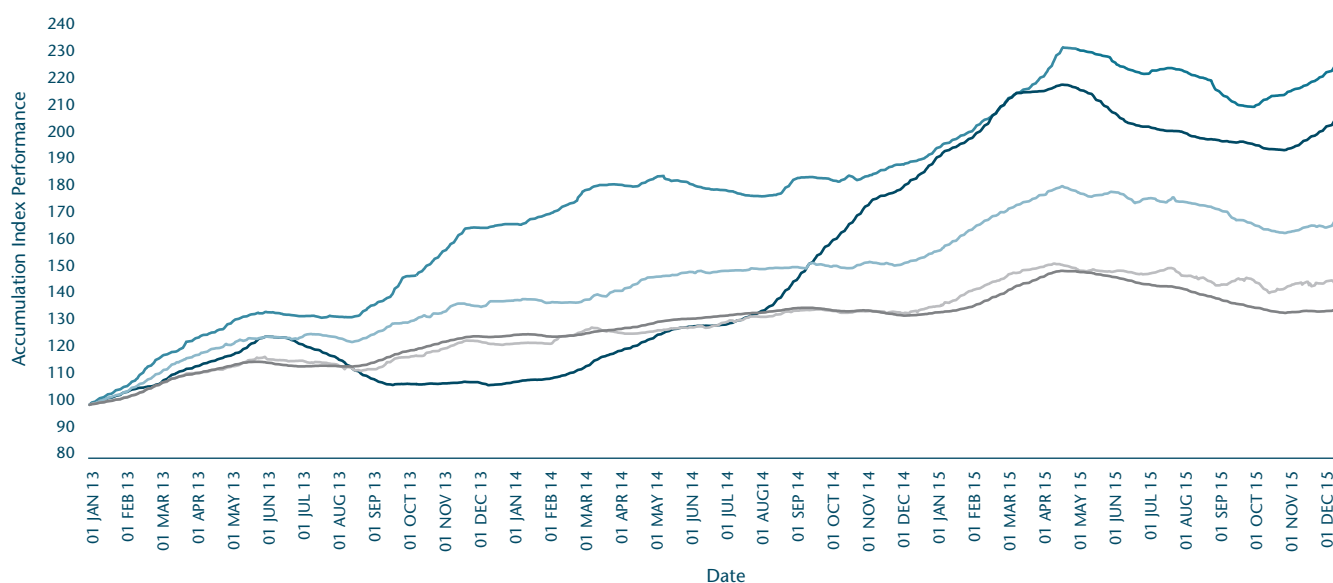


### 2013 LTI vesting outcomes and the link to company performance Relative TSR (60%)

The chart below provides a comparison of Caltex's three year TSR performance compared to S&P/ASX 100 companies over the period from 1 January 2013 to 31 December 2015. This reflects the final status of the 2013 LTI grant that is subject to the relative TSR performance measure. Caltex's TSR over this period was 200%, placing it at the 82nd percentile. This will lead to 81.17% of the performance rights subject to the relative TSR performance measure vesting on 1 April 2016.

#### Caltex Australia Limited and the Constituents of the S&P/ASX 100 Index Total Shareholders Return Performance 1 January 2013 – 31 December 2015

■ Caltex ■ 90th Percentile ■ 75th Percentile ■ 50th Percentile ■ ASX 100



2015 Copyright. All Rights Reserved. Egan Associates. Indices based on a value of 100 at 1 January 2013. Three month smoothing applied.

1. Constituents based on the S&P/ASX 100 Index as at grant date (i.e. 1 January 2013). Caltex is included in the S&P/ASX 100 Index.

Source: S&P Capital IQ



### Free cash flow (20%)

The level of vesting against the FCF measure was determined by aggregating Caltex's actual FCF performance over the three year performance period and comparing this to the aggregate of the three year stretch targets determined in early 2013 prior to the grant of this award.

While actual FCF performance over the 2013-15 period was strong, the vesting level was between threshold and target with 63.2% of the performance rights vesting on 1 April 2016. No adjustments were made by the Board to the FCF figures when determining the level of vesting against the FCF performance measure.

## Remuneration Report continued

### 3. Senior Executive remuneration continued

#### 3h. Link between company performance and executive remuneration continued

2013 LTI vesting outcomes and the link to company performance continued

Strategic measures (20%)

The table below provides an overview of performance against the applicable 2013 strategic measures.

Strategic measure and weighting (%)	Actual vesting (%)	Performance commentary
<b>Kurnell conversion project (20%)</b>		
Managing the project cost to budget (10%)	91.5%	<ul style="list-style-type: none"> <li>Project costs were managed well and came in \$41 million under target.</li> </ul>
The Board's qualitative assessment of performance against a range of parameters including delivery of project milestones to time, safety and environmental performance, and continuity of supply to customers (10%)	100%	<ul style="list-style-type: none"> <li>The conversion of the Kurnell site from a refinery to Caltex's largest import terminal has been an outstanding success.</li> <li>All of the major components of the project – reliable refinery operation to closure; conversion capital works; establishment of Ampol Singapore; developing the Kurnell terminal team; refinery decommissioning and demolition – have all been completed on or under budget and on or ahead of an aggressive schedule or plan.</li> <li>Kurnell site safety and environmental performance was excellent, with personal safety performance at this challenging time being amongst the best in the site's history.</li> <li>Critically, reliable supply to our customers was maintained, underpinned by the seamless transition of the site to import operation in October 2014.</li> <li>Feedback from investors indicates that the strong Caltex share price growth over the last three years has been partially driven by the scale and impact of the transition from refinery to terminal.</li> <li>The successful delivery of this project is a clear example of the successful strategic realignment that Caltex has executed over the last several years.</li> </ul>

### 3i. Remuneration tables

Table 4a. Total remuneration earned by Senior Executives in 2015 (unaudited, non-statutory disclosures)

The following table sets out the actual remuneration earned by Senior Executives in 2015. The value of remuneration includes the equity grants where the Senior Executive received control of the shares in 2015.

The purpose of this table is to provide a summary of the “past” and “present” remuneration outcomes received in either cash or equity. Due to this, the values in this table will not reconcile with those provided in the statutory disclosures in table 4b. For example, table 4b discloses the value of LTI grants which may or may not vest in future years, whereas this table discloses the value of LTI grants from previous years which vested in 2015.

Dollars	Salary and fees <sup>(i)</sup>	Other remuneration <sup>(iii)</sup>	Bonus (STI)	Deferred STI vested in the year <sup>(iv)</sup>	LTI vested during the year <sup>(v)</sup>	Remuneration “earned” for 2015 <sup>(vi)</sup>
Julian Segal (Managing Director & CEO) <sup>(ii)</sup> 2015	2,183,693	68,247	1,568,405	442,017	9,595,750	13,858,112
Andrew Brewer (Executive General Manager, Supply Chain Operations) <sup>(ii)</sup> 2015	688,546	408,041	491,330	120,783	890,681	2,599,381
Simon Hepworth (Chief Financial Officer) 2015	788,647	236,627	673,560	164,198	2,087,206	3,950,238
Peter Lim (Executive General Manager, Legal & Corporate Affairs) <sup>(ii)</sup> 2015	546,657	72,461	380,400	95,143	1,222,928	2,317,589
Adam Ritchie (Executive General Manager, Supply) <sup>(ii)</sup> 2015	613,823	185,972	667,890	–	–	1,467,685
Bruce Rosengarten (Executive General Manager, Commercial) <sup>(ii)</sup> 2015	834,443	74,294	574,241	140,316	535,051	2,158,345
Simon Willshire (Executive General Manager, Human Resources) <sup>(ii)</sup> 2015	537,658	78,452	383,945	101,633	1,375,032	2,476,720
<b>Total remuneration: Senior Executives</b> <b>2015</b>	<b>6,193,467</b>	<b>1,124,094</b>	<b>4,739,771</b>	<b>1,064,090</b>	<b>15,706,648</b>	<b>28,828,070</b>

Notes:

- <sup>(i)</sup> Salary and fees comprises base salary and cash payments in lieu of employer superannuation (on 2015 base salary and/or on STI payments made in respect of the 2014 performance year paid in 2015).
- <sup>(ii)</sup> These Senior Executives elect to receive an equivalent cash payment in lieu of employer superannuation that is in excess of the quarterly Superannuation Guarantee Maximum.
- <sup>(iii)</sup> Other remuneration includes the cash value of non-monetary benefits, superannuation, annual leave and long service leave entitlements, and any fringe benefits tax payable on non-monetary benefits. For Mr Ritchie, it also includes the value of relocation (including rental and tax) assistance associated with his relocation from the United States. For Mr Brewer, it also includes a \$294,680 cash based retention payment linked to the Kurnell closure and conversion project. This retention plan was introduced in 2011 prior to the time when Mr Brewer was a KMP.
- <sup>(iv)</sup> This refers to the deferred unrestricted component of the 2014 STI that vested in October 2015, but is still subject to clawback and a mandatory two year dealing restriction from grant date.
- <sup>(v)</sup> This refers to equity based plans from prior years that vested in the current year. The value is calculated using the closing share price of company shares on the vesting date. The 2015 figures reflect the strong performance in respect of the LTI that was granted in 2012 and that operated over the performance period from 1 January 2012 to 31 December 2014. Over this period, Caltex's TSR was 256% and the Caltex share price increased from \$11.20 to \$34.21. At the time of vesting, the Caltex share price had further increased to \$34.95. For Mr Rosengarten this refers to the value of the first tranche of restricted shares that were granted to him in 2013 and vested in November 2015.
- <sup>(vi)</sup> This refers to the total value of remuneration earned during 2015, being the sum of the prior columns.

## Remuneration Report continued

### 3. Senior Executive remuneration continued

#### 3i. Remuneration tables continued

Table 4b. Total remuneration for Senior Executives in 2015 (statutory disclosures)

The following table sets out the audited total remuneration for Senior Executives in 2014 and 2015, calculated in accordance with statutory accounting requirements:

	PRIMARY		POST EMPLOYMENT	OTHER LONG TERM	EQUITY		TOTAL	
Dollars	Salary and fees <sup>(i)</sup>	Bonus (STI)	Non- monetary benefits <sup>(iii)</sup>	Super- annuation	Other <sup>(iv)</sup>	Share benefits <sup>(v)</sup>	Rights benefits <sup>(vi)</sup>	
Julian Segal (Managing Director & CEO) <sup>(ii)</sup>								
2015	2,137,659	1,568,405	13,331	25,000	75,950	215,878	2,345,131	6,381,354
2014	2,188,995	949,862	12,756	25,000	57,445	259,053	2,198,465	5,691,576
Andrew Brewer (Executive General Manager, Supply Chain Operations) <sup>(ii)</sup>								
2015	715,473	491,330	23,308	24,354	38,771	58,770	325,401	1,677,407
2014	468,463	258,587	8,345	20,700	59,546	70,524	216,732	1,102,897
Simon Hepworth (Chief Financial Officer)								
2015	834,865	673,560	17,021	110,459	62,929	79,901	526,003	2,304,738
2014	740,351	351,563	15,570	68,851	36,257	95,881	485,512	1,793,985
Peter Lim (Executive General Manager, Legal & Corporate Affairs) <sup>(ii)</sup>								
2015	551,113	380,400	16,892	30,000	21,113	46,295	331,591	1,377,404
2014	485,218	203,698	17,213	27,000	28,609	55,554	293,916	1,111,208
Adam Ritchie (Executive General Manager, Supply) <sup>(ii)</sup>								
2015	625,900	667,890	143,037	30,858	–	74,998	107,306	1,649,989
2014	–	–	–	–	–	–	–	–
Bruce Rosengarten (Executive General Manager, Commercial) <sup>(ii)</sup>								
2015	838,952	574,241	13,899	30,400	25,486	309,814	290,461	2,083,253
2014	799,361	300,384	13,252	25,400	–	349,496	131,094	1,618,987
Simon Willshire (Executive General Manager, Human Resources) <sup>(ii)</sup>								
2015	559,943	383,945	14,195	26,446	15,526	49,463	338,474	1,387,992
2014	520,698	217,636	13,173	18,279	15,862	59,355	319,382	1,164,385
Total remuneration: Senior Executives								
2015	6,263,905	4,739,771	241,683	277,517	239,775	835,119	4,264,367	16,862,137
2014	5,203,086	2,281,730	80,309	185,230	197,719	889,863	3,645,101	12,483,038

Notes:

<sup>(i)</sup> Salary and fees include base salary and cash payments in lieu of employer superannuation. For 2015, the cash payments in lieu of employer superannuation are on 2015 base salary and/or on STI payments made in respect of the 2014 performance year paid in 2015.

<sup>(ii)</sup> These Senior Executives elect to receive an equivalent cash payment in lieu of employer superannuation that is in excess of the quarterly Superannuation Guarantee Maximum.

<sup>(iii)</sup> The non-monetary benefits received by Senior Executives include car parking benefits, employee StarCard benefits, the payment of the default premiums for death and total and permanent disability insurance cover and related fringe benefits tax payments made by Caltex. For Mr Ritchie it also includes the value of relocation (including rental and tax) assistance associated with his relocation from the United States.

<sup>(iv)</sup> Other long term remuneration represents the long service leave for all Senior Executives.

<sup>(v)</sup> Share benefits includes both the deferred unrestricted component of the 2014 STI that vested in October 2015, but where the shares are still subject to clawback and a mandatory two year dealing restriction from grant date. It also includes the 2015 portion of the amortised value calculated under Accounting Standards of the restricted shares granted to Mr Rosengarten in 2013, and the restricted shares granted to Mr Ritchie in 2015.

<sup>(vi)</sup> These values have been calculated under accounting standards. The values may not represent the future value that the Senior Executive will receive, as the vesting of the performance rights is subject to Caltex achieving pre-defined performance measures.

Table 5. Unvested shareholdings of Senior Executives during 2015

	Unvested shares at 31 Dec 2014	Restricted shares granted	Shares vested from prior performance years <sup>(iii)</sup>	Forfeited	Unvested shares at 31 Dec 2015
Julian Segal	13,826	–	(13,826)	–	–
Andrew Brewer	3,778	–	(3,778)	–	–
Simon Hepworth	5,136	–	(5,136)	–	–
Peter Lim	2,976	–	(2,976)	–	–
Adam Ritchie <sup>(i)</sup>	–	8,741	–	–	8,741
Bruce Rosengarten <sup>(ii)</sup>	38,253	–	(21,321)	–	16,932
Simon Willshire	3,179	–	(3,179)	–	–

Notes:

- <sup>(i)</sup> The restricted shares awarded to Mr Ritchie represent the grant received on commencement with Caltex in lieu of the LTI forgone with his previous employer (refer to section 3g for further detail). One third of this award will vest in April 2016, one third in April 2017 and the final third in April 2018 provided Mr Ritchie meets the service conditions.
- <sup>(ii)</sup> For Mr Rosengarten the unvested shares as at 31 December 2015 represent the unvested portion of the restricted shares awarded to Mr Rosengarten on commencement with Caltex in lieu of the LTI forgone with his previous employer (refer to section 3g for further detail). 50% of this award vested in November 2015, and the remaining 50% of the award will vest in November 2016 provided Mr Rosengarten meets the service conditions.
- <sup>(iii)</sup> Restricted shares vested represents the 2014 STI deferred into equity, in the form of restricted shares (33.3%). The shares were purchased in 2015 and vested in October 2015 on meeting the six month service related forfeiture condition. The shares are subject to a further two year dealing restriction from the date of grant.

Table 6. Restricted share grants to Senior Executives – other awards

The following table provides an estimate of the future cost to Caltex of unvested restricted shares based on the progressive vesting of the restricted shares, where the shares were not awarded under the STI Deferral plan. One new award of restricted shares was made during 2015 to the Executive General Manager, Supply on commencement of employment in lieu of the unvested LTI which lapsed upon his resignation with his prior employer. One award was made previously to the Executive General Manager, Commercial in 2013 for the same reason. The estimated future cost of the unvested shares has been supplied below.

	Type of award	Year of award	Vested (% of shares vested)	Future years when shares will vest	Future cost to Caltex of unvested shares (\$)
Adam Ritchie	Sign on	2015	0%	2016 (33%) 2017 (33%) 2018 (34%)	224,993
Bruce Rosengarten	Sign on	2013	50%	2016	89,328

## Remuneration Report continued

### 3. Senior Executive remuneration continued

#### 3i. Remuneration tables continued

Table 7. 2015 Senior Executive performance rights

Long term incentives for Senior Executives are awarded as performance rights under the CEIP as explained in section 3d. The following table sets out details of movements in performance rights held by Senior Executives during the year, including details of the performance rights that vested.

	Performance rights at 1 Jan 2015 <sup>(i)</sup>	Granted in 2015 <sup>(ii)</sup>	Vested in 2015 <sup>(iii)</sup>	Lapsed in 2015 <sup>(iv)</sup>	Balance at 31 Dec 2015
Julian Segal	610,311	101,312	(255,530)	(31,906)	424,187
Andrew Brewer	69,715	17,568	(23,985)	(2,995)	60,303
Simon Hepworth	134,969	23,584	(56,206)	(7,018)	95,329
Peter Lim	82,704	14,796	(32,932)	(4,112)	60,456
Adam Ritchie	–	22,208	–	–	22,208
Bruce Rosengarten	34,165	22,208	–	–	56,373
Simon Willshire	88,667	14,148	(37,028)	(4,624)	61,163

Notes:

<sup>(i)</sup> This relates to the 2012, 2013 and 2014 performance rights. If the service based and performance based vesting conditions are achieved, the 2013 and 2014 performance rights will vest in 2016 and 2017 respectively.

<sup>(ii)</sup> This relates to the 2015 performance rights. If the service based and performance based vesting conditions are achieved, these performance rights will vest in 2018.

<sup>(iii)</sup> This relates to the 2012 performance rights of which 88.9% vested.

<sup>(iv)</sup> This relates to the 2012 performance rights of which 11.1% lapsed.

Table 8. Valuation assumptions of performance rights granted

The fair value of performance rights granted under the CEIP is determined independently by Ernst & Young using an appropriate numerical pricing model. The model takes into account a range of assumptions and the fair values for each year of grant have been calculated incorporating the assumptions below.

	2015 GRANT		2014 GRANT		2013 GRANT	
	Relative TSR against S&P/ ASX 100	FCF and strategic measure	Relative TSR against S&P/ ASX 100	FCF and strategic measure	Relative TSR against S&P/ ASX 100	FCF and strategic measure
Grant date	7 April 2015	7 April 2015	7 April 2014	7 April 2014	22 April 2013	22 April 2013
Vesting date	1 April 2018	1 April 2018	1 April 2017	1 April 2017	1 April 2016	1 April 2016
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Volatility	30%	30%	35%	35%	40%	40%
Risk free interest rate	1.75%	1.75%	3.02%	3.02%	2.7%	2.7%
Dividend yield	3.2%	3.2%	2.7%	2.7%	2.0%	2.0%
Expected life (years)	3.0	3.0	3.0	3.0	2.9	2.9
Share price at grant date	\$34.94	\$34.94	\$21.85	\$21.85	\$20.60	\$20.60
Valuation per right	\$15.69	\$31.76	\$12.57	\$20.16	\$10.98	\$19.42

Note:

Market performance measures, such as relative TSR, must be incorporated into the option-pricing model valuation used for the CEIP performance rights, which is reflected in the valuation per performance right. Non-market vesting conditions such as free cash flow and strategic measures are not taken into account when determining the value of the performance right. This explains the higher valuation for these performance rights. However, the value of the free cash flow and strategic measures may be discounted during the performance period to reflect the Board's assessment of the probability of the number of equity instruments that will vest based on progress against the performance measures. These values will be reflected in table 4b.

Table 9. Mix of fixed and variable remuneration based on 2015 statutory remuneration table

The proportion of each Senior Executive's remuneration for 2015 that was fixed, and the proportion that was subject to a performance measure, is outlined below. The percentages are based on the 2015 statutory remuneration disclosures and do not correspond to the target remuneration percentages outlined earlier in this report in section 3b.

	Fixed	Variable (including short and long term incentive payments)
Julian Segal	35%	65%
Andrew Brewer	48%	52%
Simon Hepworth	44%	56%
Peter Lim	45%	55%
Adam Ritchie	48%	52%
Bruce Rosengarten	44%	56%
Simon Willshire	44%	56%

Table 10. FY15 STI outcomes

The table below sets out the actual STI outcome for each Senior Executive as a percentage of their maximum STI opportunity.

Current Senior Executives	2015	2014
Julian Segal	73%	72%
Andrew Brewer	72%	71%
Simon Hepworth	74%	71%
Peter Lim	72%	71%
Adam Ritchie	78%	n/a
Bruce Rosengarten	67%	64%
Simon Willshire	76%	73%
<b>Average</b>	<b>73%</b>	<b>71%</b>

#### 4. Non-executive Director fees

##### 4a. Our approach to Non-executive Director fees

Caltex's business and corporate operations are managed under the direction of the Board on behalf of 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. The Board recognises that providing strong leadership and strategic guidance to management is important to achieve our goals and objectives.

Under the Caltex Constitution and the ASX Listing Rules, the total annual fee pool for Non-executive Directors is determined by shareholders. 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.

The Non-executive Directors' fees are fixed and the Non-executive Directors do not participate in any Caltex incentive plan. Caltex does not have a retirement plan for Non-executive Directors.

## Remuneration Report continued

### 4. Non-executive Director fees continued

#### 4b. Board and Committee fees for 2015

The current maximum annual fee pool for Non-executive Directors is \$2.25 million, including statutory entitlements. This amount was approved by shareholders at the 2015 Annual General Meeting.

*Table 11. 2015 Non-executive Director fees*

The table below outlines the 2015 Non-executive Director fees. As outlined in the 2014 Remuneration Report, the base fees for the Chairman and Non-executive Directors increased from 1 January 2015 by 3%. All other Committee fees remained unchanged from 2014.

	BOARD		COMMITTEES <sup>(i)</sup>	
	Chairman	Member	Chairman	Member
2015 fee <sup>(ii)</sup>	\$478,950	\$159,650	\$36,000	\$18,000

Notes:

<sup>(i)</sup> Comprising the Audit Committee, Human Resources Committee, and OHS & Environmental Risk Committee. No fees are paid to the Chairman or Members of the Nomination Committee.

<sup>(ii)</sup> Caltex pays superannuation of 9.5% for Australian based Non-executive Directors in addition to the above fees.

#### 4c. Remuneration table

*Table 12. Non-executive Director fees in 2015 (statutory disclosures)*

The following table sets out the audited Non-executive Director fees in 2014 and 2015 calculated in accordance with statutory accounting requirements. Non-executive Directors are not eligible to receive any cash based or equity based incentives.

	PRIMARY		POST EMPLOYMENT	OTHER LONG TERM	TOTAL
Dollars	Salary and fees	Non-monetary benefits	Super- annuation <sup>(1)</sup>	Other	
Current Non-executive Directors					
Greig Gailey (Chairman)					
2015	249,160	558	23,415	–	273,133
2014	227,000	615	21,281	–	248,896
Trevor Bourne					
2015	231,650	914	22,007	–	254,571
2014	227,000	962	21,281	–	249,243
Steven Gregg					
2015	36,284	–	3,447	–	39,731
2014	–	–	–	–	–
Bruce Morgan					
2015	231,650	1,082	22,007	–	254,739
2014	227,000	781	21,281	–	249,062
Barbara Ward					
2015	155,738	79	14,368	–	170,185
2014	–	–	–	–	–
Penny Winn					
2015	26,608	–	2,528	–	29,136
2014	–	–	–	–	–

Note:

<sup>(i)</sup> Superannuation contributions are made on behalf of Australian based Non-executive Directors to satisfy Caltex's obligations under the Superannuation Guarantee legislation. Fees paid to Australian based Non-executive Directors may be subject to fee sacrifice arrangements for superannuation. Non-executive Directors may direct Caltex to pay superannuation contributions referable to fees in excess of the maximum earnings base as cash.

	PRIMARY		POST EMPLOYMENT	OTHER LONG TERM	TOTAL
Dollars	Salary and fees	Non-monetary benefits	Super- annuation <sup>(i)</sup>	Other	
<b>Former Non-executive Directors</b>					
Elizabeth Bryan (Chairman)					
<b>2015</b>	<b>501,057</b>	<b>278</b>	<b>17,926</b>	–	<b>519,261</b>
2014	490,315	389	18,279	–	508,983
Richard Brown					
<b>2015</b>	<b>40,241</b>	–	–	–	<b>40,241</b>
2014	155,000	–	–	–	155,000
Barbara Burger					
<b>2015</b>	<b>44,778</b>	–	–	–	<b>44,778</b>
2014	173,000	–	–	–	173,000
Ryan Krogmeier					
<b>2015</b>	<b>44,778</b>	–	–	–	<b>44,778</b>
2014	173,000	–	–	–	173,000
<b>Total: Non-executive Directors</b>					
<b>2015</b>	<b>1,561,944</b>	<b>2,911</b>	<b>105,698</b>	–	<b>1,670,553</b>
2014	1,672,315	2,747	82,122	–	1,757,184

Note:

<sup>(i)</sup> Superannuation contributions are made on behalf of Australian based Non-executive Directors to satisfy Caltex's obligations under the Superannuation Guarantee legislation. Fees paid to Australian based Non-executive Directors may be subject to fee sacrifice arrangements for superannuation. Non-executive Directors may direct Caltex to pay superannuation contributions referable to fees in excess of the maximum earnings base as cash.

## Remuneration Report continued

### 5. Shareholdings of Key Management Personnel

The movement during the reporting period in the number of shares of Caltex Australia Limited held directly or indirectly by each KMP, including their personally related entities, is below:

	Held at 31 Dec 2014	Purchased	Vested	Sold	Held at 31 Dec 2015
<b>Directors</b>					
Greig Gailey	5,000	–	–	–	5,000
Trevor Bourne	5,395	–	–	–	5,395
Steven Gregg	–	–	–	–	–
Bruce Morgan	10,500	–	–	–	10,500
Barbara Ward	–	–	–	–	–
Penny Winn	–	1,261	–	–	1,261
Elizabeth Bryan	14,946	–	–	–	14,946
Ryan Krogmeier	–	–	–	–	–
Richard Brown	–	–	–	–	–
Barbara Burger	–	–	–	–	–
<b>Senior Executives</b>					
Julian Segal	148,550	–	269,356	(276,000)	141,906
Andrew Brewer	25,012	–	27,763	(27,702)	25,073
Simon Hepworth	11,839	–	61,342	(49,500)	23,681
Peter Lim	15,424	–	35,908	(43,000)	8,332
Adam Ritchie	–	70	–	–	70
Bruce Rosengarten	–	–	21,321	(16,932)	4,389
Simon Willshire	5,157	–	40,207	(42,185)	3,179

	Held at 31 Dec 2013	Purchased	Vested	Sold	Held at 31 Dec 2014
<b>Directors</b>					
Greig Gailey	5,000	–	–	–	5,000
Trevor Bourne	5,395	–	–	–	5,395
Bruce Morgan	10,500	–	–	–	10,500
Elizabeth Bryan	14,946	–	–	–	14,946
Ryan Krogmeier	–	–	–	–	–
Richard Brown	–	–	–	–	–
Barbara Burger	–	–	–	–	–
<b>Senior Executives</b>					
Julian Segal	120,583	–	81,900	(53,933)	148,550
Andrew Brewer	27,825	–	7,656	(10,469)	25,012
Simon Hepworth	21,352	–	17,287	(26,800)	11,839
Peter Lim	10,669	–	4,755	–	15,424
Bruce Rosengarten	–	–	–	–	–
Simon Willshire	10,143	–	11,808	(16,794)	5,157

## 6. Other Key Management Personnel transactions

Apart from as disclosed in the indemnity section of the Directors' Report, no KMP have entered into a material contract, loan or other transaction with any entity in the Caltex Group during the year ended 31 December 2015 (2014: nil).

During 2015:

- Ms Bryan was a director of Westpac Banking Corporation; Insurance Australia Group Limited and Virgin Australia; transactions with these companies and (where relevant) their subsidiaries during 2015 were on normal commercial terms;
- Mr Bourne was a director of Senex Energy Limited and Sydney Water Corporation; transactions with these companies and (where relevant) their subsidiaries during 2015 were on normal commercial terms;
- Mr Morgan was a director of Origin Energy Limited and Sydney Water Corporation; transactions with these companies and (where relevant) their subsidiaries during 2015 were on normal commercial terms;
- Ms Ward was a director of Qantas Airways Limited; transactions with this company and (where relevant) its subsidiaries during 2015 were on normal commercial terms;
- Mr Gregg was a director of William Inglis & Son Limited; transactions with this company and (where relevant) its subsidiaries during 2015 were on normal commercial terms; and
- Ms Winn was a director of Port Waratah Coal Services Limited; transactions with this company and (where relevant) its subsidiaries during 2015 were on normal commercial terms.

## Directors' interests

The directors' relevant interests in the shares of Caltex Australia Limited at 31 December 2015 are set out in the following table.

Director	Shareholding	Nature of interest
Greig Gailey	5,000	Indirect interest
Julian Segal	141,906	Direct interest (128,080 shares) Indirect interest (13,826 shares) Mr Segal also has a direct interest in 424,187 performance rights
Trevor Bourne	5,395	Direct interest (2,395 shares) Indirect interest (3,000 shares)
Steven Gregg	Nil	N/A
Bruce Morgan	10,500	Indirect interest
Barbara Ward	Nil	N/A
Penny Winn	1,261	Indirect interest

Note:

No director has acquired or disposed of any relevant interests in the Company's shares in the period from 1 January 2016 to the date of this Annual Report.

## Board and Committee meetings

The Caltex Board met 10 times during the year ended 31 December 2015. In addition, directors attended Board strategy sessions and workshops, site visits and special purpose committee meetings during the year.

In 2015, the Board convened the following standing committees:

- Audit Committee
- Human Resources Committee
- Nomination Committee
- OHS & Environmental Risk Committee.

Special purpose committees were convened on three occasions in 2015.

## Board and Committee meetings continued

The number of Board and Committee meetings attended by each director during 2015 is set out in the following table.

DIRECTOR	BOARD <sup>(i)</sup>		AUDIT COMMITTEE		HUMAN RESOURCES COMMITTEE		NOMINATION COMMITTEE		OHS & ENVIRONMENTAL RISK COMMITTEE		OTHER <sup>(iii)</sup>	
	A <sup>(ii)</sup>	B	A	B	A	B	A	B	A	B	A	B
<b>Current directors</b>												
Greig Gailey	10	10	4	4	4	4	4	4	4	4	9	9
Julian Segal	10	10	–	–	–	–	–	–	–	–	6	6
Trevor Bourne	10	10	4	4	4	4	4	4	4	4	6	6
Steven Gregg	2	2	–	–	–	–	1	1	–	–	3	3
Bruce Morgan	10	10	4	4	4	4	4	4	4	4	8	8
Barbara Ward	7	7	3	3	3	3	3	3	2	1	4	2
Penny Winn	1	1	–	–	–	–	1	1	–	–	–	–
<b>Former directors</b>												
Elizabeth Bryan	10	10	–	–	–	–	4	4	–	–	6	6
Richard Brown	2	2	–	–	–	–	1	1	–	–	–	–
Barbara Burger	2	2	–	–	–	–	1	1	1	1	–	–
Ryan Krogmeier	2	2	–	–	1	1	1	1	–	–	–	–

Notes:

A: Number of meetings required to attend.

B: Number of meetings attended.

<sup>(i)</sup> Includes two unscheduled Board meetings.

<sup>(ii)</sup> All directors are invited to and regularly attend Committee meetings; this table lists attendance only where a director is a member of the relevant Committee.

<sup>(iii)</sup> Includes Board and Committee strategy sessions, workshops, site visits and special purpose committee meetings.

## Shares and interests

The total number of ordinary shares on issue at the date of this report and during 2015 is 270 million shares (2014: 270 million shares). The total number of performance rights on issue at the date of this report is 1,482,001 (2014: 2,018,111). 434,972 performance rights were issued during 2015 (2014: 676,620). 971,082 performance rights were distributed or lapsed during the year (2014: 1,096,156). On vesting, Caltex is required to allocate one ordinary share for each performance right. For each right that vests, Caltex will purchase a share on market following vesting.

## Non-audit services

KPMG is the external auditor of Caltex Australia Limited and the Caltex Australia Group.

In 2015, KPMG performed non-audit services for the Caltex Australia Group in addition to its statutory audit and review engagements for the full year and half year.

KPMG received or was due to receive the following amounts for services performed for the Caltex Australia Group during the year ended 31 December 2015:

- for non-audit services – total fees of \$299,000 (2014: \$78,500); these services included taxation services (\$103,400) and other assurance services (\$195,600), and
- for audit services – total fees of \$1,000,500 (2014: \$995,900).

The Board has received a written advice from the Audit Committee in relation to the independence of KPMG, as external auditor, for 2015. The advice was made in accordance with a resolution of the Audit Committee.

The directors are satisfied that:

- the provision of non-audit services to the Caltex Australia Group during the year ended 31 December 2015 by KPMG is compatible with the general standard of independence for auditors imposed by the *Corporations Act*, and
- the provision of non-audit services during the year ended 31 December 2015 by KPMG did not compromise the auditor independence requirements of the *Corporations Act* for the following reasons:
  - the provision of non-audit services in 2015 was consistent with the Board's policy on the provision of services by the external auditor
  - the non-audit services provided in 2015 are not considered to be in conflict with the role of external auditor, and
  - the directors are not aware of any matter relating to the provision of the non-audit services in 2015 that would impair the impartial and objective judgement of KPMG as external auditor.

## Company secretaries

The following persons served as company secretaries of Caltex and the Caltex Group during 2015.

### Peter Lim

Mr Lim is Caltex's Executive General Manager, Legal & Corporate Affairs. In this role, he serves as Secretary to the Board and Nomination Committee and as a company secretary for various companies in the Caltex Group.

Mr Lim was appointed to the Caltex Board as Company Secretary in April 2011. He joined Caltex in 2006 after spending a number of years as a lawyer in private practice. Mr Lim was appointed to the role of Assistant General Counsel in 2009 and was later appointed Company Secretary and General Counsel (January 2012).

Mr Lim holds a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales.

### Nawal Silfani

Ms Silfani joined Caltex in 2014 and was appointed to the Caltex Board as Company Secretary in December 2014. She served as Secretary for the Audit Committee, the Human Resources Committee and the OHS & Environmental Risk Committee, and was the company secretary for various Caltex Group companies.

Ms Silfani previously held similar roles in high profile ASX 100 companies and has extensive experience at a top tier Australian law firm, where she focused on corporate law and governance.

Ms Silfani holds various undergraduate and postgraduate qualifications in law, corporate governance and risk, including a Master of Laws from the University of Sydney. She is a member of the Australian Institute of Company Directors, the Law Society of New South Wales, the Association of Corporate Counsel and the Governance Institute of Australia.

Ms Silfani resigned as Company Secretary in February 2016.

## Indemnity and insurance

### Constitution

The Constitution of Caltex Australia Limited provides that, to the extent permitted by law and subject to the restrictions in sections 199A and 199B of the *Corporations Act*, Caltex indemnifies every person who:

- is or has been a director or secretary of Caltex
- is or has been appointed a director or secretary of a Caltex subsidiary at the request of the Caltex Board, against:
  - any liability (other than a liability for legal costs) incurred by that person as a director or secretary of Caltex or a Caltex subsidiary, and
  - reasonable legal costs incurred in defending an action for a liability or alleged liability incurred by that person as a director or secretary of Caltex or a Caltex subsidiary.

### Deeds of indemnity and insurance

During the year ended 31 December 2015, Caltex entered into deeds of access, insurance and indemnity with each of:

- Nawal Silfani on her appointment as a company secretary
- Barbara Ward on her appointment as an independent, non-executive director
- Steven Gregg on his appointment as an independent, non-executive director, and
- Penny Winn on her appointment as an independent, non-executive director.

Deeds of access, insurance and indemnity have previously been entered into by Caltex with current and former directors and secretaries.

Under the deeds, Caltex has agreed, in broad terms, to indemnify its directors and company secretaries (to the extent permitted by law and subject to the prohibitions in section 199A of the *Corporations Act* and the terms of the deed) against any and all:

- liabilities incurred as an officer of Caltex or a Caltex Group company (but not including liabilities for legal costs covered by the legal costs indemnity), and
- legal costs reasonably incurred in defending an action for a liability incurred or allegedly incurred as an officer of Caltex or a Caltex Group company and preparing for, attending or appearing in administrative proceedings or an investigation or inquiry by any regulatory authority or external administrator in respect of or arising out of or connected with any act.

Under the deeds entered into with directors and company secretaries, Caltex (either itself or through a Caltex Group company) is required to maintain and pay the premium on an insurance policy covering each director and company secretary (to the extent permitted by law and subject to the prohibitions in sections 199B and 199C of the *Corporations Act*). In each case, the obligation continues for a period of seven years after the director or secretary (as the case may be) ceases to be an officer or, if a proceeding or an inquiry has commenced or arises within this seven year period and this has been notified to the company, a further period up to the outcome of the proceedings or inquiry or when the company is satisfied that the proceedings or inquiry will not proceed.

### Contract of insurance

Caltex has paid a premium in respect of a contract insuring the directors and officers of Caltex against liabilities.

Details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance has not been disclosed as such disclosure is prohibited under the terms of the contract.

### **Rounding of amounts**

Caltex is an entity to which Australian Securities and Investments Commission (ASIC) Class Order 98/100 (CO98/100) applies. Amounts in the 2015 Directors' Report and the 2015 Financial Report have been rounded off to the nearest thousand dollars (unless otherwise stated) in accordance with CO98/100.

The Directors' Report is made in accordance with a resolution of the Caltex Board.



G Gailey  
Chairman



J Segal  
Managing Director & CEO

Sydney, 23 February 2016

**LEAD AUDITOR'S INDEPENDENCE DECLARATION**  
UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*

To: The directors of Caltex Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



KPMG

Sydney, 23 February 2016



Greg Boydell  
Partner

## DIRECTORS' DECLARATION

The Caltex Board has declared that:

- (a) 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
- (b) in the directors' opinion, the financial statements and notes for the year ended 31 December 2015, and the Remuneration Report, are in accordance with the *Corporations Act*, including:
  - (i) section 296 (compliance with accounting standards), and
  - (ii) section 297 (true and fair view)
- (c) in the directors' opinion, there are reasonable grounds to believe that Caltex will be able to pay its debts as and when they become due and payable
- (d) a statement of compliance with International Financial Reporting Standards has been included in note A to the financial statements for the year ended 31 December 2015, and
- (e) at the date of this declaration, there are reasonable grounds to believe that the companies in the Caltex Australia Group that are parties to the Deed of Cross Guarantee dated 22 December 1992 with Caltex Australia Limited (including companies added by Assumption Deed), as identified in note F1 to the financial statements for the year ended 31 December 2015, will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee.

The Directors' Declaration is made in accordance with a resolution of the Board of Caltex Australia Limited.



G Gailey  
Chairman



J Segal  
Managing Director & CEO

Sydney, 23 February 2016